

"EUROPEAN RURAL AREAS IN ACTION:
FACING THE CHALLENGES OF TOMORROW"

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1. The European rural development policy has come a long way from Cork, back in 1996, to Salzburg and now to Limassol. Rural policy first emerged as a territorial approach in Cork; it then found its place as the 2nd pillar of the CAP within Agenda 2000, side by side with previous horizontal measures for farm structures; it gradually evolved, with the new regulation currently in place, into a more integrated policy, addressing the broader challenges that agriculture and forestry, the environment and the wider rural economy require, in an increasingly challenging global situation.

The CAP reform of 2003 and the reform of Rural Development policy in 2005 streamlined the funding and programming tools, brought on board a broader range of actors and considerations and amplified its environmental consciousness.

There is no doubt room for further improvement in our RDP and we are working on it: the debates in this conference, especially in the keynote speeches and the workshops have contributed to bring forth some of the key issues we need to focus on in the agenda of the coming months, with possibly far-reaching implications for RD policy in the medium-long term.

2. What we have today is a full-fledged policy framework for 2007-2013 with a strategy centered around three objectives:

- to make agriculture more competitive -mostly a sector objective-,
- to protect the environment and the countryside – for the benefit of the entire society,
- and to strengthen the rural economy and to improve the quality of life in rural areas, -which is a wider and more territorial objective.

The Leader approach should help a more effective implementation of all these objectives, improving the capabilities of rural actors (governance). The newly initiated European Network, is expected to provide "oil for the engine", making easier exchanges and transfers between different rural actors, not only at national level but also using the wider experience of all European rural areas.

RD programs are co-financed and benefit from a contribution of EUR 90 billion from the EAFRD. Management is flexible and decentralized to enable the participation of all rural actors. Results are systematically monitored and evaluated.

The policy, I believe, is now entering its years of maturity, yet already evolving to face new challenges.

a) The Health Check has put to the forefront four new challenges: fighting and adapting to climate change, safeguarding the quantity and quality of our water, making the most of renewable energy and protecting biodiversity. Rural areas possess valuable natural resources and need to be active in mitigating and adapting to climate change, and need to be providing environmental services and public goods. Alongside a more competitive and market oriented agriculture, there is a place for supporting the provision of environmental public goods that are not rewarded by the market, provided objectives are clearly defined, results are measured, policies are evaluated.

b) But the new challenges are not only of an environmental nature: rural areas are facing new pressures from urban areas: newcomers who want to enjoy different lifestyles, immigrants looking for jobs for which past depopulation has depleted local labor supply, entrepreneurs seeking new business opportunities, tourists looking for rural amenities, commuters looking for accessibility. For rural areas to be viable and sustainable we need to respond on these various fronts in a more coordinated way.

Not all of these new challenges will be met by the 2nd pillar of the CAP, not even the environmental ones: this is clear. Many different sector policies with an impact on rural areas -infrastructure, environment, migration, communication,

education, health...- are likely to continue to maintain their sectoral approaches, each doing its bit with their own budget. We have to improve the coordination between different policies and the highly heterogeneous delivery systems we have today, simplifying further our bureaucratic procedures. As an administrator I believe that the task of better coordinating RP is necessary at all institutional levels (EU between different funds, at national, regional & local levels).

c) And, last but not least, it is a fact that agriculture in the economy is declining and that we have to look carefully into how the agricultural sector is supported within our rural development policy, more so after the thorough reform of the first pillar of the CAP. Agriculture has an important role to play in rural development, for which its share of GDP is only part of the picture. But it can only play this role effectively if it is fit for the emerging challenges. This is not a matter of shielding agriculture from global competition, of compensating farmers for all things that can go wrong – from sanitary risks to climate change and to today's financial crisis. Instead we need the policy to support farmers to modernize and restructure, to innovate and to produce the safe and high quality food consumers demand. Farmers need to be geared to take advantage of new markets and outlets. The rural development policy has to date successfully formed part of the process of CAP reform, and can contribute to making EU agriculture fit for global competition without relying on trade distorting support.

3. So, what have we learned so far and how can we best prepare the future?

a) Let me start with the basic recognition that the rural landscape in Europe today is far from static. To make policy we need first to better understand how and why rural areas are diverse and the ways in which they are changing. We have done work to understand better how to define rural areas and how to arrive at a policy-relevant typology, as well as to identify the drivers of change: why some areas have been successful in becoming attractive while others have continued to decline.

What makes rural areas specific is a mix of low population density and high transaction costs; farm structures of insufficient size, side by side with larger ones striving for different forms of competitiveness; not always sustainable forms of land use and land management practices; a limited labor pool availability; in many cases, lower than average incomes. Rural policy is therefore a complex exercise, but it is an essential one, if we want a policy that is proactive in addressing diverse needs and stays flexible as these needs change.

b) Not only is the rural world increasingly complex, but also the demands placed on rural areas today are increasing and go beyond agriculture. We expect agriculture to serve multiple functions: to provide safe and sufficient food in more sustainable ways, to contribute to our energy needs, to safeguard our natural resources and landscape. But we also expect rural areas to contribute to economic growth and employment (the Lisbon agenda) through the

diversification of economic activities and the production of amenities for visitors and modern services for its population.

These multiple functions should not be considered as separate silos, one next to each other, which may be assembled and disassembled at will: in fact these different functions interact and mutually reinforce each other when implemented together. For example, typical quality products attract visitors, which reinforce the importance of land and landscape management, which in turn attract new residents and make more likely the maintenance of the local school. And there are many more examples of such positive interactions between the different objectives pursued in our RD policy.

I am also convinced that the benefits (external economies) that farmers receive from wider rural development have been insufficiently considered so far: just think about the jobs (and additional income) the diversification of rural activities makes possible for farmers (they no longer need to leave the area to find a non-farm job), or about the expanded market access for farm products it creates, or the better services that diversified rural areas are able to attract and keep.

c) Armed with a better understanding of what we mean by "rural" we now need to put the accent on the second word: "development" in relation to the multiple functions just indicated. We have evidence that none of these functions alone is

able to "develop" rural areas, to make them viable. However, allowing them to work together may do the job.

Our policy has been shaped over the years by a compensation logic. But we have been gradually shifting to a "payment in exchange for services" logic (with the provision of environmental goods) and to a "support of investments" logic, with multiplier effects on the social and economic fabric of rural areas and their long term sustainability. We acknowledge that the market cannot do everything, especially in depopulated and deeply fragile rural areas, but also that there are things which the market can do, and this we need to support wherever and whenever it is possible.

I have listened with great interest to our discussions on how things are changing, what is working and what is not in the way we do things today. What has come out of our work yesterday and today confirms that such development is possible and that we already have case studies and best practices for achieving this.

4. Conclusions

To conclude I would like to state very clearly that what I have heard during these interesting days has not made me change my conviction (quite the contrary) that rural areas have particular features and need a fully fledged, specific rural policy, where the agriculture sector is central with its presence as

the main user of land, with its culture and history and interacts with wider activities of rural areas.

I would also like to bring together the key political issues for the future raised by Mariann Fischer Boel at the opening of our conference.

a) First of all, and we don't need to be shy about this, the money needs to be there to support rural areas in their diverse needs. The difficult discussions on increasing modulation in the 2003 reform and in the Health Check today as well as the challenge of the EU budget review that lies ahead of us show that this will take very good arguments and will be uphill.

Of course, this makes it all the more essential to target support, to look into measures critically, to develop indicators, to ask again and again the question: how can we get the most value for money? How can we improve targeting? How can we ensure that the needs we have identified are addressed, while ensuring the highest possible controllability? All these issues point to a central question: responsibility: we are after all accountable for the spending of public money. Our policy goals have to be achieved in a correct manner.

b) The second thing we need is to bring the different actors in RD closer together to promote synergies and produce multiplier effects. People are at the heart of our policy, not only farmers, not only half of Europe's population that lives in rural areas but the society at large. When we talk about rural

development, we talk above all about investing in social capital. When Jose describes the European network, what he is setting out is a way of doing things, bringing in farmers and all other rural stakeholders, making links between all elements of this very special comprehensive policy and across levels of government to share experiences, exchange best practices, stay open to deal with new challenges as these emerge.

And this is about engaging people at all levels from local ownership of projects to EU ownership of the broad policy framework.

c) Let me say a few words about the added value of the EU level: this is a very critical point. Rural areas are diverse in their needs and they need tailored approaches: this suggests a strong role for the local/regional level both in decision making and implementation. On the other hand, some of the challenges facing rural areas have a much wider dimension: think for instance of the environmental ones. But we have also learnt from past experience (both successes and failures) that no local area has been able to solve its problems on its own: to be competitive, appropriate technologies and good knowledge of non-local markets are necessary; safety and quality standards have common requirements defined at EU level; addressing climate change effectively requires good linkages with research centers and extension facilities; the acquisition of know-how to modernize rural areas has diffused more rapidly since the introduction of transnational cooperation and networking, because it contributes

to take actors out of isolation. Last but not least accompanying the reforms of the first pillar, a common policy, requires a European approach. If I have to sum up in two words I would say that mutual learning and a common discipline illustrate the European value added.

d) My final consideration refers to the relevance of Rural Development for the farming community: if rural areas are shaped by agriculture, the future of farming households will depend more and more on a healthy rural economy.

These arguments are likely to maintain their validity, and become even more pertinent in the future.

In the brochure presenting this conference, Mariann Fischer Boel has written that "rural development is where we hear music in the future": it is up to all of us to get the instruments to play together in a harmonious ensemble.

I would like to thank our Cypriot hosts for making this conference possible and all of you for your active participation.