EUROPEAN FUNDS FOR A SUSTAINABLE RURAL DEVELOPMENT

FONDURI EUROPENE PENTRU O DEZVOLTARE RURALA DURABILA

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Abstract: *The common agricultural policy has always represented the driving engine of the European Financial Policy, allowing the development of rural areas in euro land. To support member states in the development ofcertain sectors or disadvantaged areas, there are also the so calledstructural funds, useful and necessary to allow the increase of the GNP(gross national product) of the members and therefore of the EuropeanUnion.*

Key words*: agricultural policy, financial programming, structural funds*

INTRODUCTION

The European Union is set in a global context of inter-state relations marked by increasing elements of supra nationalism.
The creation of the European Community and its slow and gradual evolution, have created a supranational organization, which, drawing legitimacy from treaties, invades the sphere of the state and profoundly conditions it.

The EU, since its onset[*], has always proposed the development of the States and fill the gaps[†] between its regions, whose deep differences have become ever more evident with the entry of new member states, starting from Great Britain and Ireland, followed by Greece, Spain, and Portugal ending with the opening to the east with the entry of ex Soviet Union states: Estonia,

[*] With the Treaty of Rome in 1957, the six signatory states (Italy, France, Germany, Belgium, Netherlands and Luxembourg) marked the birth of the European Economic Community, that is, an organization global in nature, involving the economy as a whole according to the idea proposed by Robert Schuman, the aim was to create a common market that could favour the balanced development of all member countries. It was on one hand to initiate negative integration, breaking down all barriers that impeded free trade between countries. On the other hand, if the integration process had stopped here, it would not have gone beyond the mere free trade area, in which, however, the imbalances between the regions were likely to get worse by the sudden fall of protectionist barriers. For this reason, and especially at the insistence of Italy, to the measures of negative integration were put measures of positive integration, i.e. to become actively involved in certain sectors to develop a true internal market ensuring a balanced development in each region (Commentary EEC, edited by R. Quadri - Monaco R. - A. Trabucchi, Milan, 1965).

[†] In the Preamble of the Treaty it was explicitly stated that the Member States would make an effort to "ensure the harmonious development reducing the disparities between the different regions and the delay of the less-favored", as other provisions took into account of the delay of some regions, guaranteeing the commitment to supply economic development. However, the very economic foundation of the EEC, induced to pursue the harmonization of the economies of individual states rather than their integration, so in the Treaty of Rome, no mention was made of cohesion as a common policy, nor was the intention to develop a joint policy development manifested, aimed at the progressive elimination of the imbalances between richer and poorer regions, or at least in delay of development because penalized by geographical reasons, imbalances that, conversely constitute aspects that the Community has started to pay attention to. This reconstruction is also confirmed also in Article 2 of the Treaty, that in its original form, merely limited itself to promote on behalf of the Community, "a harmonious and balanced development of economic activities throughout the Community, a continuous and balanced expansion, an increased stability, an accelerated standard of living". Not ignoring the issue of regional disparities, therefore, the Treaty of Establish
burden of giving it a concrete solution, requiring on the contrary, that Member States bear the load internally (G. Gaja, Introduction to Community law, Bari, 2004, p. 3).

Latonia, Lithuania, Hungary, Poland, Czech Republic, Slovakia, Slovenia, Bulgaria and Romania (2004-2007)[*].

Regional disparities are one of the factors of greatest obstacle to economic development and one of the elements most difficult to accept for a political system that aims to ensure social justice and equity, so that territorial cohesion is the heart of community integration[†].

Hence the need to adopt and promote a structural policy that would be able to fill the existing gaps not only economically, but also to the conditions of life and work of citizens[‡]. Over the years, financial programming and the distribution of resources between the various regions and local territorial entities, have determined closer and constant integration of the center and the periphery and have allowed policies and working methods of the Community institutions to merge and become deeply rooted in local areas, facilitating the birth of European citizenship.

[*] The European Union now comprises of 27 Member States. From Europe to six arose from the postwar period, 21 new countries joined the Union, namely Denmark, Ireland and the United Kingdom (1973), Greece (1981), Spain and Portugal (1986), Austria, Finland and Sweden (1995), Cyprus, Malta, Estonia, Latvia, Lithuania, Hungary, Poland, Czech Republic, Slovakia, Slovenia, Bulgaria and Romania (2004-2007). The latter two countries (Bulgaria and Romania) were already included in the list of countries drawn up in Luxembourg in 1997. However, while the other countries of Central and Eastern Europe have taken steps forward bringing them into the EU since 2004, Bulgaria and Romania showed a slower and more difficult progress, particularly due to their critical internal situation. The major deficiencies occurred in the areas of agricultural development, ment, however, did not assume the transport and environmental infrastructure and employment policies, as well as in economic and social cohesion and institutional development related to the application of the 'acquis "in Europe. In particular, for Romania, the biggest problem concerning the legal and economic adaptation to European standards, especially in matters of taxation, justice and home affairs. For Bulgaria the situation of the judiciary has revealed itself to be very critical. For these reasons, financial assistance for the Phare, ISPA and SAPARD increased. On April 25, 2005 with the signing of the Accession Treaty, 1 January 2007 Bulgaria and Romania joined in Europe.

[†] L. Di Renzo, *Diritto della finanza pubblica europea*, Napoli, 2008, p.. 3

[‡] L. Di Renzo, op. cit., p. 4; E. M. Piccirilli, Il finanziamento del bilancio comunitario, Napoli, ESI, 2008, pag. 189.

THE COMMON AGRICULTURAL POLICY, 2007-2013

From a historical point of view, the Common Agricultural Policy (CAP)[*] allows EU countries to jointly manage the most important economic sector of the '50s, both in terms of production (in that period the European Union absorbed 20% of employment) that in strategic terms (the search of food independence was still an important objective in the post-war reconstruction period).In a few years, thanks to the CAP, Europe fully reaches the goal of food independence (Goodman, 1996). Indeed, the success is so high that Europe, in the 70s, even produces structural surplus of food. For example, Italy became a producer of corn almost as important as Argentina, and France is the fifth largest producer in the world after China, the Soviet Union, the United States and India. It can therefore be affirmed that European agriculture, especially in dairy, cereal and meat sectors, has remained a victim of its own success, as high costs necessary to stimulate the production are added to the costs to "dispose of" the unsold production (Ackrill, 1995). The reason for this production surplus is easily understood if we express the incentive mechanism adopted in production since the early '60s: the imposition of higher selling prices for agricultural commodities and the assurance that all the unsold production would have been "bought" by EU institutions at a price previously announced at the beginning of agricultural season (the so-called intervention price) allowing operators to continually increase production. Unlike the European Union, the incentive tools used by the U.S. were not based on pricing, but on direct incentives to support farmers' incomes: even such an agricultural policy

[*] Article 2 of the Treaty of Rome states that the Community has the task of promoting, through, a common market and progressive integration of the economic policies of member states, a harmonious development of economic activities. To achieve this goal, you must: 1) abolish the customs duties between member states, 2) establish tariffs and trade policies towards third states, and 3) Remove barriers of capital, services and people between member states ; 4) Establish a common policy in the transport and agriculture sectors, 5) Create a European Social Fund and European Bank to promote investment. The CAP (Common Agricultural Policy, or Community), from its inception set itself two objectives: 1) Meet the farmers needs, through intervention price. This was the guaranteed minimum price for agricultural products established by the European Community. The price of the productions could not go below this, 2) Orientate the agricultural enterprises towards a greater production ability (limiting factors of production, technological development and increasing use of better farming techniques).

allows you to provide valuable assistance to farms, at a cost far lower than the European Union. The analysis of the economic characteristics of the CAP can be divided into four homogeneous phases within them: the first goes from its birth to the eighties, and represents the stage of the traditional CAP based on protectionism and support to the sales price; the second includes various attempts of reform outlined in the eighties, but never fully carried out; the third is represented by the 1992 reform, an important moment also for the new relationship created between the EU and third countries following the international agreements reached at the WTO; the fourth phase concerns the changes introduced in the CAP after the opening of the European Union to Eastern Europe and the attempt to further reduce the cost of the CAP on the EU budget. Following the MacSharry reform of 1992[*], several adjustments to the common agricultural policy were made.

A reform carried out in 1999 and based on the program proposed by the "Agenda 2000 " provided some of the changes made in 1992, bringing a further reduction of intervention prices. Moreover, the reform of 1999 provides the institutional capacity of rural development policy, which becomes the second pillar on which the EU intervention in agriculture. A reform of June 2003, also known as the Fischler reform[†], simplified the bureaucracy of the measures of market support and direct aid, and completed the decoupling of the production of direct payment to farmers.

[*] The MacSharry reform was primarily drawn from the increasingly difficult sustainability of traditional mechanisms of price support on financial and international level. Given this context of stress, at the time a reform that was based on two lines of intervention was articulated: the approaching of Community prices to those prevailing on international markets and compensation to farmers through direct differentiated payments for different crops on political level, the strategic significance of the MacSharry is identified by the Amendment of the financing mechanism of the CAP with two important implications: increased political sensitivity to the distribution issue and the increasingly closer link between the Community budget and CAP reform.

[†] The Fischler reform has re-nationalized the intervention not in terms of finance, which remains fully dependent on the EU budget, but in terms of formulation and management of operations for which responsibility is transferred within the Member States, under a well-defined framework. The choice of totally decoupling support of production on a historical basis has determined, in fact, the freezing of financial allocations to the individual Member States, and has allowed the distribution of "slices of the cake "(so-called national ceilings) to countries' so as not to alter significantly the balance established in previous decades.

These savings obtained were partially diverted to the strengthening of rural development policy. Finally, the reform of 2003 set the limit for expenditure on market support and direct aid to be disbursed over the period 2007-2013. In 2004 another package of measures to change the WTO was passed: Modification of aid to Mediterranean products (tobacco, hops, cotton and olive oil), followed in 2006 by the reform of the sugar market and in 2007 by the reform for vegetable and wine.

The current agricultural policy is feeling the financial effects of the process of EU enlargement to Eastern European countries, which took place in 2004 (and completed in 2007) and the full achievement of objectives set by the MacSharry reforms of 1992.

The latter will continue to represent the model of intervention to aim for to improve the environmental impact of agricultural production, to integrate agricultural policy into the wider context of rural policy to reduce the costs of administering the CAP, and on external plan to adapt to a more competitive EU agriculture and international context characterized by an increasing tendency to market liberalization. With regard to the internal plan, it is worth remembering the different impact of agriculture on European regional development. Agricultural employment is highly concentrated in certain Mediterranean regions and in countries of Eastern Europe. Especially in these areas, the primary sector represents a large share of total employment and significantly influences the local economy.

The insertion of Central and Eastern European countries into the CAP took place gradually, but substantially changing the socio-economic aspects of European agriculture: Due to the enlargement of agricultural land has increased by 40%, while employment in agriculture has actually doubled. Taking into account the agricultural specialization of these countries, also detectable in the flow of their exports, the greatest influence in particular in the fruit and vegetables sectors (very much present in Poland and Hungary), sugar sector (in the Czech Republic and Poland), the meat sector (in Hungary), fish (in Poland). Proposals to absorb the changes taking place in European agriculture due to enlargement to the east have already been made at the beginning of 2000, in the document called "Agenda 2000", in which it is confirmed that the objective of the CAP is to improve the competitiveness of European agriculture on international markets and domestic market. The financing of Common Agricultural Policy instruments currently active uses various funds and specific measures of

intervention. Let's see in detail the principal ones. *The European Agricultural Guidance and Guarantee Fund (EAGGF)* The European Agricultural Guidance and Guarantee Fund (EAGGF) is a financial instrument created in 1962 to finance the Common Agricultural Policy and is divided into two sections. The Guarantee Section finances Community expenditure of the policy of prices and markets, including compensation and the accompanying measures introduced by the reform of the CAP. To the section "guarantee" is attributed almost all the EAGGF expenditure. More than two-thirds of the Guarantee Section are now intended to direct payments to farmers, whereas, previously, the major part was intended to support prices. The Guidance Section finances instead, structural policy, which is, for example, support for the modernization of farms, the establishment of young farmers, training, etc.. In addition, this section supports, along with the European Regional Development Fund (ERDF) and European Social Fund (ESF) 7, the rural development measures. Over time there is, finally, a shift of resources from the Guarantee Section to the Guidance one, which is the effect of the substitution of intervention on price with the work on the operational structure of firms. The relevant measures are developed and implemented in a decentralized manner, in collaboration with individual Member States or regions, and they are subject to the principle of co-financing. The Guarantee Section of EAGGF represents "mandatory" spending for the European Union, that is an expense that is certainly covered by community resources, although previously defined in the Community budget. The EAGGF-Guidance, as well as other structural funds, guarantees grants and co-financing operations to a maximum of 50% of the total, with at least 25% of the costs covered by public authorities. Like other structural funds, the EAGGF is used to co-finance programs that have their own national or regional budgets, and thus the result of consultation between the various institutions. Again, the programming is realized with the Commission's adoption of the decisions on the single programming documents (called SPD), the Community Support Frameworks (CSF) and the Community Initiative Programmes (CIPs).

CONCLUSIONS

From the summary of analysis done on Structural Funds that support the agricultural policy of the European Union, you can certainly say that the European Community since its inception, has always had the goal of bridging the gap between different countries. Over the years, the intervention that the Union has made to bridge these gaps have been many.

The funds already programmed for agricultural expenditure until 2013 show a continuous reduction of its weight on the EU budget, sign of a marked and profound ongoing of political trend, which gives more attention to the quality of agricultural spending, rather than its quantity. Basically, there is only a partial change in the production system long trapped in shares and bonds for most of its products, and thus not providing the full freedom of market operators. Such a strategy is clearly meant to guide the evolution of the production system, so as to benefit the European agricultural system of all these aides from the Single Market and Economic and Monetary Union: Most of these benefits would result from the specialization of European regions in agricultural production favored by local external economies arising from the "vocation" of the production area, production techniques, the innovations introduced by the geo- pedological characteristics of the area, etc.. The intervention on quality of production at the expense of quantity is very slowly and with great initial difficulty generating, a partial modification of the production model, in which the system of intensive cultivation is gradually giving way in favor of one based on the extensive culture.

It is worth remembering how such effects result in a very asymmetrical distribution between the different European regions or between different agricultural sectors, an element that serves to enhance the instrument of local policy in defense of regional agricultural systems. In most advanced countries, these policies are generally designed to promote the quality of production through, for example, organic farming and product differentiation through trademarks and the use of the denomination of origin.

The approach taken in this regard continues to be the slow reduction of intervention prices, for a total decoupling between incentives and the quantity produced, to reduce import tariffs and export subsidies. In essence, the Commission intends to continue abandoning aid through prices, replacing it with direct income support for farmers. Such aid can be handled by individual states in a flexible manner on a regional basis and linked, for

example, to the respect for the environment, support for less-favored areas and methods of organic production.

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