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# **PROBLEMS OF WORLD AGRICULTURE**

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## **Development of rural areas through the CAP 2020 and Europe 2020 strategies**

**Abstract.** The phrase ‘rural areas’ mean not only the place for agricultural production and the living place of rural population, but also refer to all the traditions, landscape, environment and residents of these areas. Rural development is highly supported at the EU level and it helps to enhance the quality of life of rural residents and the economic performance of rural areas. According to some points of view, the excessive support should be cut down, but the primary objectives of the CAP should be maintained. The threats of the economic crisis appear more significantly in rural areas. What are the possible ways to increase the economic situation of these areas, where poverty is high, education level is low and the population is aging? Working facilities are mostly connected with agriculture, but the financial background and competitiveness of agricultural enterprises is rather low. The environment and landscape should be preserved. How can all these problems be solved at the same time? How can the environment be preserved in line with the development of the rural areas? The renewed CAP was outlined in November 2010. This paper tries to examine the visions of rural areas for the future.

**Key words:** CAP, Europe 2020 Strategy, rural areas, rural development.

### **Introduction**

The Common Agricultural Policy is the main EU guideline regarding agricultural production and rural farming communities, which has undergone several changes due to the global environmental, social and economic reasons. An extensive public debate was organised by the European Commission in 2010 and by the end of that year the European Parliament adopted a report on the CAP post 2013 [The common...2010] which fits the Europe 2020 strategy. The objectives of the Europe 2020 strategy [A strategy... 2010] and the future CAP have common features, as the agriculture is an integral part of the European economy and society. The reform of the CAP should be continued, and the main general objectives of the European Strategy shall be taken into consideration.

Europe 2020 is the EU’s growth strategy for the next decade to meet the challenges of the global changes and to meet the desirable levels of employment, productivity and social cohesion. The Europe 2020 strategy has set five key objectives (with regard to employment, innovation, education, social inclusion and climate and energy) to be reached by 2020. The member states shall adopt their own national targets in each of these areas.

This paper undertakes to examine the common objectives of these two documents, particularly in terms of rural development. The important role of rural areas’ development should be maintained in all the member states, because the threats of the economic crisis are greater in these areas. The funds for rural development measures may be decreased in the future, as according to different points of view the excessive EU support should be cut down, but the primary objectives of the CAP, namely to provide population with quality

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food, to guarantee food security, to meet environmental, public and animal health requirements and to preserve rural communities should be maintained.

The EU shall have to face the current economic crisis and its threats, such as poverty, market losses and lower production in the less favoured areas as well as to fight against the environmental crisis. How can all these problems be solved at the same time? How can the environment be preserved in line with the development of rural areas? How should it be financed?

Possible answers are outlined by the main objectives of the CAP 2020 and Europe 2020; the details of their implementation depend on particular member states.

## **Materials and methods**

The main purpose of this paper is to summarize the objectives and the related measures of the two most important European documents for the present decade and to find common features considering rural areas and rural communities.

The paper is mainly descriptive, a wide range of secondary sources were used including the international and Hungarian literature, EU policy documents, along with detailed information on rural development features of the former and the current programming period.

The comparison of rural development aspects of the Europe 2020 Strategy and the future CAP is based on different EU and national documents and the information collected during the public debate.

## **Results and discussion**

### **Evolution of rural development measures in the Common Agricultural Policy**

According to a standard definition, more than 91% of the EU territory ‘rural’, and this area is home to more than 56% of the EU's population. Rural development consists of different activities, the target of which is to help rural areas maintain the economic, ecologic and social functions. It covers local population and their living standards, their employment level, their income level and local infrastructure. Additional rural development aspects are connected with the cultural heritage and the environmental sustainability. The rural development policy consists of three policies, namely income, environmental and social policies.

Rural development objectives include preventing rural out-migration, combating poverty, stimulating employment and equality of opportunities as well as responding to growing requests for more quality, health, safety, personal development and leisure, and improving rural well-being [The Cork... 996].

Rural development objectives may be divided into agricultural and non-agricultural objectives. Agricultural objectives are directly connected with agricultural production, farming methods and protection of environment against negative impacts of agricultural activities. Non-agricultural objectives may comprise improving the quality of life in rural areas, promoting the use of local resources, protecting and maintaining the traditional

living and working heritage. The main rural development objectives are summarized in Table 1.

Table 1. Agricultural and non-agricultural objectives of rural development

Rural development	
agricultural objectives	non-agricultural objectives
<ul style="list-style-type: none"> <li>– improve efficiency of farming;</li> <li>– supporting sustainable agriculture;</li> <li>– prevention and maintenance of environment and landscape;</li> <li>– diversification of agricultural production, alternative activities, services;</li> <li>– afforestation;</li> <li>– reducing negative environmental impacts of agricultural production</li> </ul>	<ul style="list-style-type: none"> <li>– village renewal and development;</li> <li>– development of infrastructure;</li> <li>– supporting the production regional and local products;</li> <li>– development of alternative activities, tourism and manufacturing industry;</li> <li>– development of the recreational use of rural areas;</li> <li>– environmental protection;</li> <li>– protection of the cultural heritage and traditions</li> </ul>

Source: own elaboration.

The first Community rural development measures were applied in the early 1970s to farm modernisation, to encouragement of the cessation of farming and to socio-economic guidance and occupational training for farmers. In 1975, a directive on mountain and hill farming and less-favoured areas was added. The first direct payments were connected to supporting less favoured areas. In 1985, these were replaced by measures improving the efficiency of agricultural structures, which were introduced to promote investment in agricultural holdings, installation of young farmers, afforestation, land use planning and to support less favoured areas [Mańcz 2001].

The 1992 reform of the structural funds introduced new measures such as promotion of high quality products, renovation and development of villages and promotion and conservation of rural heritage.

In 1997, the Buckwell Report set out new ideas for evolving of the CAP, in which rural development and environmental aspects would play a more important role. According to this report, the CAP would be changed into CARPE, i.e. Common Agricultural and Rural Policy for Europe, the objective of which would be to ensure an economically efficient and environmentally sustainable agriculture and to stimulate an integrated development of the Union's rural areas.

The ideas of the Buckwell Report were built into the Agenda 2000, in which the Rural Development Policy as the Second Pillar of the CAP were introduced. Thus, in addition to the market measures (First Pillar), the rural development policy (Second Pillar) has become an essential component of the European agricultural model. The CAP reform of 2003 has confirmed that rural development was one of the fundamental elements of the CAP.

For the financial programming period of 2007-2013, four new axes were set out for the different agricultural and non-agricultural objectives, Axis 1 for improving the competitiveness of the agricultural and forestry sectors, Axis 2 for improving the environment and countryside, Axis 3 for improving the quality of life in rural areas and

encouraging diversification of the rural economy and Axis 4 (LEADER) for building local capacity for employment and diversification.

The 2009 reform (Health Check) introduced five new measures into rural development policy, which actuality is underlined by global challenges. These measures include combating climate change, development of renewable energies, water management, protection of biodiversity and promotion of innovation and accompanying measures for restructuring of the dairy sector.

### **New reform: CAP 2020**

Since its creation, the CAP has always been adapted to respond to the challenges of its time, as a result of different internal and external reasons. The main objectives of the CAP have changed in its historical development from increasing productivity (from the early years till 1992) through improving competitiveness (since 1992) to improving sustainability (from Agenda 2000) [Jambor & Harvey 2010]. Significant reforms have been made in the past decade, namely the CAP reform in 2003 and the Health Check in 2008, in order to modernise the sector and make it more market-oriented.

Several points of view have been formed in order to meet the challenges of the present days. There have been opinions about a CAP with three pillars: Food Market Pillar which concerns the marketing and economic objectives and measures, the Rural Development Pillar which is connected to the development of rural areas and rural society and, finally, the Environmental Pillar, which would contain environmental measures, e.g. connected with climate challenges. Other ideas suggested the re-nationalization of the CAP, where the policies would be determined by the member states separately.

In April 2010, the Commissioner for Agriculture and Rural Development Dacian Cioloș invited all EU citizens and organisations to join a debate on the future of the CAP, its principles and objectives. The debate centred around four main questions. Why do we need a common agricultural policy? What do citizens expect from agriculture? Why to reform the CAP? What tools do we need for the CAP of tomorrow? The extensive public debate, where 5600 contributions were received, was concluded with a conference in July 2010 [The Common... 2010].

In the course of these discussions, the majority of views expressed the idea that the future CAP should remain a strong common policy structured around its two pillars. Pillar I should be greener and equitably distributed and Pillar II should focus on competitiveness, innovation, climate change and the environment.

The three strategic goals of the future CAP are closely connected with the basic objectives of the CAP, but they are adjusted to the new economic, social and global challenges of the present time. These aims are to preserve the food production potential on a sustainable basis throughout the EU, so as to guarantee long-term food security for European citizens and to contribute to the growing world food demand, to support farming communities that provide the European citizens with quality, value and diversity of food produced sustainably, in line with our environmental, water, animal health and welfare, plant health and public health requirements and, finally, to maintain vivid rural communities, for whom farming is an important economic activity creating local employment.

These three principal challenges were identified by most of the contributions, so they became the future objectives of the CAP:

- viable food production: to contribute to farm incomes, to improve competitiveness of the agricultural sector, to enhance its share in the food chain, to compensate for production difficulties in disadvantageous areas and to provide European population with safe and sufficient food supplies;
- sustainable management of natural resources and climate action: to guarantee sustainable production practices and secure the enhanced provision of environmental public goods, to foster green growth through innovation which requires adopting new technologies, developing new products, changing production processes and to adapt actions to respond the challenges caused by the climate change;
- territorial balance and diversity of rural areas: to improve the rural economy and promote diversification to enable local actors to unlock their potential and to optimize the use of additional local resources, to allow for structural diversity in the farming systems, to improve the conditions for small farms and to develop local markets; thus, agriculture remains a major economic and social driving force in rural areas and an important factor in maintaining a living countryside [The CAP... 2010].

The main instruments of the CAP (direct payments, market measures and rural development) will remain, but they should be used in a more efficient way so as to respond to the three main objectives.

The formation of the Europe 2020 Strategy [A strategy... 2010] offered a new perspective for the CAP, as through its response to the new economic, social, environmental, climate-related and technological challenges facing our society the CAP may contribute more to the development of the smart, sustainable and inclusive growth.

### **Europe 2020**

Europe 2020 Strategy is a strategic document for the next decade that determines the most important directions for the European Union. Europe 2020 Strategy tries to assess the weaknesses of the previous strategy and presents a range of integrated policy reforms to be implemented in the next years in order to accelerate economic recovery and job creation. Its implementation does not require large public investments and has the greatest impact on growth and job creation.

In order to turn the European Union into a smart, sustainable and inclusive economy with high levels of employment, the EU has to address the challenges of global competition in an effective way, adjusted to the limitations of the Lisbon Strategy.

The Europe 2020 Strategy sets five headline targets, the global importance of which is growing currently and will be growing in the nearest future. These objectives are the following:

- employment: increasing employment of the 20-64 years old population to 75%, through higher employment of youth, the elderly, the low-qualified and through the increased integration of legal migrants;
- R&D and innovation activities: improving the conditions for research and development in such a way that private and public expenditure in this field together reach the total of 3% of the GDP;

- climate action and energy policy: reducing greenhouse gases emissions by 20% compared to 1990, increasing the rate of renewable energies to 20% in the whole of energy consumption and increasing energy efficiency by 20%;
- education and training: improving the level of education, reducing school drop-out rate to 10%, while increasing at the same time the rate of 30-34 year-olds completing higher education to a level of 40%;
- social exclusion and fight against poverty: promoting social inclusion, above all by reducing poverty and by eliminating the risk of exclusion for at least 20 million people.

In order to fulfil these goals, three priorities are put forward in the Europe 2020 Strategy which determine the exact way to reach the main objectives. The measures to be planned at national level shall be connected to these priority themes [A strategy... 2010].

- Smart growth: developing an economy based on knowledge and innovation by encouraging people to learn, study and update their skills, creating new products and services that generate growth and jobs and to use information and communication technologies.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy, improving the business environment.
- Inclusive growth: developing a high-employment economy delivering social and territorial cohesion.

The full range of the present EU policies and instruments must be used more effectively to achieve the Europe 2020 objectives. These are, in brief, deepening the single market by improving and supporting entrepreneurship and giving support to the marketing of products and services made in the EU, to make the fullest possible use of the currently offered EU funds (ERDF, ERF and Cohesion Fund) as well as using external policy tools to make real partnerships with the non-EU countries.

In addition to these existing EU instruments, the Commission has presented the following seven flagship initiatives to catalyse progress under each priority theme [A strategy... 2010]:

- Innovation Union to improve financing of research and innovation;
- Youth on the Move to enhance the performance of education systems;
- A Digital Agenda for Europe to reap the benefits of a digital single market;
- Resource Efficient Europe for sustainable economic growth;
- An Industrial Policy for the Globalization Era to improve the business environment, especially for SMEs;
- An Agenda for New Skills and Jobs to modernise labour markets;
- European Platform against Poverty to ensure social and territorial cohesion.

The main objectives of the seven flagship initiatives according to the three priorities are detailed in Table 2.

In the autumn of 2010, the member states, in a close co-operation with the Commission, worked on setting national targets and on developing strategies for their implementation. Drafts of their National Reform Programmes were presented by mid November, indicating their envisaged national targets and the necessary reforms to reach these targets and to remove long-standing barriers to growth. The fact that each member state sets its own level of ambitions as regards the overall Europe 2020 targets is an



important element of this strategy, ensuring that national targets are subject to an internal political debate [The Common... 2010].

Table 2. Europe 2020 priorities and flagship initiatives

Headline targets		
Smart growth	Sustainable growth	Inclusive growth
<p><b>Innovation</b></p> <p>‘Innovation Union’ improves framework conditions and access to finance for R&amp;D and innovation so as innovative ideas can be turned into products and services that create growth and jobs</p> <p><b>Education</b></p> <p>‘Youth on the move’ enhances the performance of education systems and facilitates the entry of young people into the labour market</p> <p><b>Digital society</b></p> <p>‘A digital agenda for Europe’ speeds up the use of high-speed internet and helps the e-administration for households and firms</p>	<p><b>Climate, energy, mobility</b></p> <p>‘Resource efficient Europe’ helps to decouple economic growth from the use of resources, to support the shift towards a low carbon economy, to increase the use of renewable energy sources, to modernise our transport sector and promote energy efficiency</p> <p><b>Competitiveness</b></p> <p>‘An industrial policy for the globalisation era’ improves the business environment, notably for SMEs, and supports the development of a strong and sustainable industrial base, to compete globally</p>	<p><b>Employment and skills</b></p> <p>‘An agenda for new skills and jobs’ supports modernisation of labour markets and empowers people by developing their skills throughout the lifecycle with a view to increase labour participation and to better match labour supply and demand, including labour mobility</p> <p><b>Fight against poverty</b></p> <p>‘European platform against poverty’ ensures social and territorial cohesion so that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion can live in dignity and take an active part in society</p>

Source: own elaboration, using the information of Annex 1 of EC communication [A strategy... 2010].

The national targets of Hungary are detailed in the National Reform Programme of Hungary, the draft of which was developed after a public consultation and sent to Brussels in November 2010. The final version of the National Reform Programme of Hungary that is based on the Széll Kálmán Plan of the Government was released in April 2011 [National... 2011]. The National Reform Programme of Hungary is partly based on the corrections of the New Hungary Rural Development Programme for the 2007-2013 programming period.

The 5 strategic targets cannot be separated from rural development activities. Considering the social features, the employment level of the rural population is low, the educational level is rather poor, the society is ageing and the poverty is relatively high in the rural areas. These aspects may be connected with the following strategic targets: Employment, Education & Training and Social exclusion & Fight against Poverty.

The National Reform Programme of Hungary sets out 3 measures for the targets of ‘Employment’ that can be associated directly with the rural areas, namely ‘Increasing rural employment through agricultural, rural development, food and environmental programs’, ‘Development of the institutional system for vocational training’ and ‘Adjustment of the educational system to labour market requirements’. The measures of ‘Education & Training’ are more general, but the improvement of the vocational training system and the prevention

of early drop out of school may give several opportunities for the rural residents. ‘Social exclusion & fight against poverty’ is another group of measures that show direct connections with the rural areas. Some of the measures like ‘Expansion of the provision of free food for children programme’ may give good opportunities for local food production, but all the measures can be connected with most of the population of rural areas. The ‘R&D and innovation activities’ should be forced in the fields of agricultural production, new technologies, in environmental and energy aspects, using renewable energy sources in particular. These measures are closely related to the objectives and measures of Axis 1. Innovation and overall development is needed for improving competitiveness of the business sector. Sustainable and environmentally friendly agriculture and food production, biofuel production, afforestation, the reduction of GHG emissions are such activities which may be connected with the strategic objective of ‘Climate action & energy policy’. The measures of this policy are the most important for the rural areas, as reducing the negative impacts of climate change and sustainable or organic food production are also underlined by CAP objectives and the specific measures of Axis 2, 3 and 4.

## Conclusions

Europe 2020 is a key European document which outlines the future of the European Union in economic, social and political aspects. The headline targets of this strategy are in close connection with other strategic documents. The Common Agricultural Policy is one of the most important EU policies which determines the objectives of the European agriculture and the rural communities.

While examining different references and EU documents it can be stated that the reformed CAP may contribute to all of the priorities of Europe 2020 strategy. Strengthening R&D actions in the sector of agriculture and using innovative technologies in food production may contribute to smart growth. Sustainable growth may be reached by those environmental measures which are determined by the CAP, as the European agricultural model takes both competitiveness and environmental issues into consideration. Efficient management of resources and the production of public goods are underlined in the CAP and also contribute to sustainable growth. Inclusive growth is a crucial question in the aspect of rural population. Rural areas remarkably and irreplaceably contribute to jobs, but the uncertain income, the ageing population of the rural areas, the lack of new jobs that may be attractive for young people will not contribute to inclusive growth. This problem cannot be solved without supporting rural areas. The measures of the reform programmes and the measures of this programming period have several common features, thus their harmonisation may result in a better development of the rural areas.

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