Rural areas development as a field of intervention of the European Union Cohesion Policy after 2013

Sustainable rural development is one of the social, economic and territorial cohesion aspects of the European Union. In the current financial perspective 2007-2013 rural areas development is supported by the Common Agricultural Policy, which does not always contribute to improvement of their vitality and cohesion with urban areas. The main theses organising the analyses presented in this paper are as follows: The problem lies in the division of the funds into particular priorities of rural development and the rural development is still dominated by the agriculture approach. The European Commission and the Member States’ approaches to rural development focus on agricultural production and improving its conditions or environment protection. Cohesion Policy instruments intervention will be an essential condition for sustainable rural areas development. One of the key research issues concerned with rural areas development is territorial orientation in programming of the Structural Funds in the next financial perspective 2014-2020. Integrated rural development requires different instruments of development in order to stimulate non-agricultural economic, social and cultural activity of rural residents.

**Keywords:** European Union, rural areas, Common Agricultural Policy, Cohesion Policy, Structural Funds

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**Introduction**

Starting in the second half of 2011, negotiations on a new financial perspective 2014-2020 in the European Union (EU) provide an opportunity to review and assess the functioning of many policies aimed at contributing to the harmonious development of the EU’s regions and Member States (MS). Sustainable rural development is one of the social, economic and territorial cohesion aspects of the EU. Because rural areas cover 91 percent of the EU territory, inhabited by more than 56 percent of the population, it is worth being interested in their condition. This distribution is different in the individual MS, some such as Denmark, Ireland, Sweden and Finland are of typical village character, while others such as Malta, Belgium, the Netherlands and United Kingdom are relatively more urban.

Irrespective of the percentage share of rural areas in the state’s spatial structure, these areas are often characterised by social and economic backwardness, which can be observed by analysing specific indicators in relation to the development of urban and metropolitan areas. Lower ratios of GDP and employment, higher levels of unemployment, which are connected with the sectoral structure of the rural economy, demographic problems with a bigger percentage of people over 65 years of age in the population structure, female migration in the direction of urban regions, a low birth rate, as well as low quality of human capital constitute a barrier to the sustainable development of many European villages. The population living in rural areas is increasingly threatened by social exclusion and poverty due to lower revenue, but it also has a limited access to social and commercial services such as health, education and banks (EC, 2008). Especially regions more remote from the urban centres have a problem with accessibility.

At the same time, rural areas play important roles in society due to their diversity and their internal capacity. The most important one still concerns agriculture and food production, industrial raw materials and energy but, besides that, important roles are related to the state of the environment, landscape, settlements, tourism and recreation. They offer Europeans goods and services that do not exist in the city areas. Rural areas development is a challenge for the EU’s policies, which should reduce developmental barriers and promote the unique, specific rural potential in the interest of all citizens (Garzon, 2006).

This paper attempts to assess the EU’s Common Agricultural Policy (CAP) that has been conducted towards the rural areas between 2007 and 2013, and the Cohesion Policy tasks planned for the rural areas in the near future. The actions taken for the rural areas at Community level do not always contribute to improvement of their vitality and cohesion with urban areas. The paper does not refer to the sustainable development of agriculture issue nor environmental protection. In this aspect, the EU conducts the active and effective policy in the second pillar, whereby it influences the development of rural areas.

**Rural areas – the weakness of the Common Agricultural Policy 2007-13**

Rural development has been the subject of the second pillar intervention of the CAP of the EU since 2007. Establishing a pillar equivalent to the first (market) pillar proved to be a not very successful attempt to implement the idea of integrated rural development. The market-price policy is focused on the direct support of agriculture, while rural areas development is implemented according to the three thematic axes:

- improving the competitiveness of agricultural and forestry sector - economic axis
- land resource management - environmental axis
- improving the quality of life in rural areas and promoting diversification of rural economy - social axis (Michalewska-Pawlak, 2010)

The Leader approach has been added to the three thematic axes as Axis IV. It focuses on the development and implementation of projects by local partnerships in order to
stimulate the bottom-up activity of rural communities. Local Action Groups created under the initiative have the power to adjust policy development to their local needs. The EU has introduced a strategic approach to rural development by developing Community Strategic Guidelines for Rural Development and obliging the MS to prepare national rural development plans, taking EU priorities into account (EC, 2009).

This model appears to encourage the sustainable development of European rural areas, but only theoretically. The problem lies in the division of the funds into particular priorities of rural development. The European Agricultural Fund for Rural Development (EAFRD) has operated since 2007, to which over EUR 96 billion will be allocated until the end of 2013 (EC, 2005). Only 8 percent of total CAP funds have been directed to the country pillar, which means that rural development is still dominated by the agricultural approach. The main beneficiaries of the CAP are still farmers, forest owners and food processing enterprises. It is noted that the proportion of people working in agriculture, forestry and fisheries is only 8.3 percent of total employment in the EU. Although their number is steadily decreasing, the policy is justified on the basis of the important functions of the agriculture in society.

The problem is that most of the funds in the second pillar have been dedicated to reforms in agriculture and forestry sector, marginalising issues related to the development of non-agricultural economic activities, services, education, culture, human and social capital. The development of agriculture, food security, environmental protection, fighting climate change and conserving biodiversity are priorities for development across the EU. Still, the reduction of rural areas only to those aspects will result in the maintenance of the sectoral nature of European rural areas and outflow of other social groups that will not find in rural areas sufficient conditions for living, implementation of forms of economic activity alternative to agriculture and improvement of the quality of life. To maintain a balance between the individual elements of rural development, a minimum level of funding for the axes was established: 25% for axis II, 10% for axes I and III, and 5% for LEADER (EC, 2005). An analysis of expenditure by all of the MS shows that for implementation of each priority axis they will allocate: axis I - 33.7%; axis II - 43.9%; axis III - 13.4%; and axis IV - 6.1%.

It means that only 19.5 percent of EAFRD resources available in the second pillar will be spent on non-agricultural and non-environmental rural development aspects (EU, 2009). Malta (35 percent), the Netherlands (33.7 percent), Bulgaria (27.9 percent), Germany (28.5 percent), Romania (25.6 percent), Poland (23.2 percent), Latvia (20.1 percent) and Estonia (19.4 percent) have the highest levels of expenditure on axis III. Axis IV is most supported by Spain (11.3 percent), Portugal (10.1 percent), Ireland (10 percent), the Netherlands (9.9 percent), Denmark (9.6 percent) and Estonia (9.6 percent). Despite the great importance of agriculture and the environment to the condition of the European countryside, the problems and needs of other social groups must not be forgotten. Sustainable development implies not only care for the environment and its resources, but also economic development which can be used by all rural residents, measured by their access to educational services, health or information. Development cannot be considered as restricted to the heritage that we leave to future generations, without due attention to solving the current problems of rural communities.

The current CAP predominantly supports agricultural or agro-forestry functions in rural areas, condemning the non-agrarian, the economically mixed, the typical residential, or tourist areas to marginalisation. This sectoral approach to rural areas causes the development gap between rural and urbanised regions and among different types of rural regions. According to ESPON (2007), the CAP supports the central and rich regions more strongly than the less developed and peripheral regions.

Rural development in the light of the reform of the CAP after 2013

The current pan-European debate on the reform of the CAP also defines the future direction of operations relating to rural development. An analysis of the positions of the MS, European Commission (EC) and European Parliament shows that there is general agreement to maintain the second pillar of the CAP associated with rural development. The conclusions of the successive Presidencies include statements concerning states aiming at the growing importance of rural development in EU agricultural policy. On 13 December 2007 11 MS signed the Declaration on the CAP after 2013 initiated by Poland, which stressed the desire to ‘strengthen the second pillar’ after 2013 (PAP, 2011). Still, the main model for rural development has to be implemented based on investments in the agricultural and environmental sector. Rural development will be ensured by the innovative, competitive and sustainable agriculture that will provide consumers with quality food and other public goods. An equally important aspect of development remains the quality of the environment and biodiversity, while the conclusions ignored the issues related to the diversification of business lines and development of services in rural areas. This implies that the MS continue to promote the sectoral approach to rural development.

Analysing the content of the debate and the positions of individual MS, it can be noted that the subject is dominated by the conflict concerning direct subsidies and other market instruments, supporting farmers’ incomes. However, the current system of direct subsidies not only does not support the development of agriculture, but also preserves the rural development backwardness. It causes the hidden unemployment and the strengthening of the disadvantaged, fragmented agrarian structure, especially in the Central and Eastern Europe countries. For example, 2 hectare farms constitute 46 percent of farms in Poland and direct payments only intensify this fragmentation (CSO, 2010). The current system of direct payments encourages unprofitable farms and does not support farmers’ motivation for entrepreneurship and innovation. Direct payments are transferred regardless of directions of agricultural production, the size of farms and their contribution in the production of public goods. It does not
take into account the regional differences and the different needs of agriculture of the MS. This model of development has an exogenous character and makes the agriculture sector depend on social transfers (Grosse, 2007; Hardt, 2010). Sustainable rural development and sustainable development of agriculture are the common interests of all European citizens but the system of payments is too complicated, based on historical criteria and not transparent (Halmai and Vásáry 2010).

The EU’s institutions, both the Parliament and the EC, similarly interpret the path of development of rural areas, indicating in each of the CAP documents after 2013 that the future of rural areas depends primarily on the dynamics of growth and competitiveness of the agricultural sector. Rural areas are a source of supply of adequate quantities of safe food, and other public goods, including the quality of the environment. Integrated rural development remains marginal to the sectoral approach focused on agricultural production and improving its conditions. The EC’s Communication of 18 November 2010 (EC, 2010) indicates the need to strengthen the Leader initiative through increased funds for its implementation; simultaneously it will make attempts to increase the results orientation and quantify the goals. This announcement aims at increasing the effectiveness of Leader: however, it should not be forgotten that the initiative also brings ‘soft’ effects that are not measurable through quantitative indicators, which affect the relationships and trust between local authorities, the business sector and rural civil society organisations. The Leader approach is particularly important for the post-communist MS where passive attitudes among the rural residents predominate. The ‘hard’ effects generated by the Leader axis are as important as the idea of decentralisation of public policies and the method of activating local communities. The main aim of this approach is promotion and popularisation the bottom-up model of rural development (Chevalier and Maurel, 2010; Futymski and Kamiński, 2008). Research shows that local authorities try to dominate the structures of the Local Action Groups but even so the principles of operations of the LAG form strong links between authorities, the community and local firms (Zajda, 2011).

EC (2010) stresses that the development of other sectors of the rural economy, such as food processing, tourism and trade can be carried out only in the context of a strong and competitive agricultural sector. Adverse demographic changes in rural areas are of critical concern to the EC in the context of an aging rural population. Therefore, the EC plans to take several actions to enhance the attractiveness of agriculture as the economic activity of young people. A positive aspect concerns the indication by the EC of the need for sustainable rural development in the territorial aspect of strengthening human capacity at local level and to link rural areas with urban centres more strongly. However, there is a lack of specific actions that would serve the above objectives. Although the EC is responsible for making policy proposals, the Agricultural Council has the final word (Fouilleux, 2004).

A European Parliament resolution concerning the future CAP points out that, next to the development of agriculture, it should also contribute to the maintenance and development of rural communities and their cultural diversity. In contrast to the EC, the Parliament recognises the need ‘to reduce economic and social disparities between rural and urban communities so as to avoid increasing abandonment of land and the depopulation of rural areas, which intensifies the isolation of rural areas’. Referring to the adverse demographic change, the Members indicate the need to attract especially the younger generation and women to the rural areas, by creating various opportunities for their economic and social development. The Members also proposed specific measures intended to encourage these groups to settle in rural areas: low-cost loans for investment and training (EP, 2010). They can be a source of income diversification in rural communities in the future.

Rural areas – a challenge for cohesion policy after 2014

The new budget perspective, financial crisis and demographic problems in Europe will force EU decision-makers to review their approach to rural development and promote greater involvement of Cohesion Policy in their economic, social and cultural revitalisation. That will not be an easy process since it requires coordination with other policies, mainly with the CAP, but also environmental, social and innovation policies. Cohesion Policy has the necessary instruments in the form of Structural Funds – the European Regional Development Fund and the European Social Fund – which can be directed to finance regional development programmes prepared specifically for the needs of rural areas. Territorial orientation will allow a more flexible approach to rural areas. In the 2007-2013 financial perspective the Cohesion Policy funds are also designated for rural areas, but there is no objective separately dedicated to these areas. The effectiveness of implementation of this policy is determined by many factors. According to the subsidiarity principle, Cohesion Policy must to be completed with a state economic policy and be implemented in the appropriate institutional environment (Cappelen et al., 2003; Bradley, 2006). Its results will be more positive if public authorities, entrepreneurs and R+D institutions are partners and participate together in its implementation.

The programmes prepared by the MS, in consultation with regional and local authorities, should take into account the specific developmental needs of each region, based on its internal capacity. Only introducing the obligation to draw up a separate rural development programme can be a guarantee that the Community’s money will be designated for rural development. Implementation of this request would require a deviation from the rule of one funding operational programme. Only the development of rural infrastructure, innovation and entrepreneurship in individual and social dimension will enable sustainable rural development. It would force a start to the coordinated working between Structural Funds and the EAFRD and European Fisheries Fund. Moving away from the sectoral understanding of rural development policy in favour of integrated and bottom-up operations is a precondition for the effectiveness of this policy (Hardt,
2008; Puślecki et al., 2010). Specific legislative and administrative solutions should be designed to achieve the goal, not the other way round.

Involvement of Cohesion Policy in rural development would enable a significant expansion of the circle of beneficiaries of assistance, in relation to the status quo. It is all about local communities, local authorities, rural communities, and the non-agricultural business sector. Development should focus on economic aspects and should not marginalise the cultural dimension of the functioning of the village. European village are culturally diverse and this wealth should be maintained by preventing the unification and assimilation of these areas into urban areas. The culture of the village is very broad, covering both tangible and intangible assets. Rural architecture, local food products, handicrafts and folk art represent only a fragment of the rich cultural achievements of the European countryside. It includes also local traditions related to customs and ordinances including songs, dances and language (Bląd, 2010). The cultural layer of the rural areas can have a role in raising the incomes of rural residents through an appropriate marketing policy, for instance through the development of tourism.

Rural development should be implemented in the light of the Europe 2020 economic strategy and should be intelligent, balanced and conducive to social inclusion. Intelligent development means fostering knowledge and innovation by increasing the level of education, using information and communication technologies and their contribution to boosting entrepreneurship and job creation (Anon., 2010). Sustainable development refers to the full potential of rural areas, through investments in the environment, biodiversity preservation, animal welfare and the fight against climate change. Inclusiveness is associated with increased employment, social and spatial cohesion.

The future priorities of rural areas development and Cohesion Policy have strong ground in neo-endogenous development theory. According to some authors, the unique local resources such as climate, environment, landscape, social, cultural and intellectual capital are the background for long-term rural development. The internal forces for improving local capitals are needed simultaneously. The links between rural areas and their institutional, political and economic surrounding are so important. This theory emphasises that the key driving force of development is local institutional capacity for mobilising local resources and benefiting from interactions with the external environment (Ray, 1999; Shucksmith, 2010). In the light of these ideas the priorities are:

1. Entrepreneurship development which has not only individual but also social importance in rural areas. Rural areas are characterised by limited access to many services, compared to urban areas; therefore a part of the newly emerging economic entities not only provides jobs, but depending on the profile of their activity, contributes to increasing the quality of life in rural areas. There is special significance in the development of rural clusters and social enterprises. The main sectors of development are: small construction services, commercial, social, educational and consulting services, as well as tourism. It is also necessary to create local networks and advisory services for rural entrepreneurs and those wishing to undertake such activities in order to ensure their proper development and functioning. People leaving agriculture should have several opportunities to change their profession, which is conditioned by access to training, and career and business counselling.

2. Improvement of human and social capital is needed because only 15 percent of rural residents have higher education; hence there is a lack of qualifications for employment in sectors that require specific knowledge and skills. Lack of qualifications is not only a problem in taking up employment in the local labour market but it is also a source of social and digital exclusion. In this context the access to new technologies is as much crucial as the ability to use these technologies.

Citizenship education is as important as professional education. It should include activities stimulating local bottom-up activity, shaping the rural communities’ awareness and responsibility for their own existence. The effectiveness of the implementation of rural development policy depends on the inclusion of local communities in these processes, not only as recipients, but simultaneously as subjects of this policy (Wieruszewska, 1999). The success of many local initiatives is dependent on bottom-up activities of local civil society, strong system of information exchange, resources, and mutual cooperation (Trigilia, 2001).

3. Development of social infrastructure, which will contribute to increasing the quality of life and will encourage social and economic development of rural areas. It is necessary for the efficient conduct of business and for preventing rural areas from turning into dormitories for neighbouring cities. Kindergartens, schools, health centres, educational and cultural centres should create the rural infrastructure. This is a major challenge, especially in the terms of depopulation noted in rural areas and the limited ability of local authorities to cover the costs of use. On the other hand, due to the population ageing special facilities for senior citizens are required.

4. Improvement of communication links with urban areas, especially in a situation where rural areas are located near large cities, and providing them with residential and recreational facilities. Rural areas are the locations of industrial investment, hence in order to better integrate urban and rural areas there is a need to expand the transport networks. Improved communication links also facilitate increased access to employment for rural residents in neighbouring cities (Wellemans, 2010). Investments in information and communication technologies facilitate the location of ‘urban’ economic activities in rural areas. Scientific literature confirms the positive influence of the new technologies on rural areas development (Olechnicka, 2004; Galloway et al., 2011) but it has numerous limitations as well. The Internet plays a special role in stimulating rural business activity (online transactions, relationships with customers and suppliers, access to extended markets).

5. Changing the image of rural areas as attractive places to live and work - should seek to disseminate knowledge among society, promotion of rural areas, facilities resulting from living in the country, related to the high quality of life, access to the natural environment, clean air and good water and food quality, as well as peace and quiet. Only through real growth in the quality of life in rural areas and
promoting rural areas, not only areas of the agricultural sector domination, will we be able to stop the outflow of young people from villages to cities and to encourage Europeans to choose the village as a place to live. It not only requires real development activities, but also debunking stereotypes about rural areas.

Conclusion

To ensure the sustainable development of rural areas the simultaneous involvement of the CAP and Cohesion Policy is essential. While the development of agriculture, environmental protection and conservation of biodiversity are priorities of the CAP, the social, cultural, service aspects of rural development are marginalised in current policy. This leaves an area for future policy intervention which should focus on reducing disparities between rural and urban areas. Integrated rural development requires different instruments of development in order to stimulate non-agricultural economic, social and cultural activity of village residents. An increasing range of activities should be accompanied by the increase in funds for the implementation of rural development policy. In the light of the positions of the MS regarding the budget of the EU after 2013, it seems impossible; therefore, a realistic solution is to change the stress distribution in the current CAP and Cohesion Policy in line with a sharper focus on rural issues in the regional dimension.

Integrated and sustainable rural development can contribute to the greater social, economic and territorial cohesion of Europe, which will bring tangible benefits not only for rural people. Perceiving the rural areas development solely as an area of intervention of the CAP can encourage agricultural sector development but can also cause social and territorial marginalisation of rural areas.

References


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