

4<sup>th</sup> ROUNDTABLE OF STAKEHOLDERS ON  
THE REFORM OF THE CAP  
2<sup>nd</sup> December 2010

INTEGRATING PUBLIC GOODS IN CAP  
THE ROLE OF RURAL DEVELOPMENT

OUTCOME OF THE MEETING

The 4<sup>th</sup> Roundtable on the CAP Reform organized by OPERA has taken place early December. The participants, representing various organizations from the stakeholder spectrum and the member states had the possibility to thoroughly discuss relevant aspects related to the future Rural Development policy, in the presence of Mrs. Loretta Dormal-Marino, Deputy Director General of DG AGRI.

The introduction made by Mr. Gianlorenzo Matrini, Director of the Lombardy Region Delegation in Brussels, underlined the importance of the second pillar in supporting the local and regional development. From the regional perspective, he was very keen to show the necessity to support agricultural production as it is the basis for the economic and social development.

Agriculture is the sector which brings not only food but also cultural richness in Europe. Hence, it is paramount to realize that, once destroyed, the social system based on agriculture is not likely to come back.

The agricultural activity needs to be maintained across the territory to perpetuate traditions, cultural identity but most importantly today to manage and

enhance the environment, hence providing public goods.

The presentation on the Commission Communication on the future of the CAP, made by Mrs. Dormal-Marino and the principles put forward by the Commission attracted a series of questions related to the content and interpretation of the Commission's intentions.

It needs to be underlined the emphasis the Commission brings on the elements related to innovation and its delivery at farm level.

A recent report on the status of the development of farm advisory services in EU, as requested by the current CAP provisions, indicates that the member states have not given the necessary importance to this measure.

The future support framework will allow stepping up this process and widening the perspective by promoting cooperation in the delivery of research results at farm level, including public-private partnerships.

The Commission official has underlined the approach taken in basing the future policy on two pillars. In this context the rural development program will continue to have an important role especially in relation to

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stimulating the provision of public goods. But, there is a strong need to circumvent the term of “public goods” to specific elements, as the general meaning of the term is too broad to be used without a proper definition. It should be spelled out the different categories of public goods, like: food security; food safety; biodiversity protection; landscape management; water protection; etc.

In developing the Communication, the Commission services have taken into account the three main categories of challenges that European agriculture is facing, namely the economic, environmental and territorial challenges.

These are very much reflected in the three objectives set for the future CAP: competitiveness; sustainable management of natural resources and territorial development.

It should be noted that the future policy will require projects to demonstrate that they are not only economically viable after receiving the financial support, but also to demonstrate their pro-active positive contribution to protecting the environment or combating climate change.

More importantly, from our point of view is the objective to support and promote research and innovation in the agricultural activity. The possibility to create public-private partnerships to develop and implements sustainable solutions bridging the interest of the agricultural activity with the environmental objectives open a whole new pathway for development.

A bottom-up approach is also envisaged in targeting the third objective of the policy, the territorial dimension of the development. Here the specificities of development, competitiveness or sustainable use of resources can be further tailored to the specific needs and conditions.

The issue of volatility is not tackled extensively by the Communication, however the member states will have the opportunity to create in their rural development programs tool kits available for farmers to manage their risks associate to production levels, but also to climatic and market conditions. An instrument to compensate serious income loss might be included, in correlation with the relevant WTO rules.

### **The debate**

The debate among participants was focused on these issues, underlining the importance of the rural development instrument. First, the inclusion of the risk management tool in the second pillar was seen as surprising, but the Deputy Director General clarified that the reason was to allow multi-annual financial management.

It was made clear by Mrs. Dormal-Marino in her intervention that the future will bring more emphasis on the use of strategic planning in rural development as a key instrument in the implementation of the national programs.

Participants flagged up that in the actual configuration there is a danger that the policy measures become more than necessary national individual policies rather than a common approach towards common objectives. However, the implementation rules developed under the future implementation regulation could address this issue.

On the issue of earmarking funds from the rural development program to address specific needs in LFA areas or mountain regions, the option of the commission is reluctant to such an approach and MS should decide if such earmarking are appropriate or if they contribute to better achieving the objectives.

However, it has to be noted that in the present volatile economic conditions, earmarking might create supplementary

difficulties in the implementation phase as little room for maneuver is left for adjusting the implementation strategies.

One particular idea emerged during the discussion, that the support for the delivery of public goods can be and will be granted through two main channels. The first one is rewarding the application of good agricultural practices which deliver public goods, under the payments from the first pillar. The second is emerging from the application of the bottom-up approach in local and regional development, whereby local communities through their development strategies can stimulate the incorporation of the value of public goods in the market value of the agricultural products themselves. This can be achieved through the promotion of local and regional brands or high quality products, for example.

The discussion also touched upon the budgetary elements so as to identify if the total allocation for rural development will be set during the negotiations on the “financial perspective” or this will be decided latter after the total budget for CAP will be decided.

However, there was a general sentiment in the room that the shape of the policy; the successful application of different concepts and finally the achievement of the objectives depend on the total budget for CAP. The policy can not deliver for the society if the appropriate resources are not allocated. The negotiation of the financial package for the CAP it is envisaged to be a difficult one.

Last but not least, the issue of small farmers came up. The Commission has established that this category of farmers needs to receive special attention. In this context, it has become clear for the participants that this objective will be achieved through a series of packages of measures tailored to the small farmer’s needs and adapted to their conditions and objectives.

## OPERA Conclusions

- ❖ The rural development policy remains very strong in the future CAP, hence it will provide a stronger support to the provision of public goods.
- ❖ The Rural Development pillar will further support and promote research and innovation in the agricultural activity.
- ❖ Enhanced support to create public-private partnerships to develop and implement sustainable solutions bridging the interest of the agricultural activity with the environmental objectives opens a whole new pathway for development.
- ❖ The future policy will require projects to demonstrate that they economically and environmentally viable.
- ❖ A bottom-up approach is also envisaged in targeting the third objective of the policy, the territorial dimension of the development.
- ❖ Supporting the delivery of public goods can take either the shape of rewarding the application of good agricultural practices through direct payments or to stimulate the incorporation of the value of public goods in the market value of the agricultural products themselves.
- ❖ Small farmers are a priority for the Commission, but no special measures are envisaged. The general measure will be made more easily accessible by this category.
- ❖ The policy can not deliver for the society if the appropriate financial resources are not allocated.