European Rural Development under the Common Agricultural Policy's 'Second Pillar': Institutional Conservatism and Innovation

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Abstract

The EU Rural Development Regulation (RDR) was launched in 2000 as the new 'second pillar' of the Common Agricultural Policy (CAP), promoting sustainable rural development. The rhetoric surrounding the Regulation emphasised decentralised, participative delivery and a territorial and multi-sectoral focus – relatively new and unfamiliar principles for the CAP. Evidence from a European study of RDR Programmes is used to evaluate how this experiment has performed in the initial years, highlighting the need for further institutional adaptation to enable effective delivery. The relevance of lessons learned in the design and delivery of EU regional policy is also highlighted. The prospects for more effective adaptation are assessed in the light of the most recent sets of CAP reforms.

Keywords: Common Agricultural Policy / rural development / regional development / institutional learning

1. Introduction

1.1 Context and background to the Rural Development Regulation

The launch of the Rural Development Regulation (RDR) as part of the European Union's Agenda 2000 reforms to the Common Agricultural Policy (CAP) was seen by many to herald a new approach towards EU rural and agricultural policies. Hailed as the 'Second Pillar' to the CAP, it was hoped that the RDR would pioneer a territorially focused, multi-annually programmed support policy which would help to redefine the key goals of the CAP and demonstrate new ways in which these goals could be pursued (LOWE *et al*., 2002). The new approach adopted several of the features of earlier EU Structural Fund policies for lagging regions and contrasted starkly with the dominant instruments of 'Pillar 1' of the CAP, which remained sectoral and, indirectly at least, linked to agricultural production.

The RDR's genesis was linked by observers and the Commission (e.g. BRYDEN, 1998, CEC, 1997) with the rhetoric and principles espoused at the Cork Conference of November 1996. The then EU Agriculture Commissioner, Franz Fischler, convened this major European gathering on rural development in an attempt to build political and stakeholder support for his ideas on CAP reform. Commissioner Fischler talked about the need to move away from a narrow sectoral focus on the agricultural industry and towards a broader rural development policy, tailored to local needs and conditions and drawing in a wide range of partners. Above all, the policy objective should be "sustainable and integrated rural development", he argued. The declaration that emerged from the Conference, although not agreed by all participants nor endorsed by the Council of Ministers, spoke of *"making a new start* in rural development policy", and set out ten guiding principles. These emphasised: sustainability, particularly of natural and cultural resources; a multisectoral and territorial focus; the need for integrated, multiannual programmes; the importance of building private and community-based capacity in each local area through participation and decentralisation in design and delivery; and the need for monitoring and evaluation involving stakeholders.

The principles of the Cork Declaration departed significantly from the way the mainstream CAP then operated (under the Guarantee Section of the European Agricultural Guidance and Guarantee Fund or EAGGF), with a relative absence of obvious territorial characteristics (SHUCKSMITH et al., 2005). Since its inception in the early 1960s, the chief policy instruments of the CAP have been a mix of market stabilisation and support mechanisms for the major agricultural commodities produced by Europe's farmers – the so-called Common Market Organisations or CMOs (for cereals, beef, sheepmeat, dairy products, olives and wine). These mostly deployed centrally-designed price support and market intervention instruments, budgeted on an annual basis, which took relatively little account of territorial variability across the EU. The CMOs have accounted for the large majority of CAP annual spending (even in the period 2000-2006, the proportion will be 85%), most CMO spending is compulsory and fully EU-financed, and the market regimes have traditionally been the focus of most discussion in Agriculture Council meetings.

Since the early 1970s there have been other CAP measures, funded under the Guidance Section of the EAGGF, used largely to promote structural adjustments in agriculture. Unlike the Guarantee-funded CMOs, the Guidance Section allowed for multi-annual budgeting by the Member States and its structural measures were voluntary and only part-EU funded ('cofinanced'). Nevertheless, the measures were still specified in considerable detail in EU Regulations, so that their application was relatively standardised across the Community and insensitive to territorial variations. Thus, many Member States have long operated schemes for, say, investment aid to agricultural holdings or support for the processing and marketing of agricultural products, for which any farmer or food processing business that meets the EU criteria has been eligible to receive support, subject to available funds.

A small proportion of EAGGF Guidance aid was territorially delimited. Less Favoured Area (LFA) aid, introduced in the mid-1970s, was the first explicit, Community-wide instrument for geographically targeted support[1]. Subsequently, a new suite of CAP structural aids was added which was to be delivered through multi-annual strategic programmes as part of the regionally-targeted, area-based programmes funded jointly with European Regional Development and Social Funds, in the periods 1989-93 and 1994-9. These funds grew significantly in the late 1980s and 1990s and were used to support structural adjustment in the EU's most economic lagging areas (through so-called Objective 1 programmes) and in rural areas in need of economic diversification (the Objective 5b areas). Also, territorial zoning was initially seen as essential for Member States implementing the agri-environment schemes which were first introduced under Guidance funding in 1985, although this condition was relaxed when they were moved into the Guarantee budget to become much more substantial 'accompanying measures' to the CAP, in 1992. Nevertheless, all these territorially-sensitive measures have remained marginal to the CAP as a whole, in both financial and institutional terms. With the creation of the CAP's Second Pillar and its adoption of territorially-delineated, multi-annual programming (in line with the Cork principles), the Commission and the Council signalled their acceptance of an increased significance for territorially-based policy making and delivery, within the agriculture sphere (CLAN, 2002).

1.2 Formation of the RDR

The RDR brought together a range of CAP measures into a single regulation, in principle creating the opportunity for a more coherent and integrated approach. However, most of the measures were already established prior to 1999 and some were traceable back to the first farm structures aids of the 1970s. They included support for structural adjustment of the farming sector; support for farming in Less Favoured Areas; remuneration for agri-environment activities; aid for investments in processing and marketing; forestry measures; and aids for "the adaptation and development of rural areas" (Article 33) which were closely modelled on Objective 5b measures (see Figure 1). In bringing together all these forms of aid under a single menu, to be delivered via multi-annual programmes drawn up at 'the appropriate geographical level', the RDR presented for the first time a coherent, alternative operational model to the CMOs, within the CAP. Moreover, in broadening the geographical applicability and the potential eligibility for funding of these measures, the prospect was opened of non-farmers and non-agricultural activities having access to CAP supports.

[INSERT FIGURE 1 HERE]

This broad vision for the second pillar was echoed in Commission rhetoric. In setting out the rationale behind the Agenda 2000 reform proposals, the European Commission explained the purpose of the RDR as being to:

> lay the foundations for a comprehensive and consistent rural development policy whose task will be to supplement market management by ensuring that agricultural expenditure is devoted more than in the past to spatial development and nature conservancy (COMMISSION of the EUROPEAN COMMUNITIES [CEC], 1997, para 2.3).

Following agreement on the Agenda 2000 package in Berlin in April 1999, the Commission commented:

> The RDR aims to provide in a single, coherent package, support to all rural areas in three main ways: by creating a stronger agricultural and forestry sector; by improving the competitiveness of rural areas; and by maintaining the environment and preserving Europe's unique rural heritage (CEC, 1999).

This move towards a more territorial, multi-objective and decentralised orientation within agricultural policy was re-affirmed and extended in the most recent reforms to the CAP agreed in June 2003 and April 2004. The reforms included plans to shift a modest share of resources from Pillar 1 to Pillar 2 of the CAP from 2006-13, as well as introducing new scope for national and sub-national variation and discretion in the form and the targeting of Pillar 1 measures. Some Member States will use the opportunity to take more account of varied socio-economic and environmental needs, in implementing these reforms. As policy and institutional change thus build upon these new principles, it is particularly pertinent to examine the extent to which the RDR has actually embodied and enabled decentralisation and territorial responsiveness, as well as the pursuit of multisectoral goals, in its design and delivery. To what extent has the RDR in practice lived up to the rhetoric and the promise surrounding its genesis? And what broad lessons should be learned for future policy and institutional reforms?

1.2 Examining the implications of the new approach

This paper draws its institutional analysis principally from the detailed findings of a comparative study by the authors (DWYER *et al*., 2002) of the planning and early implementation of programmes under the RDR[2], across Europe. The study involved a co-ordinated series of national studies conducted in Austria (LUKESCH AND ASAMER-HANDLER, 2002), France (BULLER AND KOLOSY, 2002), Germany (SCHUBERT, 2002), Spain (BEAUFOY et al., 2002), Sweden (BRUCKMEIER AND HÖJ LARSEN, 2002) and the UK (WARD, 2002), and was informed by additional input from experts in Italy, Ireland, Denmark, and Portugal. It evaluated the extent to which the principles first declared at Cork and echoed in subsequent Commission statements were demonstrated in the programmes examined, and thus assessed their apparent potential to support sustainable rural development. The study material provides an insight into the process of institutional change and policy development in this particularly contested and complex area of EU activity. Similar concepts have been touched upon in other studies (e.g. TERLUIN and VENEMA, 2003, CLAN, 2002, SHUCKSMITH et al., 2005), but our particular focus in this paper is to extend the institutional and political analysis of these processes and their implications for rural development in Europe.

This paper first explores the extent of the transformation of policy achieved by the creation of the RDR, highlighting deep-seated conservatism in the design and implementation of programmes, and seeks to identify its practical and institutional causes. It then examines where and why there are, nonetheless, examples of innovative and apparently successful adoption of the 'new approach' heralded by the second pillar, identifying the influence of previous cohesion and agri-environment experiences in providing useful models and creating a legacy of positive institutional adaptation upon which the new programmes have built. A final section then considers key lessons from this analysis in the context of the current and future EU rural development framework, and briefly assesses the potential to use these insights in preparing for the next generation of rural development policies for 2007-13.

2. Assessing the Extent of the Transformation: Rhetoric Versus Reality

The preamble to the RDR talked of the need for programmes to achieve balance, coherence and integration in their use of measures to achieve the overall goal of sustainable rural development. From this perspective, the programmes were required to examine existing needs, opportunities and threats in economic, social and environmental terms, and to devise a specific mix of measures that will work in complementary ways to address these. The intention was that existing EU-wide measures should be more tailored to national and regional needs and circumstances, and more effectively combined with other (RDR, EU and national) measures to achieve more strategically coherent and responsive interventions. Thus variety in programmes was encouraged as a means of more effectively reflecting and meeting rural development goals, given the varying nature of Europe's rural areas.

2.1 Variability and its causes

RDPs in practice certainly exhibit great variety. In some countries, the RDR is delivered through a single national plan (as in Sweden, France and Austria) while in others it is delivered through regional programmes (Germany, UK) or via a complex mix of national and regional programmes (as in Spain). When programme plans and proposed spending are analysed for the period 2000-6 by country, they reveal a wide variation in the ways in which the RDR is planned to be used. For example, three countries (Sweden, Austria, UK) devote more than half their planned expenditure to aids for Less Favoured Areas and agri-environment, while two (Spain, France) put the majority of funding towards agricultural modernisation and infrastructure development. This variation can be presented and understood in a number of ways, and has been confirmed by other analyses (CLAN, 2002, CEC, 2003). To examine allocations and relative intensities of spend in more detail, Figure 2 presents the total planned spend over the programming period for the six EU Member States in the study, divided between the main measures of the RDR and expressed as intensity of aid per hectare of Utilised Agricultural Area, while Figure 3 does the same but expresses the figures as intensity of aid in relation to levels of farm employment (by Agricultural Work Unit). These two indices are used in order to attempt to provide a coherent basis for comparison[3].

[PRESENT FIGURES 2 AND 3 HERE]

From these figures, it can be seen that Austria has committed a much greater resource intensity to agri-environment and Less Favoured Area aids than France or Spain have done. Likewise, Germany and Spain focus a greater concentration of resources on Article 33 'rural areas' measures than the other countries, while Sweden devotes a higher intensity of aid to training, whereas this measure has attracted relatively low resources, overall. Such variability between countries might be taken at face value to indicate the success of the RDR in stimulating appropriately differentiated responses to variation in economic, environmental and social circumstances. However, when examined in detail, the differences in Rural Development Plans (RDPs) between countries were not found to correspond consistently to recognisable patterns of variability in economic, social and environmental factors. Rather, the differences tended to reflect a more complex combination of economic and political drivers within each country.

For example, environmental measures in programmes tended to be better resourced in countries with relatively high environmental standards and relatively secure environmental assets (*e.g.* Sweden, Austria), whereas those countries (*e.g.* Spain) with major threatened environmental assets gave these measures far less emphasis in their programmes. Even within individual countries, variability appeared to suggest different interpretations of rural development needs between programmes, rather than differences in territorial characteristics and needs. For instance in Spain, where issues of rural depopulation and the collapse of rural social infrastructure are explicitly recognised in its RDPs, the national 'horizontal programmes' under the RDR support farm modernisation and structural change to improve incomes in ways that are likely to exacerbate these problems, while a number of regional programmes use other RDR measures to try and counter these effects.

If the distinctive national patterns of expenditure under the RDPs do not reflect variations in rural and environmental conditions, what is their origin? From more detailed examination, it becomes evident that much of the specificity in the patterns of expenditure in the national and regional RDPs was present already in the differential use by Member States of the measures that were the precursors of the RDR. Those countries with historically strong agri-environment programmes (such as Austria and Sweden) have retained these as by far the largest elements in their Rural Development Programmes. Others (such as France and Spain) for whom the conventional modernisation of farm structures and production and processing methods was prioritised in the past, continue the same pattern under the RDR. In large part, the Member States simply rolled forward into the RDR programmes and initiatives that they had been committed to supporting in previous years.

2.2 Pragmatic drivers of conservatism

We identify several reasons for this apparent conservatism. First, as noted earlier, the RDR came about through the amalgamation of a range of pre-existing EAGGF regulations offering aids for CAP accompanying measures and rural development. Thus the detailed 'toolkit' is not new, even though it has been reassembled and presented in a new way by being made part of a single Regulation which must be delivered through territorially coherent programmes. Within the Regulation, the wording describing many of its constituent measures is virtually unchanged from that which applied to similar, but separate, instruments in the 1994-9 period.

Second, the planned EU budget for the RDR is small in relation to the total CAP and Structural Funds budgets available to the Member States (Figure 4) and, by comparison with what countries had been receiving for predecessor measures, it represented only a modest increase in resources. In 1998, the EU-15 were allocated €6.0 billion of EAGGF funds to fund the CAP accompanying measures and the rural development measures under the Structural Funds. For the period 2000-2006, the total EAGGF funding allocated to all measures of the RDR in the EU-15 would rise from €6.2 billion to €7.1 billion per annum, under the Agenda 2000 settlement. From 1998 to 2000, therefore, there was just a 3 per cent growth in funding for RDR measures, with an additional modest increase of 15% planned by 2006.

[INSERT FIGURE 4 HERE]

Third, the individual EU allocations made to Member States under the RDR were based upon criteria which gave prime importance to past levels and efficiencies of spending on its various predecessor and constituent measures. This was partly in recognition that some measures, in particular the agri-environment aids under the former Regulation 2078/92, involved commitments to fund multi-annual contracts that could continue beyond 2000, and would thus run on into the new programming period. However, by avoiding any attempt to adopt alternative, more needs-based criteria, the EU allocations effectively constrained the scope for the development of new policies and schemes.

Fourth, Member States' ability to develop a more ambitious response to the new RDR was undoubtedly constrained by timing, in that the time allotted for preparing RDPs was relatively short. From the date when the Agenda 2000 reforms were agreed (April 1999), Member States and regions had just under nine months in which to put draft plans together. Further, detailed guidance on the format and presentation of plans was not produced by the Commission until June 1999. These short timescales were commonly cited by government officials as a prime reason why the contents of many RDPs did not look very different from predecessor measures.

These rather practical reasons why support patterns and priorities did not change much, following the introduction of the RDR, emphasise how existing implementation processes can critically compromise the policy ambitions behind the design and launch of new measures and, in particular, how the 'weight of the past' can constrain attempts to innovate in policy design and delivery. To the EU-15 Member States, the advent of the RDR did not herald a significant increase in 'new money' for agricultural and rural development. Evidence from the study suggests this was interpreted in many cases as offering few opportunities to even alter the balance of funding between measures, let alone to enable the development of new policy approaches or initiatives. Thus it is perhaps unsurprising that officials working in agriculture Ministries in most Member States (with the notable exception of France) were inclined to continue to operate the same schemes or policies as they had done before. As a result, in most countries the preparation of the Rural Development Plans became rather more of a 'repackaging' exercise than the fresh approach that had been intended in the aftermath of Cork.

In some Member States, notably the UK, the constraint of its historically low allocation to RDR-type measures during the 1990s was so significant that it provided a spur for the decision to apply voluntary 'modulation' to Pillar 1 CAP aids, in order to increase the money available for Pillar 2 programmes at national level, from 2000 (FALCONER and WARD, 2000; LOWE *et al*., 2002). Without voluntary modulation there would have been no scope to support any UK programme growth over the 2000-6 period, including the continued gradual expansion of agri-environment schemes to which both government and stakeholders had expressed commitment.

2.3 Institutional predisposition to conservatism

The evidence from national level analysis also suggests that limitations resulting from financial constraints, short timescales and the relative size of RDPs compared to other established funding programmes, were compounded by an inherent institutional conservatism within the national and sub-national structures surrounding the CAP, which acted against the adoption of a fresh approach to the second pillar. The CAP has always been a strongly hierarchical policy, prescribed centrally and offering little discretion to the national and sub-national officials charged with its implementation (compared, for example, with European environmental and nature conservation policy or cohesion policies). These agriculture officials tend, therefore, not to be used to operating in ways that require initiative and discretion, to foster innovation from the 'bottom up' and to tailor policy instruments and delivery to local needs and opportunities. Such institutional conservatism is reinforced by strongly clientelist links with national and regional producer interests. Any significant reprogramming of aids through the RDR would have involved winners and losers, and agricultural officials tend to have very limited scope for making such redistributive decisions on their own. The UK and France escaped this dilemma, and pursued the redistribution of funds through modulation, at the national level, from Pillar 1 to Pillar 2 of the CAP (FALCONER and WARD 2000, LOWE et al., 2002). However, this involved strong political leadership underpinned by a broader stakeholder support beyond the agricultural sector (which, ultimately, the French could not sustain – see below).

Institutional conservatism hampered the new system in terms of both policy planning (resources and measures) and the delivery apparatus (financial management and controls). Not only were the funding allocations at the EU level backward-looking, but so also were many of the rules and procedures governing the new programmes. Despite the official rhetoric promoting decentralisation, the second pillar's accounting and funding rules remained conservative and incipiently centralising. Figure 5 presents a simplified summary of the implications of these characteristics for delivery, which are described in more detail in the text that follows.

[INSERT FIGURE 5 HERE]

2.3.1. Early centralist EC guidance

Initially, the wording of the RDR and its implementing Regulation, in combination with the new CAP finance Regulation (also agreed under Agenda 2000) created ambiguity about the extent to which certain approaches applied under Structural Fund programmes could be used to deliver aid under RDPs. Some of the text of these Regulations was based upon previous CAP Pillar 1 procedures while some was taken from EU regional policy and Structural Fund programme procedures – two areas of policy with very different approaches to issues of territorial sensitivity and subsidiarity. Under Structural Fund programmes approved by officials in the Commission's Regional Policy Directorate-General, it had been possible for local delivery agents acting at a sub-regional level to take decisions about how best to deploy funds and measures, and thus which individual projects should be supported. In dialogue with the Member States between mid-1999 and late 2000, officials in the Agriculture Directorate-General (DG) were not all familiar with this approach and some believed it could not be applied to CAP funds, advising that instead, these bodies could only play a purely advisory or technical support role while funding decisions had to remain with central Paying Agencies. However, following further discussion between Member States, regions and EC officials, the Commission was obliged to review and clarify a number of key points relating to the precise operational parameters for RDP measures. These included critical questions for local rural development processes, such as the scope for operating 'delegated grant schemes' (*i.e.* projects with a central fund that they disburse to local recipients using tailored criteria, consistent with Programme goals and rules) and the ability of EU funds to support various kinds of administrative overhead associated with projects and initiatives. This led to successive amendment and then revision to the RDR implementing Regulations between 2000 and 2001, reflecting the learning process within DG Agriculture at the time, as a more locally flexible approach to Second Pillar delivery between Member States was gradually endorsed.

2.3.2 Paying Agencies

There were particular problems stemming from the fact that the EAGGF-Guarantee fund was the principal funding instrument for most RDPs under the RDR. This fund is annually accounted (*i.e.* expenditure under each measure — and even sub-measure for Article 33 — must be planned, committed and spent by individual year). It is also subject to a relatively high level of centralised control, in comparison with other EU funds (notably the Structural Funds). All funds must be disbursed via accredited Paying Agencies in each Member State, where the Commission has specified that the number of these agencies should be kept to a minimum in all countries and a single national paying agency is clearly favoured. To attain accreditation for EAGGF expenditure requires conformity to a standard set of rules and procedures which is seen as particularly onerous for all but large, centrally directed organisations. Because of this, officials at national and regional level within several Member States believe it to be more difficult in the 2000-2006 programmes to devise and implement locally tailored rural development schemes or projects that depend upon a high degree of partnership in both funding and delivery, than it was in the period 1994-9 when similar measures were supported under the EAGGF-Guidance budget, in Structural Fund programmes (Objective 1, 5b and 6).

2.3.3 CAP Coherence

Another factor that has constrained the local sensitivity of programmes is linked to the principle of coherence between the two pillars of the CAP. Under this, the use of all EAGGF funds in RDPs is subject to specific rules regarding the need to demonstrate compatibility with the goals and instruments of the Pillar 1 CAP regimes. These have limited and complicated the ways in which RDR measures can be applied. For example, it is not possible to use RDR funding under Articles 25-28 (aid for the processing and marketing of agricultural products) to support any product which is not listed in Annex 1 of the original regulations establishing EU support for primary agricultural products, and anyone receiving such aid must be able to demonstrate that the products will be supplying 'normal market outlets'. The original intention behind these constraints was to ensure that CAP funding went only to agricultural production and that it would not exacerbate surpluses in certain sectors. Today, in view of the broad reorientation of CAP policies and instruments that has occurred since these rules were drawn up, in particular the decoupling of Pillar 1 aids and the broader focus upon multifunctionality in agriculture and rural development, these restrictions appear increasingly arbitrary and inappropriate at the local level (MANTINO, 2003).

2.3.4. Institutional unfamiliarity

Whilst these issues might appear minor if occurring separately, collectively they have created an operational climate which discourages those responsible for RDR planning and delivery from seeing themselves as innovators in rural development, promoting new approaches and integrated strategic goals. This climate contrasts strongly with the positive and ambitious rhetoric upon which the Regulations are founded. Among the central administrations of the EC and national governments, where the programmes are mainly planned and delivered by agricultural institutions, this climate may be reinforced as a result of many years of delivering mainstream Pillar 1 CAP support. Under the CAP, the emphasis of institutional effort has increasingly (and especially since the 1992 MacSharry reforms) been on effective and centralised audit, policing and control of support, rather than positive or creative action. As a result, when the same officials are tasked to deliver in a more devolved and locally adaptive manner the new rural development policies, local stakeholders perceive a large 'credibility gap' between what the policies should be able to do in principle, and what they seem likely to do in practice, because of highly conservative implementation systems. Despite the claimed 'multifunctionality' goals of the RDR, relatively few countries or regions have yet allocated RDP planning and delivery responsibilities to novel, non-agricultural or cross-sectoral government institutions. Thus, the actors and institutions charged with delivering the new 'multifunctional' policy programmes under the RDR are perhaps some of those least familiar with the techniques, attitudes and approaches that these programmes ideally require.

3. Continuity and Change in European Rural Development

3.1 Learning from Past Experience

As we have seen, since its agreement in 1999 the RDR has been put into practice in a context that can be characterised by institutional conservatism from the Commission to the national, to the sub-national levels, allied strongly to the traditional character of the CAP. However, this conservatism has not entirely prevailed and this is illustrated by cases which demonstrate innovation and/or a broader grasp of the concepts embodied in the RDR rhetoric, at various levels. Other studies (JONES and CLARK, 2001; VALVE, 1999) have characterised the CAP and Structural Funds as layers of officialdom on officialdom but with the possibility of 'niches' in which innovation and an opening up can occur under certain circumstances. Valve, for example, compared the English experience of the Objective 5b programme for rural development in England with the experience in Sweden. Although in England, the EU programme was seen as hampered by complex regulatory and bureaucratic systems, new modes of partnership working were established which helped to progress environmental management in Objective 5b areas. Here we examine some apparent 'niches' in the rural development system in order to identify those factors that have favoured and hindered innovation – at different levels (commission, national, regional, local). Figure 6 summarises these factors and relates them to the specific examples discussed below.

[INSERT FIGURE 6 HERE]

3.2 Non-CAP influences – cohesion and LEADER experience

Local areas with prior experience of 'bottom-up', territorially grounded initiatives in integrated rural development, particularly LEADER I or II, seem more likely to have deployed the measures available under the RDR in imaginative or innovative ways. For example, the Spanish regional-level RDPs contain devolved sub-programmes called PRODER, which are devised and implemented via local action groups involving a mix of public and private sector partners. These groups commonly deliver an integrated package of aids derived from Articles 9, 33 and 25-28 of the RDR, and in Objective 1 areas these are integrated with European Regional Development Fund and European Social Fund aids supporting complementary regional development goals. PRODER was originally developed under the Spanish Structural Funds programmes 1994-9 to complement and expand the coverage of LEADER-style delivery arrangements in the country. Like LEADER in other areas, it has proved to be a popular and successful tool in the Spanish regions for supporting small-scale innovative rural development, particularly enabling local linkages between farm and non-farm businesses. The early evidence from Spanish programmes is that PRODER is a significant element underpinning effective and more territorially sensitive rural development (BEAUFOY et al., 2002, SHUCKSMITH et al., 2005).

In areas designated under Objective 1 for the period 2000-6, the 'non-accompanying' measures of the RDR[4] are delivered as part of the Objective 1 programmes and subject to EAGGF Guidance fund rules, which incorporate more scope for local flexibility than RDPs subject to EAGGF Guarantee fund rules, outside these areas. Evidence suggests that this increased flexibility can engender more effective rural development initiatives. One notable example exists in Sweden, where a successful initiative is promoting agricultural adaptation and value-added enterprise development in the remote northern part of the country. The Eldrimner project used RDR funding under the Objective 1 programme to develop a rural resource centre for the transfer of applied and practical knowledge in small-scale production and processing of rural products. The centre offers short courses in production methods including butchery, cheese making and berry and vegetable processing. Local traditions are blended with new technologies drawn from best practice across Europe. An annual promotional fair is hosted and the centre runs a small shop. Eldrimner also invested in the construction and use of a mobile dairy unit in 2002 that was made available to different farms over a period of time, to help local milk producers to gain skills and experience in diversifying into value-added products, direct sales and marketing. A significant number of local farms has used the centre and its facilities, bringing important benefits to the economy. In developing this initiative, the ability to combine the twin goals of training and investment in added value farm produce in a novel way, suited to local circumstances, was seen as critical to its success. Such an approach would have been much more difficult to achieve under the rules applying to RDPs funded outwith the Structural Funds, using EAGGF-Guarantee monies (BRUCKMEIER AND HÖJ LARSEN, 2002). A similar conclusion applies to the analysis of an innovative initiative in Saxony-Anhalt, Germany, called 'LOCALE', where local strategies developed by cross-sectoral partnerships in Objective 1 areas are given considerable discretion in designing and delivering mini-programmes for micro-regions (SCHUBERT, 2002). 'LOCALE' is a multi-sectoral and competitive local development approach which adopted many of the LEADER working principles and drew upon positive prior experience with village renewal schemes under former Structural Fund programmes. 'LOCALE' has apparently succeeded in creating a popular and adaptable model for sustainable rural development in the region which links farming and non-farm sectors and promotes environmental goals together with economic and social development objectives, such as tackling social exclusion (SCHUBERT, 2002). A similar set of characteristics is now promoted nationally across Germany through the federal-government-funded Regionen Aktiv programme, launched in 2002, which focuses specifically upon links between farmers, quality food and the local economy (DWYER et al., 2004).

As they have developed, EU Structural Fund programmes and Community Initiatives (including LEADER) have placed emphasis upon the importance of cross-sectoral and multi-institutional partnerships in designing and delivering policies to help rural areas adjust to change, echoing the thinking first expressed in the Commission's 1988 'Future of Rural Society' document. Thus in respect of RDR policies, territories which had already established strong local partnerships between key actors in rural development (*e.g.* policy makers, farmers, other businesses, voluntary and community groups), using these predecessor funds, seem to have been particularly well-positioned to make effective use of the RDPs. These factors indicate the importance of local 'capacity-building' and social capital in the form of strong community networks, as a means of stimulating rural development (see also COURTNEY AND ATTERTON, 2001). One other study has concluded that 'social processes are fundamental to rural development' (SHUCKSMITH et al., 2005, P.194). In many ways it can be claimed that the rhetoric surrounding the development and launch of Pillar 2 of the CAP has drawn heavily on the experience of the policy community that has developed to shape and deliver the Structural Fund programmes and their associated Community Initiatives, rather than a predominantly CAP-focused rural clientele. Certainly at the 1996 Cork Conference, experience with these programmes and initiatives (particularly LEADER) was strongly promoted. Hence when the current programmes and measures are evaluated there is an apparent correlation between stronger territorial sensitivity, multifunctionality and devolved delivery in the programmes, and areas and/or institutions which have had prior experience of Structural Fund and LEADER programming and delivery.

3.2 Non-CAP influences – adoption of the programming approach

Where the approach of having programmes designed by cross-sectoral partnerships was novel, interest groups have expressed appreciation for the way in which the adoption of Regulation 1257/1999 stimulated these developments. Outside Objective 1 areas, Member States faced a new requirement to consider and justify the application of the RDR measures as part of a single multi-annual, planned programme, explicitly requiring consultation with a range of stakeholders when plans were drawn up and programme measures selected and designed. This appears to have increased the degree of partnership between the agricultural administration and other rural interests, particularly those representing environmental and community groups, which was acknowledged by these interests as 'a step forward' in orienting programmes towards a broader and more territorially sensitive, sustainable development agenda. For example, in Austria, where the RDP looks almost the same as previous policies and is heavily dominated by the Öpul agri-environment scheme, the explicit requirement for a coherent programme involving stakeholders gave environmental NGOs new leverage. This encouraged the agricultural administration to take steps to improve the environmental effectiveness of Öpul and to promote integrated projects using other RDR measures alongside it to deliver environmental and economic benefits. Thus, for example, in the Sölktäler Nature Park, the park administration worked with a range of local stakeholders and co-ordinated activities with four other Nature Parks in the region, to devise an integrated series of RDR and LEADER + funded activities, combining Öpul with training in environmental management and business development, to produce and promote high-value, branded regional products to local consumers and tourists, as well as developing lectures, courses and excursions on nature conservation and new tourist trails (LUKESCH and ASAMER-HANDLER, 2002). Similarly, in the UK, more extensive strategic consultation and ongoing discussion with environmental and socio-economic stakeholders in England and Wales, during the preparation and early delivery of RDR programmes, led to strengthened partnership working and more integrated schemes and delivery systems. In England, partnerships between central and regional government officials and government agencies, farming unions and NGOs were developed and used to help in this process. In Wales, integrated delivery structures sought to ensure a coherent approach to farm-focused rural development aid in the 'Farming Connect' service which served as the gateway to access a range of RDR aids (WARD, 2002). Thus, by choosing to frame the new rural development regulations around the delivery model that had evolved to respond to the needs of EU regional and cohesion policy, the Commission and Council apparently gave a particular boost to institutional learning within the context of the CAP.

3.3 CAP-related influences – the agri-environment experience

The experience of France's approach to the RDR illustrates the importance of prior experience and institutional learning from a contrasting perspective. Here, the relatively rapid development and establishment of a new Agricultural Structures Act (the Loi d'Orientation Agricole 1998) drew its inspiration very much from sustainable farming schemes piloted under Regulation 2078/92 in the mid-1990s (the so-called Plans de Developpement Durable or PDD). PDD had involved locally-designed and integrated 'economy-environment-social' measures and delivery systems, tailored to the needs and opportunities of individual farm businesses or farming situations. The 1998 Loi set the stage for the French Rural Development Plan to become the principal delivery vehicle for a new, nationwide mechanism to promote multifunctional agriculture through farm-level contracts – the Contrats Territoriaux d'Exploitation (CTE). The CTE were in essence the 'brainchild' of Bertrand Hervieu, then special advisor to the Minister of Agriculture in Paris. The approach involved setting up a planning and delivery system to achieve the integration of farm business, environmental and social goals at the level of the individual farm, through a multi-faceted contract, assembled using a menu of measures tailored to suit the particular needs and opportunities of each Département across the whole French territory. The CTE were to promote multifunctionality through a process enabling significant territorial sensitivity, and to involve local economic, environmental and community stakeholders in the selection of measures appropriate to the local area, and in the scrutiny and approval of applications by farmers. CTE were described by the French Ministry as the embodiment of a new 'social contract' between farmers and the wider public, with the potential to incorporate and address many important concerns (BULLER AND KOLOSY, 2002). Yet the local and national administrations tasked with delivering the new system were given relatively little time and few new resources to adapt to its requirements and establish the new ways of working that these implied. Following its launch, the CTE programme encountered many problems in its attempt to meet what were, arguably, highly ambitious national uptake and expenditure targets. There was clearly insufficient prior consideration of the administrative implications of implementation, including the need to manage the complex interface between Départements, the central state and the EU's administration and control systems (made more complex by the attempt to part-fund the programme through a highly complex modulation system, in 2001, which was then suspended a year later). Local officials took industrial action at one point in protest at the increased administrative burden caused by CTE. Following the disbursement of monies raised through modulation and the need to spend these relatively rapidly in 2002, stakeholders claimed that the original CTE concept had collapsed in many areas in a frantic effort by the administration to spend its financial allocations, causing local discontent. These factors, combined with a change of government in Paris, led to the suspension of CTE in 2002 and replacement with a new and apparently less ambitious model – the Contrats d'Agriculture Durable (CAD) - in 2003. Thus, a conceptually ambitious and integrated mechanism for sustainable land management and economic development apparently failed to survive, due to insufficient acknowledgement by the central leadership of the need to strengthen and support institutional capacity and adaptation throughout the French agricultural administration, if the concept was to succeed in practice.

Despite its short policy lifespan, the French CTE experience was substantial. By October 2001, some 14,000 CTE contracts had been signed and a further 6,000 were under negotiation, with a total coverage of just over a million hectares of farmland. In several marginal areas of France, CTE were developed in close partnerships involving regional parks, local farm co-operatives and local chambers of commerce to promote new, more sustainable business development ideas on farms built around quality products and the maintenance of a high quality environment. In more productive areas, some CTE made significant progress in reducing the overuse of manures, fertilisers and pesticides and conserving water resources on farms, while improving farm profitability and animal welfare. In sum, the CTE experience represents a significant legacy of learning that can be passed on to successor policy mechanisms (BULLER and KOLOSY, 2002).

3.4 Active learning, exogenous and endogenous stimuli

Echoing previous analyses of rural development under Structural Fund programmes and the LEADER Community Initiative (e.g. MOSELEY, 2003, ROYAL SOCIETY FOR THE PROTECTION OF BIRDS, 1999, ÖIR, 2003), a number of common factors emerge from this study as key determinants of programmes' success in supporting sustainable development. Using the emergent rural development taxonomy (LOWE et al., 1995, BALDOCK et al., 2001), factors can broadly be categorised as either 'endogenous' (i.e. due to local action within particular territories) or 'exogenous' (i.e. resulting from regional or national-level policy management). As illustrated above, endogenous factors include the application of local institutional learning experience derived from a previous history of similar initiatives, or the prior existence of strong local partnerships and local actors with capacity to engage in policy delivery. At the same time, exogenous factors include central administrations making conscious decisions to devolve policies and empower local actors, and to change their own operational cultures, exhibiting an openness to cross-sectoral and more integrated thinking and working. In addition, as noted in other studies (SHUCKSMITH et al., 2005 provides a useful discussion), active multi- or cross-sectoral design of programmes and the delivery of groups of measures via single 'packages' or schemes, appears to have helped promote integration. In all cases, the importance of concerted and/or reflexive institutional adaptation in promoting more effective processes and outcomes, is apparent.

4. Conclusions and implications

4.1 Lessons learned

Our analysis of the RDR 2000-6 highlights the key role that must be played by institutional adaptation to a new style of policy making in the pursuit of sustainable rural development in Europe, drawing particularly upon prior experience from other policy arenas. Some of the problems can be characterised as 'teething troubles' or short-term phenomena which will no doubt be gradually resolved as administrators become more familiar with the policy and its potential. However, others reflect longer-term issues arising from the institutional framework established under the CAP and EU rural development policies, over the past 15 years. All have relevance to debates about the future expansion and further development of these instruments within the CAP, beyond 2006.

First, the evidence suggests that providing a new, or at least a reconstituted, toolkit for sustainable rural development from the various CAP structural and accompanying measures has not been sufficient to ensure its effective application at ground level. Effective institutional adaptation and follow-through are also critical, and these require the investment of more time and money in learning from past experience and encouraging cross-sectoral working, devolution and local empowerment, partnership formation and capacity building, to stimulate more balanced and sustainable outcomes. An emphasis is needed upon more effective mechanisms for learning within and between institutions, at all levels. Under the RDR, a broad range of rural development experience is accumulating on an expanded scale, and thus the value of information exchange and active promotion of good practice should be equally, if not more, potentially valuable than it was for LEADER (through the LEADER Observatory) during the 1990s.

Second, the analysis of weaknesses in institutional adaptation presented here highlights a need for much greater simplification and integration of the instruments and processes of EU rural development policy in future, learning lessons from the longer-standing experience of regional policies which have used a similar approach. There is a need to move away from the detailed design of measures and delivery systems in order that these tasks can be undertaken at more local levels, and instead focus more clearly upon the overall purpose, balance and desired outcomes of funding. Regulation 1257/99 achieved only a partial combination of old measures within the 'new clothes' of multiannual programming and territorial subsidiarity that were borrowed from the Structural Fund programmes. As the Structural Funds' territorial programmes have matured, they have been simplified to enable a greater degree of local application and flexibility in return for a strengthened emphasis upon the strategic focus, coherence and outcomes of programmes (MANTINO, 2003). If it is to embrace the principles of sustainable rural development more effectively, the CAP's Second Pillar needs to undergo a similar transformation, radically reducing the complexity of individual measures and increasing the scope for combining them effectively at local level. In return, the EU needs to develop more guidance designed to ensure clarity for programme planners and administrators about how such things as 'balance, coherence and compatibility' can be achieved and demonstrated, in rural development programming. These points were also identified by CLAN (2002) and discussed in some detail at the Second European Rural Development Conference in Salzburg in 2003 (CEC, 2004).

4.2 Future prospects

The key elements in the decision-making process that will shape the future of these policies at European level are the decision on the EU's finances for the period 2007-13, agreed provisionally in December 2005 and confirmed with more clarity in 2006, and the Council's September 2005 agreement on a new EU rural development regulation – the European Agricultural Fund for Rural Development (EAFRD).

The publication in February 2004 of the Commission's Financial Perspectives document proposed modest growth in resources and a new 'single fund' for all rural development programmes from 2007. However, it was already clear that Pillar 2 funds would remain dwarfed by the expenditure provisionally allocated to support for Pillar 1 of the CAP, not least as a result of the reform deal agreed in Luxembourg in July 2003. As the subsequent agreement on the EU financial perspectives has shown, in this broader context strong support for an enlarged and more effective Second Pillar was not assured. In essence, the December 2005 financial agreement demonstrated that the future form of the CAP remains a debate which is controlled largely by the dual and frequently opposing interests of 'agriculture' ministries and stakeholders on the one hand, and those concerned primarily with budgets but uninterested in the details of EU measures and their outcomes on the other. Under these conditions, the strengthening of multi-sectoral and territorially based policies for sustainable rural development under the CAP remains difficult. The 'second pillar' is clearly failing to command resources when set in direct competition with the much longer-established regimes of Pillar 1 of the CAP.

On a more positive note, although the European Agricultural Fund for Rural Development (EAFRD) Regulation agreed in September 2005 differs relatively little from Regulation 1257/1999 in its collection of measures and overall scope, it contains new provisions aimed at strengthening the strategic aspects of rural development planning and programming, as well as the setting up of national and EU-wide observatories to help exchange best practice. These elements should help to address some of the issues discussed in this paper. Furthermore, the accompanying Community Strategic Guidelines also encourage Member States to take an integrated and synergistic approach to rural development goals which, if followed through, could foster more appropriate policy design and delivery.

Nevertheless, the Regulation offers relatively little direct assistance or incentive to enhance simplification, integration and local flexibility in programmes. The greatest 'simplification' — the move to fund all RDR programmes from a single, bespoke fund in future rather than the current mix of EAGGF-Guidance and Guarantee – will make the tasks of oversight and control simpler for the European Commission and national administrations but arguably offers little by way of simplification to local delivery agents. The brigading of measures into 'axes' (each with minimum spending thresholds) attempts to improve the consistency of programmes between Member States, and promotes increased flexibility in the use of measures within each axis, but does not ease integration between them. The creation of a 'fourth axis' for LEADER-style delivery systems within programmes provides an instrument for promoting local flexibility and integration: however, the decision to require only a minimum of 5 per cent of programme spending on this axis suggests a relatively low priority for it.

Much rests, therefore, on the willingness of Member States and regions to address these issues further in their planning and implementation of the next round of programmes – building upon past successes and equally, learning from mistakes or weak performance. This also means being prepared to challenge conservative institutional cultures, planning for more successfully devolved delivery and seeking to improve programme performance through more open and streamlined processes. Remaining obstacles are likely to include a persistent centralised approach to programme audit and control within the EU's administrative apparatus, and continuing institutional inertia within the public administration in many Member States.

The funding constraints imposed by the December 2005 financial agreement limit the scope for the growth of Pillar 2. However, the commitment to a further 'mid-term review' of the CAP reform in 2008-9 at least opens up the prospect of progressive reform and the *redistribution* of a much greater share of CAP funds into Pillar 2 from Pillar 1. Our research indicates that the involvement of non-agricultural rural business interests, as well as environmental and social groups, would help create a growing constituency for such a reform process. However, the CAP's Pillar 2 will only be successfully championed if the lessons of the 2002-2006 programme are learned and institutional conservatism in RDR implementation is effectively overcome.

NOTES

1. Its genesis and implications are described in more detail in Shucksmith et al, 2005, Ch2 p.35)

2. The study also examined programmes under the SAPARD pre-accession instrument for Rural Development, with national studies in Hungary and Poland and additional input from a Slovenian expert.

3. A multi-annual comparator was used because aids include both one-off investment and annual compensatory measures. The division by agricultural land area reflects the overall

dominance of land management measures in the programmes, while the division by farm labour force attempts to relate funding to the main category of beneficiaries.

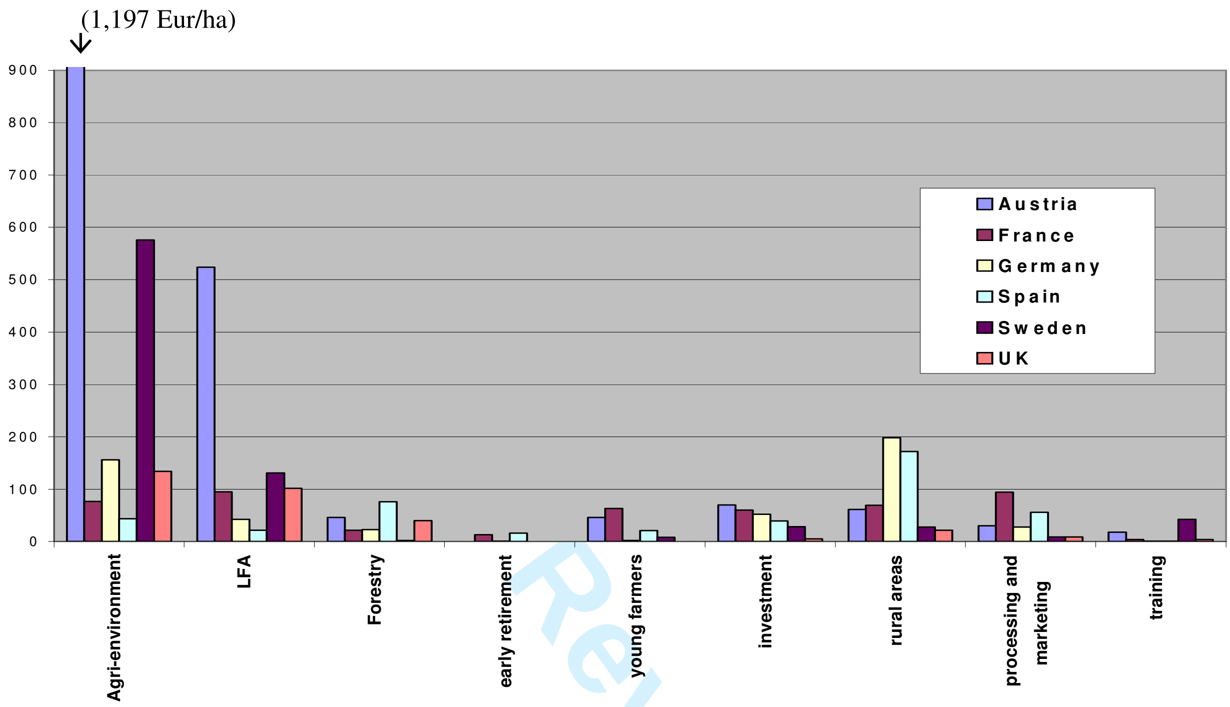
4. Under Regulation 1257/1999 these are defined as the measures for farm investments, training, marketing and processing, all forestry aids except first afforestation of farmland, and the Article 33 broader aids

Figure 1: Origins of the Measures in RDR 1257/1999, by chapter and article numbers

Measure	**Name**	**Origins**
Ch. I, Articles 4-7	Investment in Agricultural Holdings	1993 Structural Funds Regulation, Objective 5a
Ch. II, Art. 8	Setting up of Young Farmers	
Ch. III, Art. 9	Training	1993 Structural Funds Regulation, Objective 5b
Ch. IV, Art. 10-12	Early Retirement	1992 CAP reform Accompanying Measures – Regulation 2079
Ch. V, Art. 13-15, 17-21	Less Favoured Areas	Guidance/Structural Fund Regulation (1975)
Ch. V, Art.16	Areas with Environmental Restrictions	**New** in RDR
Ch. VI, Art. 22-24	Agri-environment	1992 CAP reform Accompanying Measures - Regulation 2078
Ch VII, Art. 25-28	Improving Processing and Marketing of Agricultural Products	1993 Structural Funds, Objective 5a
Ch. VIII, Art. 29, 30 & 32	Forestry	Article 32 **new**, others offered under 1993 Structural Funds, Objective 5b
Ch. VII, Art.31	Afforestation of Agricultural Land	1992 CAP reform Accompanying Measures - Regulation 2080
Ch. IX, Art.33	Promoting the Adaptation and Development of Rural Areas	All from 1993 Structural Funds Regulation, Objective 5b
- (i)	Land improvement	
- (ii)	Reparcelling	
- (iii)	Farm relief and management services	
- (iv)	Marketing of quality agricultural products	
- (v)	Basic services for the rural economy and population	
- (vi)	Renovation and development of villages and protection of rural heritage	
- (vii)	Diversification of agricultural activities	
- (viii)	Agricultural water resources management	
- (ix)	Development and improvement of infrastructure connected with the development of agriculture	
- (x)	Encouragement for tourism and craft activities	
- (xi)	Protection of the environment in connection with agriculture, forestry and landscape conservation as well as with the improvement of animal welfare	
- (xii)	Restoring agricultural production potential damaged by natural disasters	
- (xiii)	Financial engineering	

From DWYER et al, 2002

Figure 2: Total planned expenditure under RDPs by country and category of spending measures, per hectare UAA over 7 years



Source: DWYER et al, 2002

Figure 3: allocation of spend to different measures expressed as total Euro per agricultural work unit (AWU) over 7 years.

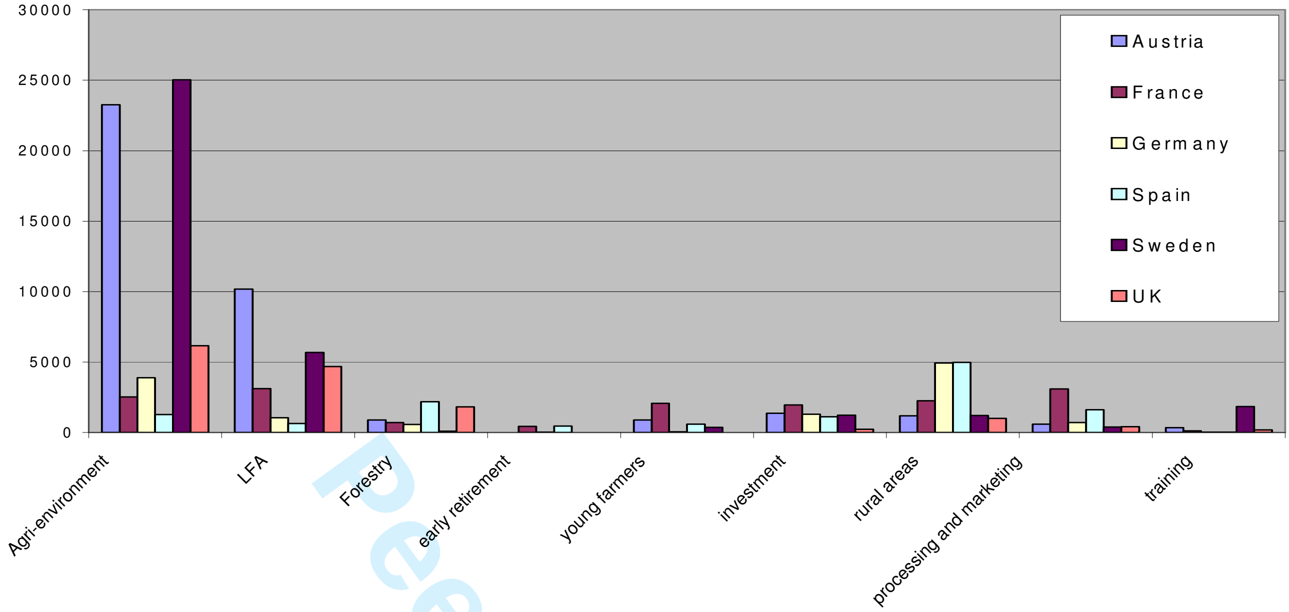
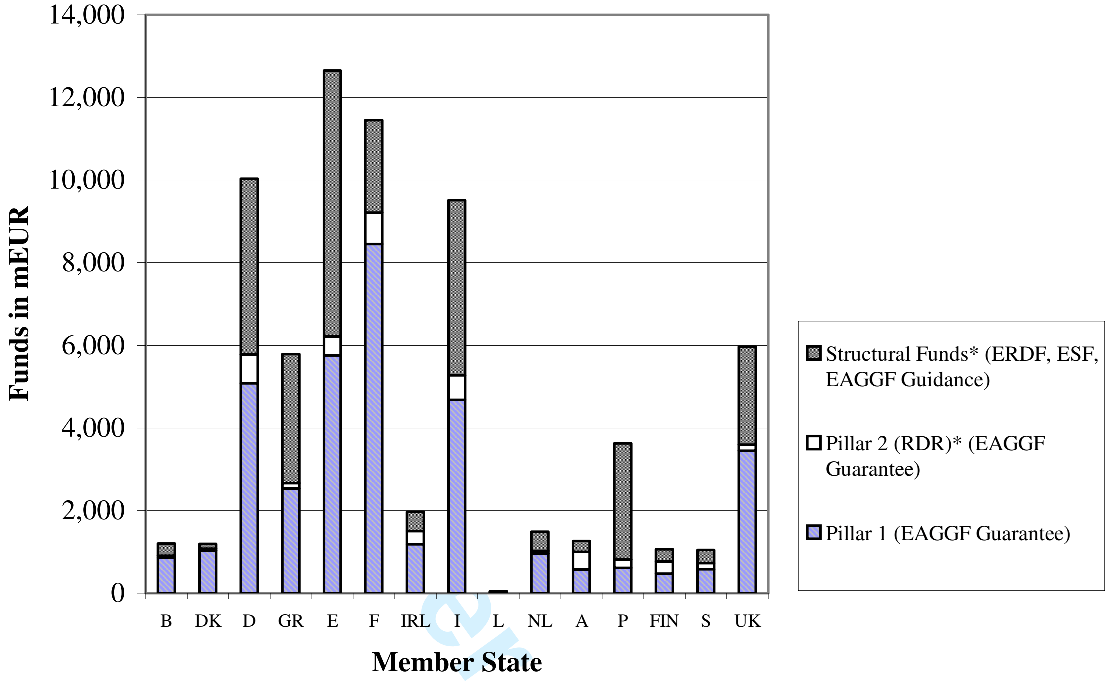


Figure 4: Structural Funds (ESF, ERDF and EAGGF-Guidance) in the Member States

Source: Agra Europe (2002), CEC (2001) & CEC (1999)



From DWYER et al, 2002.

Figure 5: How characteristics of RDR rules and procedures affected delivery

Characteristic	Implications for RDP delivery
1. Early centralist guidance: Strong EC emphasis upon centralised paying agencies and initial presumption that the 'final beneficiary' would be an individual farm business, in contrast to norms for Structural Fund programmes (presumption later overturned by amended implementing regulations).	Some Member States were reluctant to devolve RDR delivery to enable more territorially sensitive application.
2. Paying Agency: Funding came from the EAGGF Guarantee, not Guidance, budget, in the majority of areas. Therefore annual expenditure plans were required, and viring of significant monies between RDP measures **and sub-measures** was subject to advance EC scrutiny and approval.	Those preparing plans would have less trouble spending money if it was focused upon predictable measures which were already well understood by the administration, and local and temporal variability was curtailed.
3. CAP Coherence rules: aids subject to detailed constraints - e.g. the need to demonstrate existence of 'normal market outlets' for products assisted by marketing and processing grants, rules about eligible product types ('Annex 1').	Additional burdens for applicants and local administrators particularly if proposals were innovative: discouraged novel applications.
4. Institutional unfamiliarity: Most commonly, planning and implementation by agricultural Ministries with limited prior experience of promoting territorially sensitive and multi-objective economic development, more familiar with standard, centralised CAP procedure.	Institutional culture seen as conservative, preoccupied with regulation and control, not appropriate to stimulate or support local aspirations.

Figure 6: Examples illustrating key factors influencing successful innovation in Rural Development programming and implementation

Examples	**Factors**	**Exogenous or endogenous?**
• Eldrimner, Sweden • Locale, Germany • PRODER RDP measure delivery in Spain	a. Prior experience of LEADER built capacity for cross-sectoral thinking b. Objective 1 status enabled integrated design of RDR sub-measures at local level	a. Endogenous, positive (locally determined) b. Exogenous, positive (externally conferred)
• Solktäler nature park, Austria • England Rural Development Programme, UK	RDR Programming requirement enabled broader stakeholder involvement to enrich design and delivery of measures	Exogenous, positive (externally determined requirement)
• CTE, France	a. Prior experience of agri-environment built capacity for cross-sectoral thinking in some areas: provided a model b. Lack of concern for prior institutional learning undermined durability and workability of national roll-out of this model	a. Endogenous, positive (local initiative of Plans de Developpement Durables) b. Exogenous, negative (policy-makers failed to plan institutional change to enable new ways of working)

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