SECOND PILLAR OF THE CAP: RURAL DEVELOPMENT POLICY

The most recent reform of the Common Agricultural Policy (CAP) retained the two-pillar structure of the policy, in which rural development continues to be regarded as the 'second pillar of the CAP'. The general principles underpinning this pillar remain unaltered (cofinancing, multiannual national or regional programming based on a European 'menu of measures', etc.). The new system allows Member States more flexibility.

LEGAL BASIS

— Articles 38-44 of the Treaty on the Functioning of the European Union (TFEU);

— Regulation (EU) No 1303/2013 (OJ L 347, 20.12.2013) (common provisions concerning the European structural and investment funds);

— Regulation (EU) No 1305/2013 (OJ L 347, 20.12.2013) (support for rural development);

— Regulation (EU) No 1306/2013 (OJ L 347, 20.12.2013) (financing, management and monitoring of the common agricultural policy).

PURPOSE AND PRIORITIES

The European Union's rural development policy was introduced as the second pillar of the CAP during what is known as the 'Agenda 2000' reform. It is financed by the European Agricultural Fund for Rural Development (EAFRD). The purpose of the fund is to contribute to the implementation of the Europe 2020 Strategy (the European Union's strategy to promote growth and employment) by promoting sustainable rural development. The EAFRD is intended to help develop a farming industry which is balanced in regional and environmental terms, avoids damaging the climate, is resilient in a context of climate change and is competitive and innovative.

The six priorities for the new rural development policy for 2014-2020 are as follows:

— to promote knowledge transfer and innovation in agriculture and forestry (developing the knowledge base in rural areas; fostering links between agriculture, forestry and research);

— to increase the viability and competitiveness of all types of agriculture, promote innovative agricultural technologies and support sustainable forest management;

— to promote the organisation of the food production chain, animal welfare and risk management in farming;

— to restore, preserve and enhance agricultural and forest ecosystems (biodiversity, water and soil);

— to promote the efficient use of resources (water and energy) and support the transition to a low-carbon economy (renewable energy use, greenhouse gas emission reduction, carbon sequestration and storage);
— to promote social inclusion, poverty reduction and economic development (facilitating job creation, promoting local development and improving access to information and communication technologies).

As in the past, the implementation of rural development policy is based on the drafting by Member States (or Member State regions) of rural development programmes. These multiannual programmes should apply a personalised strategy which simultaneously meets the specific needs of Member States (or regions) and accords with the priorities of European rural development policy. The programmes are based on a combination of measures selected from a ‘menu’ of European measures detailed in Regulation (EU) No 1305/2013 and cofinanced by the EAFRD. The cofinancing rates vary according to the region and measure concerned. The programmes must be approved by the European Commission and must include a financing plan and a set of performance indicators. A common system for monitoring and assessing rural development policy is established in cooperation between the European Commission and Member States.

During the current programming period, the emphasis has been placed on coordinating action funded by the EAFRD with that funded from other European structural and investment funds: the cohesion policy funds (Cohesion Fund, European Regional Development Fund (ERDF) and European Social Fund (ESF)) and the European Maritime and Fisheries Fund (EMFF). Rules common to these funds have been drawn up (Regulation (EU) No 1303/2013) and include a common strategic framework to facilitate programming and sectoral and regional coordination of measures paid for by European structural and investment funds in the Union. On this basis, each Member State draws up a partnership agreement for the period 2014-2020, setting out how it will use European structural and investment funds in an integrated manner.

MEASURES ON THE ‘EUROPEAN MENU’

These measures cover the following areas:

— transfer of knowledge and information measures (training, information campaigns, etc.);
— advisory services, farm management and farm relief services;
— quality systems applicable to farm products and foods (new participation by farmers in quality systems);
— physical investment (processing of farm products, infrastructure, improving the performance and sustainability of holdings, etc.);
— restoring agricultural production potential damaged by natural disasters and catastrophic events and introducing appropriate prevention actions;
— development of farm holdings and undertakings (business start-up aid for young farmers, non-farm business operations in rural areas, etc.);
— basic services and renovation of villages in rural areas (broadband, cultural activities, tourist infrastructure, etc.);
— investment in the development of forests and improving their viability (afforestation and creation of woodland; establishment of agro-forestry systems, prevention and restoration of damage to forests from forest fires, natural disasters and catastrophic events, including parasite infestations and diseases, as well as threats from climate change; investment to

improve the resilience and environmental value of forest ecosystems and their potential for mitigating climate change; investment in forestry technologies and in processing, mobilisation and marketing of forest products);

- setting-up of producer groups and organisations;
- preservation of farming practices which have a beneficial effect on the environment and climate and foster the changes needed in this respect (agri-environment-climate measures). Inclusion of these measures in rural development programmes is compulsory. Commitments must go beyond mandatory standards;
- subsidies for organic farming (conversion or support payments);
- Natura 2000 and Water Framework Directive payments;
- payments for areas facing natural or other specific constraints;
- animal welfare payments;
- payments for forest, environmental and climate services and forest conservation;
- encouragement of cooperation between agricultural and forestry operators and those involved in the food production chain (creation of centres and networks, operational groups of the European Innovation Partnership for Agricultural Productivity and Sustainability — the 'EIP).
- Risk management toolkit: insurance for crops, livestock and plants; mutual funds for adverse climate events, animal and plant diseases, pest infestations and environmental incidents; income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers for a severe drop in their income;
- complementary national direct payments for Croatia;
- local development support under the Leader ('Links between the rural economy and development actions') programme;
- technical assistance.

The annex to the Regulation contains an indicative list of measures which could help to achieve the various priorities. In additional to this, the Leader approach is continuing. This is a local development approach pursued by local operators. The EAFRD also finances a European rural development network, whose purpose is to bring together national networks and national organisations and administrations working in the field of rural development in the European Union, and the EIP network, which links agricultural operators and researchers in order to promote exchanges of knowledge. In addition, the Regulation explicitly stipulates that Member States may implement thematic sub-programmes for young farmers, small agricultural holdings, mountain regions, short supply chains, women in rural areas, mitigating climate change and adapting to it, biodiversity and restructuring of certain agricultural sectors. In this context, some of these themes may be allocated more generous support from the EAFRD.

FINANCIAL ASPECTS

Under the 2014-2020 Multiannual Financial Framework, the EAFRD is allocated EUR 99.6 billion (at current prices and following transfers between pillars arising from the Member States' choices as to what CAP measures to implement). France (11.4 billion), Italy (10.4 billion), Germany (9.4 billion) and Poland (8.7 billion) are the four biggest beneficiaries of the EAFRD. If national contributions are included, the funding available under the second pillar of the CAP will amount to EUR 161 billion over the period as a whole. At least 30% of EAFRD funds must be allocated to investment in the environment and climate, the development of woodland and improving the viability of forests, 'agri-environment-climate' measures, organic farming and payments under Natura 2000. In addition, at least 5% of the EAFRD contribution must be spent on the Leader approach. The amounts and rates of support are set out in detail in Annex II to the Regulation. For example, business start-up aid for young farmers is limited to EUR 70 000, aid for quality systems to EUR 3 000 per annum, and, in the case of organic farming, aid for the growing of perennials to EUR 900 per annum.

IMPLEMENTATION

Over a one-year period (between December 2014 and December 2015), the Commission approved all 118 rural development programmes drawn up by the 28 Member States. Twenty Member States chose to implement a single national programme, and eight opted to use more than one programme (so as, for example, to reflect their geography or administrative arrangements). The arrangements for implementing the second pillar vary greatly from Member State to Member State, and even inside individual Member States. The preliminary data available show that many Member States have opted to continue with existing measures. The three measures from the European 'menu' most commonly chosen by Member States are physical investment (23% of total public expenditure), 'agri-environment-climate' measures (17%) and payments for areas subject to natural constraints or other specific constraints (16%) — the same as in the period 2007-2013. There have, however, been a number of changes, such as increases in funding for cooperation between farming industry stakeholders. Very little used has been made of the new features introduced in this programming period, such as thematic sub-programmes and financial instruments. Criticism has often been levelled at the complexity of the administrative arrangements for implementing the second pillar. Discussions on the future of the second pillar were launched at a European conference ('Cork 2.0') held in September 2016 (5.2.9).

ROLE OF THE EUROPEAN PARLIAMENT

The most recent reform of the CAP was the first to be adopted under the ordinary legislative procedure ('codecision') (5.2.3). The European Parliament played its role as co-legislator to the full, securing in particular a minimum threshold of 30%, as referred to above, and an EAFRD cofinancing rate of 85% in least-developed regions, outermost regions and the smaller Aegean islands (the Council wished to set that rate at 75%). At Parliament's behest, the maximum payment per hectare in areas subject to natural constraints or other specific constraints was set at EUR 450 per hectare rather than the EUR 300 initially proposed by the Commission and endorsed by the Council.

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