

# The future of rural society

**Commission communication transmitted to  
the Council and to the European Parliament  
on 29 July 1988**

COM (88) 501  
28 July 1988

This publication is also available in the following languages:

ES ISBN 92-825-9069-0  
DA ISBN 92-825-9070-4  
DE ISBN 92-825-9071-2  
GR ISBN 92-825-9072-0  
FR ISBN 92-825-9074-7  
IT ISBN 92-825-9075-5  
NL ISBN 92-825-9076-3  
PT ISBN 92-825-9077-1

Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 1988

ISBN 92-825-9073-9

Catalogue number: CB-NF-87-004-EN-C

Articles and texts appearing in this document may be reproduced freely in whole or in part provided their source is mentioned.

*Printed in Belgium*

---

# Contents

---

<i>Summary</i>	5
Introduction — <i>The Community and the problems of rural society</i>	15
Part One: <i>Rural society undergoing change — situation and trends</i>	17
The restructuring of agriculture	17
Diversification of the rural economy	21
Rural society in flux	23
Foreseeable trends	25
By way of conclusion: problems of rural society	28
Part Two: <i>Towards a Community approach to the problems of rural society</i>	31
Preliminary considerations	31
Three standard problems — three basic strategies	32
Part Three: <i>The main areas of Community action — policies and suggestions for rural society</i>	43
The common agricultural policy	43
Community forestry schemes	45
Protection of the rural environment	45
Energy and rural society: multiple links	46
Regional policy	47
Measures to help small businesses	48
Research and development: innovation for the future of rural society	52
The dissemination of new information and telecommunications technology	53
Education — training — social policy	55
Information and stimulating awareness	57

Part Four: <i>The reform of the structural Funds and financial assistance for rural society</i>	59
The future of rural society and the reform of the structural Funds	59
Community financial assistance for rural society	62
<i>In the last analysis...</i>	67

# Summary

## *Introduction*

### **The Community and the problems of rural society**

The concepts of the countryside or of rural society are by no means merely geographical in scope, since economic and social life outside our towns and cities is of great complexity, embracing a wide range of activities.

But our rural areas are not only places where people live and work, for at the same time they have vital functions for society as a whole. As a buffer area and refuge for recreation, the countryside is vital to the general ecological equilibrium, and it is assuming an increasingly important role as the most popular location for relaxation and leisure.

But since the War, and especially of late, rural society in Europe has been undergoing far-reaching change, and the balance between its various functions has become much less secure. For this reason, an effort must be made to promote rural development of a kind which maintains — or, indeed, in some cases actually restores — the equilibrium without which the Community cannot prosper.

The Commission's approach to rural development is guided by three fundamental considerations:

- (i) economic and social cohesion, in an enlarged Community of very pronounced regional diversity;
- (ii) the unavoidable adjustment of farming in Europe to actual circumstances on the markets and the implications of this adjustment not only for farmers and farmworkers but also for the rural economy in general;
- (iii) the protection of the environment and the conservation of the Community's natural assets.

The general context in which these problems have to be tackled is unpropitious: unemployment is high, economic growth is sluggish, and the governments have to shoulder heavy budget deficits. But the outlook also

includes the gradual completion of the large single market (by 1992), which should help to further rationalize the allocation of resources and lead to a more effective division of labour in the Community.

## *Part One*

### **Rural society undergoing change — situation and trends**

Rural society in the Community — as, indeed, in other industrialized countries — is now undergoing far-reaching change. A study of developments over the last 30 years reveals a number of heavy trends, which, in all likelihood, will also go far to determine change in the future:

(i) thorough restructuring of agriculture: a reduction in utilized agricultural area (especially between 1960 and 1975), a sharp decline in the number of farmers and farmworkers, the modernization and intensification of production processes, and, to some extent, a tendency towards a kind of polarization as regards farm structures: the share of farms larger than 50 hectares within the agricultural area and as a proportion of production has been increasing, but at the same time a myriad of micro-holdings survive, either as part-time farms (their owners working outside at the same time) or as farms for which structural change is impossible, and there is serious underemployment (latent unemployment, concealed unemployment); the last two classes of farm each account for about one third, in terms of numbers, of all Community holdings (EUR 10, 1985);

(ii) a high degree of economic diversification: the emergence of new activities, either upstream, or downstream of farming itself, or, in many cases, entirely unconnected with agriculture.

As a result of these changes, agriculture has lost a great deal of its importance in rural regions, both as employer and in terms of contribution to the regional product. Thus, out of 166 regions in the Community there are now only 10 regions (located in Greece, Italy and Spain) in which the share of agricultural employment is as much as 30% of total employment. And there are 118 regions (71% of the total) in which fewer than one in 10 of all jobs are in agriculture. At the same

time, there are only 17 regions (about 10% of the total) in which agriculture accounts for more than 10% of the regional product.

Economic change has been matched by changes as regards the population in the countryside.

Following a general drift from the land in the 1960s, consisting mainly in inter-regional and international migrations towards the large conurbations and industrial areas, there has been a gradual reversal in the tendency for people to leave the countryside. Exceptions to this new general trend are found only in Greece and some areas of the Mezzogiorno, Spain, Portugal and the Massif Central in France, where the drift from the land continues. In other regions, the number of inhabitants in rural areas is in fact increasing, average ages are lower, and social diversification is quite marked.

In many rural regions, particularly in the outlying areas of the Community, what has happened is that, although emigration from the areas themselves has stopped, intra-regional migratory movements towards small urban centres have, at the same time, led to the constitution of subpoles of economic activity, while fewer and fewer people are living in the countryside proper.

The study of foreseeable trends points to the following probabilities.

As regards agriculture, the outlook for the growth of conventional farming is quite limited; the restructuring of the sector must be expected to continue. As a result of further improvements in agricultural yields — expected in the next few years — the areas needed for production of the main crop and livestock types will decline. Some estimates suggest that by the end of the century the Community will have a farmland surplus of something between 6 and 16 million hectares. The ageing effect will bring considerable changes as regards agricultural labour. Half of the farmers at present are 55 years of age or more, and nearly half of these farmers have no successor. This age category tends to be concentrated on the small holdings, especially in the southern regions of the Community.

As regards the general economy, it must be expected that investments from outside in rural regions, particularly in the form of the establishment of production units, will decline in number and will be more selective. The diversification of the rural economies will therefore, more than in the past, depend on the extent to which indigenous development potential can be mobilized and, in this context, on the development of small and medium-sized enterprises (SMEs). But experience has shown that the expansion of SMEs is hampered by difficulties which are partly a matter of their (very) small size and their lack of capital resources, but which are also partly due to the fact that they operate in the countryside. Relevant factors are distance (geographical and socio-cultural) from decision centres, a shortage of venture capital, a lack of easy access to information and technological innovation, lack of appropriate services, and the absence of an integrated economic fabric (links between firms — economic isolation). These secondary and tertiary activities must be expected to expand in rural areas in the future, but grouped around development subpoles formed by small towns and regional centres (intermediary centres).

An analysis of the heavy trends and of their foreseeable future course reveals a number of future development problems the solution of which — or the failure to solve which — could well prove crucial for the future of rural society.

The first standard problem can be designated as that of the pressure of modern development. Problems of this type are encountered in rural areas which are near to or easily accessible from the big conurbations, particularly in the centre-north of the Community and in many coastal areas. The problem is first and foremost one of land use in the face of competing interests, transformation of the countryside, threats to the stability of the environment, unplanned and scattered settlement of holiday homes and factory plants (*Zersiedlung*), and heavy seasonal influxes of tourists.

The second standard problem is that of rural decline, which, to varying extents, still threatens to blight many rural areas, particularly

in the outlying Mediterranean parts of the Community. The problem here, first and foremost, is one of development and economic diversification.

The third standard problem is encountered most often in those areas that are furthest from the mainstream of Community life and access to which is more difficult, such as certain mountain areas, and certain islands. Here, rural decline, depopulation and the abandonment of some land are already quite marked phenomena, and the scope for economic diversification is all too often extremely limited. The problem is thus, in the first place, that of maintaining a minimum population and minimum business and social activity to protect the fragile environment (the threat of erosion and desertification) and of maintaining the countryside.

In addition to the standard problems that can be pinpointed, there is some doubt as to the impact of the progressive exposure of Community agriculture to actual market conditions. The reform measures adopted or proposed in this connection are designed to restore order on the markets, to diversify, and improve the targeting of, support for farmers, and to facilitate structural adaptation.

It is not easy to predict, at present, with any degree of accuracy, the effect of these measures, taken as a whole. Experience does suggest a tendency to underestimate the ability of farmers to adapt to change. This said, both the market reorganization measures and some of the socio-structural schemes (notably the pre-pension scheme) will tend, if anything, to speed up the process of restructuring of agriculture. Other schemes (aids to incomes, assistance for mountain and hill areas and other less-favoured areas) could, on the other hand, tend to inhibit change. Overall, the restructuring process may be expected to gather a little momentum initially, and this could well aggravate the problems described above. So it is all the more important that the schemes in which the emphasis is more on social aspects, such as direct aids to incomes, be adapted as rapidly as possible, to avoid any disequilibrium in the process of agricultural adjustment. It is also crucial that the rural develop-

ment or regional development programmes, as endorsed under the arrangements for the reform of the structural Funds<sup>1</sup> be implemented promptly with a view to helping in the creation of alternative jobs, and additional jobs, in the rural regions.

## *Part Two*

### **Towards a Community approach to the problems of rural society**

The Community already has wide scope for action, under its policies and programmes, to use legislation or funding to support rural development. It therefore makes sense to review the present arrangements, and to adapt and amplify them with a view to achieving a strengthened and mutually consistent body of measures. This is the strategy recommended by the Commission here: it requires not only direct and carefully targeted rural development measures, but also more general attention and even, to some extent, actual course corrections in all the policies or action programmes which have a (real or potential) impact on the future of rural society. However, although it has a wide range of instruments at its disposal, the Community will be unable to take action in every rural area to offer a response to all the development problems arising. Its action must therefore be selective, properly publicized, consistent and related to objectives deemed to be in the Community interest. It must add value to the action taken by national, regional or local government authorities, and as far as possible there must be close liaison with these authorities (coordination, internal consistency).

The consideration of the three standard problems which rural society has to contend with can be matched by three basic strategies offering a response to them. However, the diversification of the rural economies, on the basis of their indigenous potential, means that action as regards rural development must be based and devised on actual

<sup>1</sup> OJ C 245, 12.9.1987; Bull. EC 11-1987, point 1.1.8; OJ C 151, 9.6.1988; Bull. EC 3-1988, point 2.1.108; OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159; OJ C 56, 3.10.1988; Bull. EC 7/8-1988, point 1.1.1 *et seq.*; the Council adopted the four implementing regulations on 19 December 1988.

local circumstances. The basic strategies must therefore, in each case, be tailored to the particular economic and social circumstances of the relevant regions.

The objective that should be pursued, in view of the pressures of modern development on rural society (first standard problem), is far less that of speeding up economic development in the rural areas than that of strengthened protection of the rural environment. It is also a question of gradual improvement in town and country planning, to enable the regions involved to make the very most of the growing — indeed, booming — demand from urban dwellers for access to the countryside.

Integrated regional planning is, in the first instance, the responsibility of the Member States and the appropriate regional institutions. The Community can, however, support their efforts at three different levels: carrying out additional studies and making recommendations; the adoption, by the Community as a whole, of maximum limits to the burdens that may be placed on the environment ('horizontal' regulations); and the promotion of farming and forestry techniques which further environmental protection and the conservation of the countryside.

As for the problem of rural decline (second standard problem), what is needed, if new life is to be breathed into the rural areas faced with this kind of problem, to achieve proper integration, is not only action regarding agriculture itself but also a policy for creating lasting, economically justified jobs, outside the farming sector (economic diversification). A rural development policy of this kind must reflect very fully local needs and initiatives, particularly in respect of small and medium-sized firms, and lay heaviest emphasis on maximizing indigenous potential.

In this connection, there are three aspects of particular importance:

(i) the stimulation and the diversification of supply of services for firms (feasibility studies, market surveys, management counselling, access to venture capital, dissemination of knowledge concerning innovation, etc.);

(ii) social and economic stimulation, the aim being more active management of public subsidy schemes for the prospecting of potential beneficiaries and the strengthening of links between the operators and socio-economic environment;

(iii) acceptance, to some extent, of grouping of activities, while equilibrium in the geographical distribution of economic activity is maintained; one line of action could be that of encouraging the emergence of a number of development subpoles in the regions and at the same time a strengthening of links between these intermediate centres and the surrounding countryside.

An economic diversification policy of this kind may require and justify the creation of new infrastructure or the improvement of existing infrastructure. In many cases, supporting schemes will also be indispensable in the fields of education and vocational training.

All the schemes must dovetail into an overall development logic. Thus, it is here that the integrated rural development programmes launched in connection with the reform of the Funds will be needed to ensure that the initiatives taken are properly related to each other. These programmes must be framed on the basis of close concerted discussion with the national, regional and local authorities. Based on joint preparation, follow-up and evaluation, they must form the basis of a genuine partnership.

As for the problems which beset the very marginal areas (third standard problem), development processes are bound to be slow, and, without unremitting effort, will fail. The longer-term development outlook will be jeopardized unless:

(i) the rural population, which is made up mainly of farmers and farmworkers, is maintained by full exploitation of extensive quality farming and by incentives to farmers to use these techniques;

(ii) as far as possible, one-man and very small businesses already operating are strengthened and a forestry-timber activity gradually built up;

(iii) the assistance indispensable for the local population is provided;



(iv) the natural environment and cultural assets, as special advantages with a view to the gradual development of tourism, are properly conserved.

### *Part Three*

#### **The main areas of community action — policies and suggestions for rural society**

The approach which the Commission recommends to assist rural society, reflected in the three basic strategies, means not only that direct and targeted development schemes must be set up but also that rural problems as a whole must be given more emphasis in the Community's general policies and programmes having an (actual or potential) impact on the future of rural society. More practical guidelines and suggestions in this connection are outlined in Part Three of the communication.

#### *Common agricultural policy (CAP)*

Since 1984, the CAP has included schemes designed to diversify support to farmers (support through prices and buying-in being replaced in part by action tailored more carefully to the real market situation) and greater modulation in agricultural support for small economically weak family farms and for areas where nature is hostile and structures are weak.<sup>1</sup>

The Commission proposes that this approach should be maintained. It plans to study ways and means of adapting the CAP's 'horizontal' mechanisms and schemes more closely to regional and local conditions. It also intends to strengthen its support for greater economic integration of the sector. In this connection, the aim would be to improve services for support to farms and to bring home more closely to farmers the gains to be won from good management and effective marketing. One aspect of the Commission's work would be the development of a policy relating to the quality of products: in this context, the Commission will be submitting in the near future appropriate proposals, avoiding interference in rights already conceded, to implement at

Community level a coherent policy on labels, descriptions and designations of origin.

#### *Forestry*

In the context of rural problems, forestry offers no panacea, but the development of woodlands and the various activities associated with timber processing, with related services, represent a promising niche for rural development. The Commission has just proposed a forestry action programme,<sup>2</sup> the purpose of which is to strengthen Community action and ensure that its various parts are properly interrelated, both from the angle of the sector itself and from the point of view of rural development. As regards this last aspect, the main points of the programme are the identification of areas suitable for forestry development, the 'education' of local populations, the stimulation of co-operation between the various parties concerned, and the quest for financial arrangements that can solve problems connected with start-up investments and with the inevitable lack of income while the trees are growing.

#### *Protection of the rural environment*

The close link between farming/forestry as the activities mainly occupying the land in rural areas, on the one hand, and the protection of the environment, on the other, is often stressed. Rules must be laid down both to curtail some harmful practices and to promote beneficial practices for the environment. A detailed communication on this subject has been laid before the Council and Parliament by the Commission;<sup>3</sup> practical proposals in this connection are to be submitted shortly.

In the context of rural development, the constructive role which agriculture and forestry can play in the protection of the rural environment must be emphasized. In so far as these activities are thus sources of a neces-

<sup>1</sup> Bull. EC 7/8-1983, point 1.1.1 *et seq.*; Supplement 4/83 - Bull. EC; Bull. EC 7/8-1985, point 1.2.1 *et seq.*; COM(85) 333 final.

<sup>2</sup> OJ C 312, 7.12.1988; Bull. EC 9-1988, point 2.2.1 *et seq.*

<sup>3</sup> COM (88) 338 final; Bull. EC 6-1988, point 2.1.219.

sary and valuable public good, there is a case for environmental incentives or compensation, which might in certain circumstances have a permanent character.

### *Energy and rural society*

Rural society uses considerable amounts of energy (15 to 20% of the Community's final consumption). But at the same time, agriculture and forestry produce renewable raw materials which can be used as energy sources. Also, the exploitation of alternative energy sources (sun, wind) may well prove well worth while in certain rural areas. Already at the present time, the Community is giving financial support to the development of technology adapted to specific conditions in the rural areas, designed to promote the rational use of energy or to develop the use of renewable types of energy.

The Commission proposes that more should be done in this field, particularly under future demonstration programmes due to start in 1990. The aims would be a significant drive to disseminate information and guidance as regards the best technology for rural society, an increase in the number of projects directly concerning rural society, and more participation by rural SMEs in the programme.

### *Regional policy*

If rural development is to be assigned the importance it merits in regional policy, two considerations must be borne in mind:

(i) it is a mistake to concentrate development effort on a few major central poles of economic activity, and a larger number of intermediate centres (subpoles) should be assisted in their development, scattered over a wide area;

(ii) local initiative must be given the fullest support, in particular as regards the SMEs, and the development of indigenous potential must enjoy privileged status (although outside contributions will always be of value); in this connection, a much greater emphasis must be laid on economic and social initiative and leadership, and the supply of services to firms must be diversified.

As regards investment, productive investment, stimulated by market requirements, should be given more support than in the past. Where such investment must be accompanied (or even preceded in certain cases) by investment in technical infrastructure (roads, telecommunications networks, etc.), these should be to some extent economically justified in their own right. Infrastructure is costly, and more general cost-benefit analyses will be needed to evaluate the economic impact of funds spent in this way.

### *Action to help small businesses*

It is still a fact that too many small businesses operating in the countryside are not competitive enough, partly because of their relative economic isolation and because their production methods tend to be outdated.

Action should be taken to encourage the dissemination of new technology in manufacturing firms and very small rural businesses, to facilitate the emergence of competitive supply for sophisticated capital goods and to channel regional savings to the financing of the modernization of productive activities.

The strengthening of financial infrastructure in rural areas is a crucial aspect: what is needed is further decentralization of banking facilities, easier access for non-farm enterprises to funding, support for the establishment of regional investment companies, venture capital companies, and mutual guarantee companies.

Strengthened financial infrastructure should in many cases go hand in hand with an improvement in 'host' infrastructure: rehabilitation of industrial and artisan-type areas by associating them with multi-service centres and support for the creation of new areas; improvement in access to telecommunication and transport networks.

The stimulation and diversification of the supply of services, and in particular services to firms, have on several occasions proved a vital aspect of the development of rural economies. Action along these lines could be organized under four main headings: the es-

establishment of technical infrastructure for services, the development of a framework for favourable background measures (legal, organizational and tariff measures), the stimulation of demand for services, and training in services professions.

Among the services that must be developed in the countryside, tourism is an obvious candidate. On the face of it, the outlook in this connection is promising. But if benefits are to be maximized, action is needed under three main headings: an improvement in tourist services, through aid to the organization of the service suppliers and the marketing of products; the stimulation of more sophisticated supply in the tourist area (more complete products), with the creation of appropriate infrastructure (swimming pools, tennis courts, etc.) and better training for those working in the tourist industry; and the gradual integration of tourism as an aspect of the diversification out of main-occupation farming (training of farmers and their spouses, creation of essential host infrastructure).

### *Research and development*

The Community is determined that its rural society should not gradually become a sort of technological Third World, condemned to a status of permanent underdevelopment. The choices and decisions made as regards research and technological development and as regards the dissemination and application of new technology have strategic significance for the future of rural society. But in this area, those living in the countryside have a wide range of difficulties to contend with. The first thing that must be done is to improve the economic and socio-occupational context to enable these difficulties to be overcome, with the emphasis on the development of know-how and occupational competence, on the accessibility of economic and technical information, and on support for research and development by the rural SMEs.

The Community is now embarked on a large number of research and development schemes which may involve rural society. The Commission proposes that they should be adapted more to the requirements of the

rural economies and that the involvement of enterprises and research units located in rural areas should be promoted in its exchange programmes and joint ventures between laboratories and industry. It will also examine the scope for fuller integration of rural development needs in the Community Esprit<sup>1</sup> or Brite<sup>2</sup> research programmes and for strengthening the involvement of the rural SMEs in these programmes. Should this approach not succeed, the Commission would contemplate a proposal for a programme based more particularly on the development and application of new technology in the rural areas.

### *New information and telecommunications technology*

Experiments the world over show that telecommunications can constitute a vital link between the countryside and the main centres of economic and cultural activity. In the Community's most developed regions, a large number of rural firms — including farms — are already exploiting new information technology and the many services offered in this way, both for internal management and for exchanges with outside. However, a great deal remains to be done to achieve more systematic dissemination and information for potential users in the less-developed rural areas.

One essential aspect as regards the future of these areas is the way telecommunications can confer access to high-quality education and occupational training. Among the many experiments already tried out in Europe in this connection, the 'tele-cottages' in Scandinavia are probably the most comprehensive, the most well-developed and the most interesting.

As regards the rural areas of the Community, and particularly those in outlying regions or where access is difficult, the Commission is proposing that investments in tele-

<sup>1</sup> OJ L 67, 9.3.1984; Bull. EC 2-1984, point 1.3.1 *et seq.*; OJ L 118, 6.5.1988; Bull. EC 4-1988, point 2.1.54.

<sup>2</sup> OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2; OJ L 59, 4.3.1988; Bull. EC 2-1988, point 2.1.35.

communications infrastructure should be stepped up, that the STAR programme<sup>1</sup> (the main aim of which is the field of sophisticated telecommunications services) should be extended and given more depth, the implementation of a utilization support programme for new technology in rural society (information, training, stimulation of demand). It will also be considering the scope for use of the idea of tele-cottages.

### *Education — training — social policy*

The importance of education and occupational training as prior conditions for, and major adjuncts to, effective rural development of any kind is widely recognized. But many rural areas do not have enough schools and colleges: education and training facilities are insufficient and/or actually being reduced, and existing training arrangements are, with a few exceptions, targeted more specifically on urban and industrial users.

Therefore the Member States and the regional authorities must be spurred on in their drive to maintain proper educational facilities in rural areas. As far as possible, the infrastructure represented by rural schools should be strengthened. Some of these will have to be converted into small multi-use centres for education, basic occupational training, ongoing training, initiation and instruction and encouragement in matters of rural development and cultural activities.

It is also proposed that educational facilities and occupational training programmes, adapted to the requirements of the rural world, should be developed in close cooperation with the Member States and the regions. These facilities should be supplemented by the constitution, at national and/or regional level, of multi-skill mobile training teams.

The main task of these teams would be to supply the necessary socio-occupational support for the development of work outside and additional to farm work and for better control of modern production, management and marketing techniques by the farm sector itself. The teams could also offer higher-level training facilities (technical, economic, etc.).

### *Action to foster the flow of information and stimulate awareness*

Those in positions of responsibility in rural society find it difficult or impossible to obtain prompt and systematic information of almost every kind. And this formidable problem is aggravated by deficient communication even among themselves and even within a single region.

The Commission is therefore planning to speed up and strengthen action to smooth the flow of targeted information and guidance: organization of guidance seminars, publication of information brochures on Community action in rural areas, promotion of exchanges of information and the dissemination of information on experience gained in the field of rural development, etc.

In addition to practical and targeted information schemes, the Commission is studying the possibility of introducing information and promotion facilities, places for meetings, discussion and joint study among all those interested in rural development. Such rural information and stimulation meeting points would be given a sufficient public profile. Pilot experiments could be started even this year.

### *Part Four*

#### **The reform of the structural Funds and financial assistance for rural society**

##### *The future of rural society and the reform of the structural Funds*

The large number of ways in which the Community can help rural society goes well beyond the policies on structures. The other policies and action programmes can and must contribute to its development, give or take adjustments where necessary. In some cases, as regards the first standard problem, for example, these other policies and schemes may well prove of greater importance than some of the schemes of a strictly structural character.

---

<sup>1</sup> OJ L 305, 31.10.1986; Bull. EC 9-1986, point 2.1.107.

That said, it seems clear that, where rural society faces first and foremost a problem of reorganization of agricultural and economic diversification, the structural policies must be well to the forefront in any discussion.

The wide dispersion of the resources available to the structural Funds over a plethora of projects, many of which have no logical interrelationship, and poor coordination between the various Funds — as a result of which the whole all too often fails to exceed the sum of the parts — have in the past weakened the impact of the Community's policies on structures. The Commission has now embarked upon a reform of the Funds,<sup>1</sup> entailing both a change in method, improved coordination and stronger geographic and functional concentration of available funds, which, also, are to be stepped up appreciably. The new approach as to method advocated by the Commission, whose proposal<sup>2</sup> has been adopted by the Council, has three key features: Community action must complement (not supplant or replace) national, regional or even local schemes; an effective partnership must be sought between all the levels of public administration involved, and there must be internally consistent planning of all the schemes to be implemented, within a Community support framework.

Rural development as an objective has been chosen explicitly and implicitly as one of the priority objectives ranking for future intervention from the structural Funds.

It is planned to achieve this objective:

(i) under overall regional development programmes in the regions lagging behind as regards structures, the rural character of most of which is very pronounced; list of regions ranking for support under these programmes has been adopted by the Council in connection with the general Regulation on the reform of the Funds;

(ii) under rural development programmes, which will be worked out for a number of other regions or rural areas; these regions or areas are determined in the horizontal regulation of the Funds, mainly on the basis of the degree of their rural character, having

regard to the number of farmers and farm-workers as a proportion of total population, their levels of economic and agricultural development, their degree of remoteness from the Community's developed heartland, and their degree of exposure to changes in agriculture, especially changes connected with the reform of the common agricultural policy.

More particularly as regards the latter regions, rural development schemes may well be launched under national or regional programmes. However, public aid arrangements must dovetail into a Community framework for State aids to regional development, be notified to, and endorsed by, the Commission.

### *Community financial assistance for rural society*

The structural Funds will act together to promote rural development under operational development programmes (whether regional or rural). Also, the EAGGF Guidance Section will provide horizontal assistance with a view to facilitating the adaptation of agricultural structures; and the ESF will have power to act in rural areas with a view to combating long-term unemployment and to helping young people to find their first jobs.

Loan facilities could be an adjunct to assistance from the Funds: the Community's traditional loan instruments include both the European Investment Bank (EIB) — the Community's largest loan facility, already very actively involved in the economic development of the less-favoured regions — and the New Community Instrument (NCI), which (NCI IV)<sup>3</sup> is used to finance the productive investments of the SMEs, and these can be harnessed in the service of Community operations to promote rural society.

<sup>1</sup> OJ C 245, 12.9.1987; Bull. EC 7/8-1987, point 1.1.2; OJ C 151, 9.6.1988; Bull. EC 3-1988, point 2.1.108; OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159; OJ C 256, 3.10.1988; Bull. EC 7/8-1988, point 1.1.1 *et seq.*; the Council adopted the four implementing regulations on 19 December 1988.

<sup>2</sup> OJ C 151, 9.6.1988; Bull. EC 3-1988, point 2.1.108.

<sup>3</sup> OJ L 71, 14.3.1987; Bull. EC 3-1987, point 2.1.3.

As time goes on, more specific, and more carefully targeted schemes to assist the financing of the SMEs, and in particular the innovating SMEs, too weak from the point of view of capital assets to submit convincing guarantees to the banks, are now gradually being devised in support of the more traditional loan instruments. As part of its financial engineering work, the Community is encouraging the development of a range of instruments or mechanisms designed to offer firms the products and financial services they need (promotion of investment companies, mutual guarantees, venture capital, facilitating acquisition of holdings, provision of guarantee funds, etc.); the range of financial tools which will thus be available should enable solutions devised to be tailored ever more closely to fit the particular financial problems arising in rural society.

In addition to its action to improve and diversify the financial infrastructure in rural areas, temporary action (e.g. over a period of 10 to 15 years) could be contemplated to constitute a global sum of loans specifically intended for para-agricultural or non-agricultural investment in rural regions. These loans could be offered by the EIB either from its own resources or from Community loan resources (a sort of 'rural NCI'). Designed to finance relatively small invest-

ments, they would be distributed according to the well-trying 'global loan' method.

Acting along these guidelines, the Commission will be framing, before the end of 1988, appropriate proposals concerning these new methods of providing finance to foster diversification of the rural economies.

It also proposes to study, in this connection, the problems arising in connection with farmers' borrowings (and especially debts incurred by young farmers), for farmers prepared to bring their operations or conversion action under the umbrella of the regional rural development programmes.

### **Conclusion**

The countryside accounts for nearly 80% of the Community, and those living and/or working there form more than half of the entire population of the Community. These facts, and the sheer importance to civilized life of nature in its own right, demand of the Community that it take the proper action to ensure the development of rural society. This is the objective, the proposals, suggestions, and paths to progress, traced out by the Commission in this communication.

## The Community and the problems of rural society

Rural society, as it is generally understood in Europe,<sup>1</sup> extends over regions and areas presenting a variety of activities and landscapes comprising natural countryside, farmland, villages, small towns, regional centres and industrialized rural areas. It accounts for about half the population and a little over 80% of the territory of the Community.

But the concept of rural society implies more than geographical limits. It refers to a complex economic and social fabric made up of a wide range of activities: farming, small trades and businesses, small and medium-sized industries, commerce and services. Furthermore, it acts as a buffer and provides a regenerative environment which is essential for ecological balance. Finally it is assuming an increasingly important role as a place of relaxation and leisure.

Over the past few decades, rural society in Europe has been undergoing far-reaching change and the balance between its various functions has become much less secure. Although the reform of the CAP bears only a fraction of the responsibility for this change, it none the less draws attention to it. For Europe, therefore, the promotion of a kind of rural development which safeguards, and in some cases restores, the essential balance of rural society has become a crucial goal.

The Community's commitment to rural development is guided by three fundamental considerations.

### The increasing number of less-developed areas

Since Ireland, Greece, Spain and Portugal joined, the Community has acquired a distinctly higher proportion of areas the structures of which militate against proper economic — and social — development. Most of these areas are rural in the extreme, some-

times with 20-30% of the working population still employed in farming. Living conditions must be improved and new jobs created if the villages are not to be deserted and their inhabitants forced into the towns and cities, or, if they do stay behind, suffer impoverishment well outside the mainstream of national life. Seen in this light, rural development in the broad sense is a key aspect of economic and social cohesion in the Community.

### The adjustment of European agriculture

The adjustments required of the farming industry, which at present occupies almost 60% of Community land (with forestry, more than 80%) represent a challenge without precedent. Farm production is increasing at a rate running well ahead of that of effective demand. The Community now carries structural surpluses of most of the traditional farm products. Consequently, the objective of the CAP and the Community's policy on prices, markets and farm structure must no longer be a general increase in output, but the proper tailoring of supply to demand.

The structural, economic and social impact of the new approach will vary from one region to another, depending on the type of rural area and the type and method of production. Generally speaking, it must be expected that fewer and fewer farms will be generating an economically and socially acceptable income from farm production alone.

Furthermore, some of the land — much of it marginal — now used for agricultural production will cease to be farmed and may well be left derelict, with all the attendant environmental problems and risks of desertification in certain regions.

---

<sup>1</sup> *Urban problems and regional policy in the Community*, Reading University 1986; Third periodic report on the social and economic situation and development of the regions of the Community (COM(87) 230 final; Bull. EC5-1987, point 2.1.127); *Rural public management*, OECD, Paris 1986; see also the work of the Council of Europe in connection with its campaign for the countryside.

Similarly, some farmers and farmworkers will lose their jobs (or at any rate full-time employment). New activities and new sources of income must therefore be promoted. In some cases, income aids will be needed either for a transitional period of adjustment or, in more extreme cases, on a permanent basis to avert serious economic and social disruption and to maintain human activity in particularly sensitive areas. The Commission therefore attaches cardinal importance to the prompt adoption of the proposal for income aids which it has laid before the Council.<sup>1</sup>

Averting serious economic and social disruption, especially as a result of the adjustment of the CAP, and safeguarding a pattern of rural development in Europe based on the promotion of the family business and balanced planning is of fundamental concern to the Commission. In the less-favoured areas this policy combines with and strengthens the Commission's concern to stimulate regional economic development.

#### **Changes in the economic and social environment**

Urbanization, industrialization, the development of transport infrastructures, the excessive pressure of tourism in certain areas, the scattered siting of new buildings (splinter

development), and the occasionally reckless use of new techniques in all branches of activity, including farming, have combined to deface much of the countryside in the Community in the past few decades and continue to do so. Other areas wear the sad signs of rural depopulation, the dereliction and erosion of land and the desertification of vast tracts by fire, presenting an image of progressive deterioration.

The context in which these problems of agricultural and ecological structure have to be tackled is unpropitious: high unemployment, sluggish general economic growth and heavy budget deficits. In such a context, those responsible for public management in country areas again and again have to choose between ecological demands, social needs and economic common sense. Choices of this kind can be optimized only if they are made within the framework of properly coordinated strategies.

The progressive completion of the single market by 1992 constitutes the last component of the scenario. The removal of the remaining physical, technical and fiscal barriers will have major implications as regards the allocation of resources and the division of labour in the Community.

---

<sup>1</sup> OJ C 236, 2.9.1987; Bull. EC 4-1987, point 1.2.1.



## Rural society undergoing change — situation and trends

For very many years agriculture was rural society's main source of employment and income. But there have been major changes, especially since the 1950s. Nowadays, agriculture is still one of rural society's main components, but it no longer plays a dominant economic role in the Community. Its share of employment in the Community of Twelve fell from 11.2% in 1975 to 8.4% in 1985; out of a total of 166 regions in the Community there are now only 10 (in Greece, Italy and Spain) in which farming still accounts for 30% of employment generally. And there are 118 regions (71% of the total) in which fewer than one in 10 of all jobs are those of farmers or farmworkers.

Farming's contribution to GDP in the Community of Twelve is now down to 3.4%, from 5.4% in 1970, and there is no region in which agriculture generates more than one third of the total gross added value. There are only 17 regions (about 10% of the total) in which agriculture accounts for more than 10% of the regional product.

Agriculture's less prominent role, as evidenced by these figures, reflects major changes in the rural economies of the Community since the 1950s. These include a radical restructuring of agriculture and the development of other economic activities, upstream and downstream of farming, and in unrelated branches. Another change is the growing interdependence of the rural and urban economies. But these changes have not been identical throughout the Community and have occurred with greater intensity at a more rapid tempo in some areas than in others.

### *The restructuring of agriculture*

#### **Technical progress — improvement of productivity — increase of production**

Technical progress on an impressive scale (mechanization, new breeding techniques,

compound feedingstuffs, mineral fertilizers, crop protection chemicals) has increased the technical productivity of farming (yields per hectare or per livestock unit) — sometimes in spectacular fashion — in recent decades. The ready acceptance of new techniques at farm level, the credit facilities available to farmers in many countries and the relatively promising market prospects — at least until the second half of the 1970s — brought a surge of modernization to farming and an unprecedented degree of rationalization and intensification of agricultural production in the Community.

But the trend placed new demands on farmers in terms of husbandry and business management skills. At the same time, the application of the new techniques and the resulting increase in yields, coupled with the restructuring process, brought a swift and significant growth in labour productivity and a notable improvement in the incomes of those farmers who kept pace.

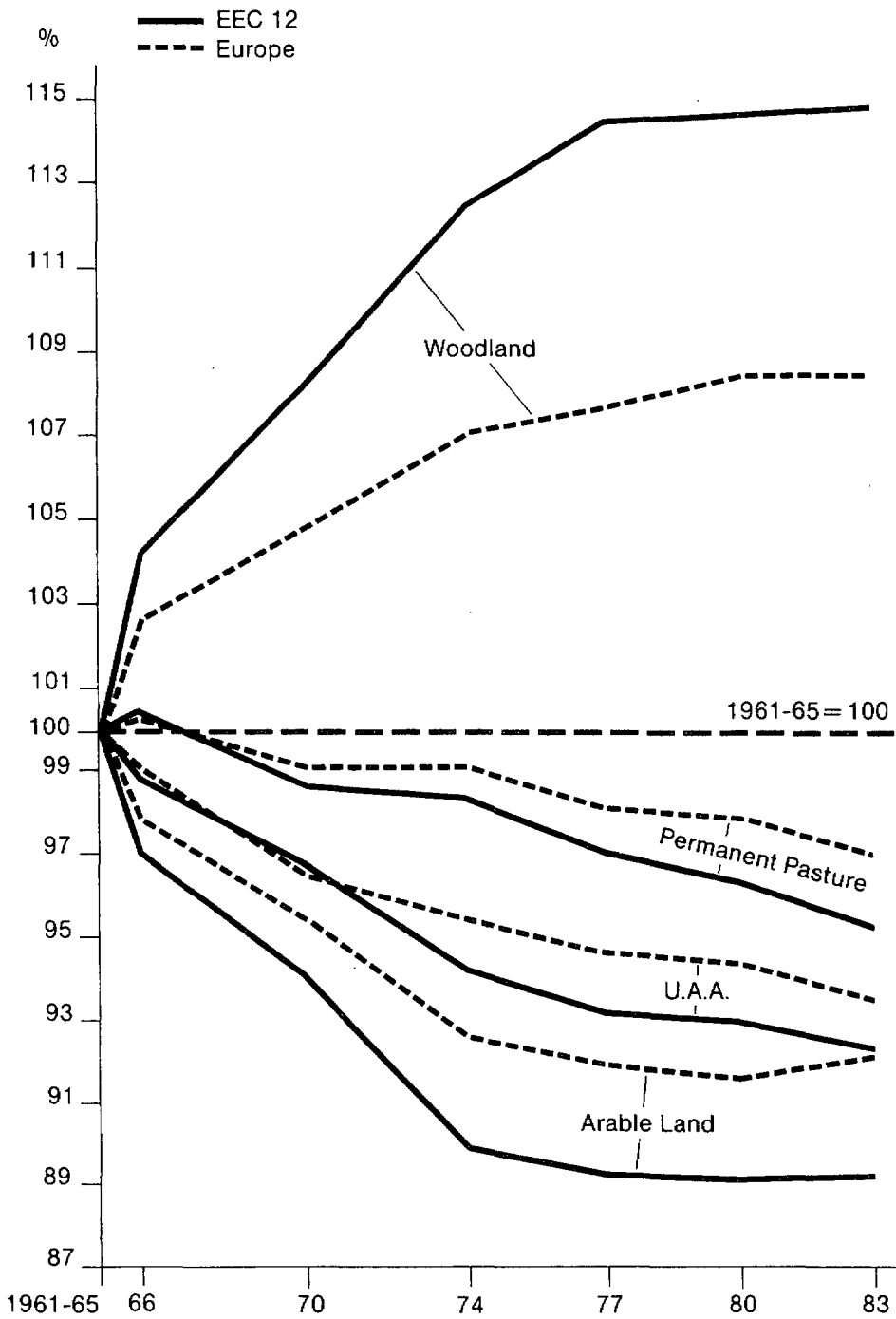
Parallel to this, agricultural production has increased steadily at about 2% per year by volume in the past 10 years. With a distinctly slower rate of growth of internal demand (+ 0.5% per year), this increase in production led equally steadily — for many of the main agricultural products — to self-sufficiency and then surpluses of a structural character, whose disposal on a steadily deteriorating world market became increasingly costly.

The trend towards overproduction gathered momentum because of a support system which sheltered farmers extensively from market pressures. As the situation became increasingly untenable, considerable efforts were made to curb the growth of production. But the policy of pricing restraint — however necessary — must be accompanied by further structural adjustments in European farming.

#### **Reduction in utilized agricultural area and intensification of production**

The steady increase in agricultural production has been accompanied by a reduction — albeit slight — in the area used for farming and a distinct reduction in agricultural manpower.

Figure 1: Main trends in land use between 1961-65 and 1983



Source: J. Lee: 'European land use and resources — an analysis of future EEC demands' in: *Land Use Policy*, Vol. IV, No 3, July 1983.

Between 1961-65 and 1983, utilized agricultural area was cut by 8% or 11 million hectares (see Fig. 1). But acreages down to crops eligible for intervention or similar support would seem to be constant (cereals in general) or on the increase (common wheat, sugarbeet). At the same time there has been a significant growth — almost 15% — in the total area of woodland. But many experts attribute the latter — heavily concentrated in the period 1961-65 to 1977 — to an increase in fallowing rather than to systematic afforestation (with specified production targets).

Although the contraction of utilized agricultural area was significant between 1961-65 and 1977, it has slowed down since then and the present trend seems to be due more to the spread of infrastructures than to the withdrawal of land from production. Only a very small fraction of agricultural land is now being fallowed or afforested (the rate of increase of wooded land is now 0.1% per year, compared with 1% during the period 1961-65 to 1977).

The reduction in agricultural hectareage has been accompanied by an intensification of production, the scale of which is reflected in the rise in average consumption of fertilizer per hectare (figures for Western Europe): +67% for nitrogenous fertilizers, +15% for phosphate fertilizers and +19% for potassium fertilizers between 1969-71 and 1983. Heavy use of nitrogenous fertilizers is generally associated with the farming systems prevailing in the north and north-west of the Community. Because of the practice and the pollution problems caused by the concentration of industrial livestock units, farmers have been blamed for pollution in a number of regions.

### **A smaller labour force**

Restructuring has meant fewer jobs in farming. The rationalization of production has caused a sharp drop in demand for labour. Furthermore, the unsatisfactory growth of incomes for farmers who failed to adjust to the changes led many of them (or their children) to leave farming (or not to enter it) and to move towards the towns, where, traditionally, there was a greater likelihood of

finding work. This phenomenon is not confined to the Community but is encountered in other countries where other agricultural policies are applied.

In the space of 20 years (1965-85) the Community's agricultural labour force has declined by almost one half. In the Community of Six, for instance, between 1958 and 1973 it could be said that one farmer or farmworker left the land every minute (see Fig. 2). But despite the sharp drop in the number of farmers and farmworkers, the hectareage of cropland per farmer or farmworker has remained fairly low.

Until the early 1970s the restructuring of agricultural employment was greatly facilitated, even encouraged, by a booming general economy, which attracted agricultural workers towards other industries growing rapidly and badly in need of labour, however unskilled. There was thus a combined push and pull effect.

But in the second half of the 1970s, this movement lost momentum and the rate of decline of the agricultural work-force has slowed down to almost half (average annual reduction in employment in farming was 4.5% between 1969 and 1970 and 2.4% between 1980 and 1985). The levelling-out was particularly noticeable in countries which began restructuring early; countries or regions which began later are still showing a decline in the agricultural work-force, although the rate is less sustained than in the earlier period. All in all, the proportion of agricultural workers in the total labour force has declined in the past 25 years from 17% to 6% in the Community of Nine and from 46% to 20% in the three new Member States.

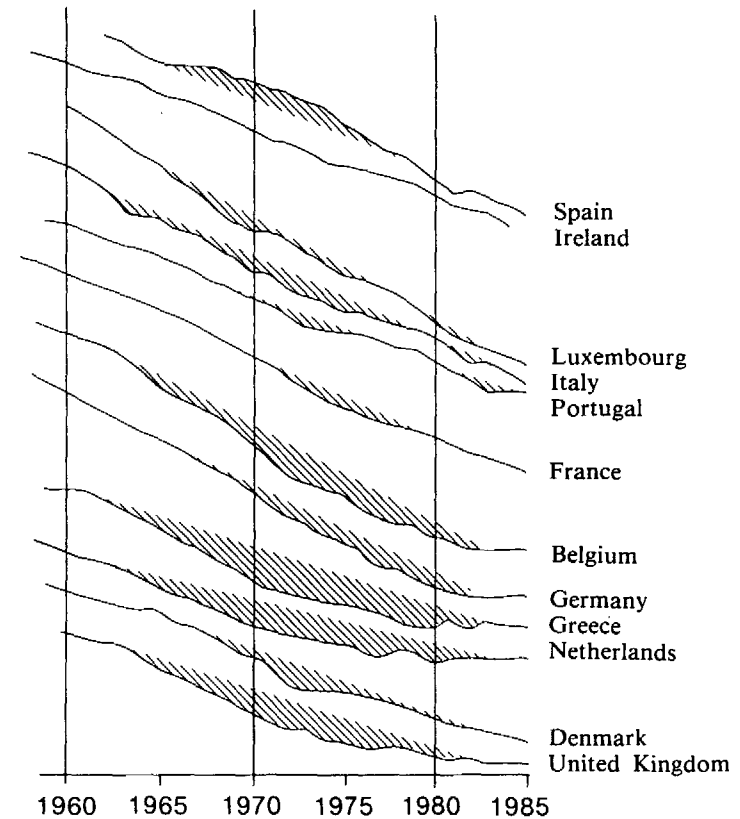
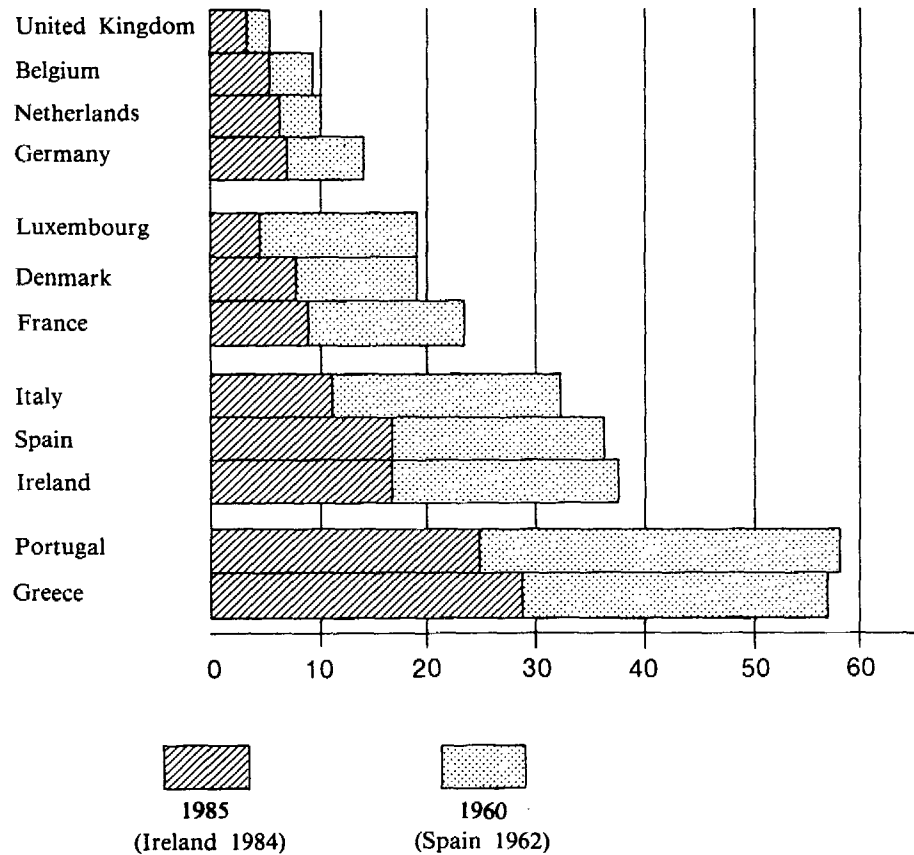
### **Part-time farming and underemployment in agriculture**

The sharp drop in the agricultural labour force has been accompanied by a similarly significant drop in the number of farms and a concentration of land and production on holdings of 50 ha or more. However, these structural changes must not be overestimated. They have in no way changed the nature

Figure 2:

## Share of agriculture in total civilian employment

## Trend of agricultural employment



Source: Employment data published annually by the SOEC and the OECD.

of the family farm in Europe. On the contrary, as a result of the technical progress in recent decades, one farmer and his family, or even a farmer on his own, can nowadays farm a much larger area than 20 or 30 years ago. None the less, the average size of a Community farm is still very small (13.9 ha in 1985, compared with 12.0 ha in 1970 for the Community of Ten).

In addition, Community surveys of farm structure show that there are many farms in the Community which fail to provide full-time employment even for one person. Only 32% of farms in the Community of Ten occupy one person on a full-time basis.

In 1985, 30% of farmers in the Community of Ten supplemented their farming activity with other activities, either on their own premises (farm tourism, processing and retailing of farm products, crafts, etc.), or by off-farm employment on a part-time or full-time basis. In 75% of the cases, these other gainful activities accounted for more of the farmer's time than his actual farm work.

Part-time farming with additional employment in other sectors has gained importance mainly in areas where the regional economy is already fairly well diversified. In many regions which are less economically developed, opportunities for supplementing agricultural work with other gainful employment are harder to come by; the fact that full-time work is not available on the farm indicates hidden underemployment or latent unemployment. This phenomenon is fairly widespread, especially in the Mediterranean parts of the Community. On the assumption that farmers working less than 50% of a normal working year on their own farms and not gainfully employed elsewhere are victims of concealed unemployment, then almost one third of farmers in the Community must be classified in this category.

Generally speaking they are employed on farms which are too small even to provide half-time employment for one person. This structural rigidity is all too common in less-favoured areas. However, a very large proportion of these farmers are over 55 years of age (75% in Italy, 67% in Greece) and often draw small incomes of other types (pensions,

etc.) which help to eke out their very low earnings from the land.

## *Diversification of the rural economy*

### **Emergence of new activities**

Many studies stress the close link between changes in farm structure and incomes and the development of the regional economy. There is quite definitely a spillover effect: regional economic environment (by its capacity to absorb labour) has a major influence on structural change in agriculture, which sufficed in itself during the 1960s and 1970s to account for much of the growth of agricultural incomes (about 75% in the period 1965 to 1977 according to a study carried out for the Commission).<sup>1</sup>

During the 1950s and 1960s, and even the 1970s, economic and cultural expansion was heavily concentrated in large urban areas and industrial centres. It was there that jobs and cultural enrichment were to be found. As a result, many people were obliged to leave the countryside or their region or even emigrate.

Since the early 1970s, however, the situation has changed gradually and the diversification of rural economies has emerged as a new determining factor. For instance, more than 60% of new jobs created in Italy in the 1970s were located in rural areas. Industrial employment also increased in rural areas of France as a result of the implementation of regional policy. In Germany, a fairly balanced geographical distribution of economic activity undoubtedly helped to stimulate strong growth of part-time farming, supplemented by off-farm work, often providing distinctly higher earnings than those derived from farming. Almost half the farms in Germany are run on a part-time basis.

### **Introduction of new industries**

Diversification of the rural economies has not been a smooth process. The new manu-

<sup>1</sup> P. Henry: *Etude des effets régionaux de la politique agricole commune*, Brussels, Luxembourg, 1981.

facturing and service industries have often been subsidiaries or branches of large companies with headquarters in the main cities. Attracted by a plentiful work-force, cheaper building sites and the availability of numerous investment incentives, etc. provided by the authorities, they were set up irrespective of any direct link with the existing social and economic fabric; their ability to weather a crisis of any sort was poor, and many have not survived.

The problem was further compounded by the fact that industrial employment in rural areas is too often based on labour-intensive, low-skill industries such as textiles, clothing, leather and footwear, where there have been many lay-offs in recent years. There are, however, notable exceptions, mainly in France, southern Germany, and northern and central Italy, where small and medium-sized growth industries are being set up in rural areas and employment continues to increase.

### **Weaknesses in the present economic fabric**

Alongside the large industrial plants, the establishment and development of which call for major outside investment, there are many quite small firms, often with a high added value, which already boast a long rural tradition. Some of them, such as small-scale metalworking workshops, originally developed as suppliers to agriculture, whereas others mainly used the raw materials supplied by agriculture or forestry. However, many of those direct links with agriculture have now withered away, leaving only the attachment of the businessmen concerned to the rural society into which many of them were born.

Because of their small size, many such rural undertakings are fairly weak in economic terms. In many cases the start-up capital was found by the owner, his family or a small, closely knit group, often resulting in a narrow capital base. Moreover, although their basic ideas are good, many owners/managers of undertakings operating in a rural environment have little management experience.

In addition, there are a number of obstacles and difficulties arising from the economic environment. The OECD survey on rural public management<sup>1</sup> underlines in particular: remoteness (both geographical and socio-cultural) from the decision-making centres; scarcity of venture capital; difficult access to technological information and developments; lack of suitable support services; and lack of an integrated economic fabric (no links between undertakings, no scope for combined operations, i.e. economic isolation).

The lack of suitable support services, which could offset other handicaps to some extent, is by far the biggest problem. While employment in the service sector has shown a sharp rise in rural areas, there are major differences between the types of jobs created in urban and rural areas. Whereas undertakings set up in urban areas are generally aimed at supplying productive services, i.e. services to other undertakings, thus contributing to an increase in the local economy's overall production capacity, undertakings in rural areas tend to concentrate on consumer services.<sup>2</sup> Moreover, when new consumer services and services to the general public are introduced in rural areas, they tend to be mass-marketing services or bottom-of-the-range public services.

These differences between services are now tending to become more marked, in particular at the expense of the less-favoured outlying rural areas.

### **Structural gap**

The diversification of the rural economy has been a basic feature of rural society's development in the past 15 to 20 years. The reduction in agriculture's relative economic importance, in terms of employment and share of regional product, has been observed almost everywhere.

The changes did not, however, occur at the same time, with the same intensity or at the

<sup>1</sup> Op. cit., pp. 45-46.

<sup>2</sup> Ibid, p. 23.

same speed. Many of the Community's outlying areas, in particular its Mediterranean regions, are still adversely affected by poor agricultural structures and suffer from natural handicaps or simply their geographical location (remoteness from the major consumer centres).

It is in these areas, however, that most of the agricultural holdings fail to provide full-time employment for even one person, and that the concealed unemployment in agriculture is very common. Accordingly, agriculture's continuing importance in those regions should be interpreted not as a sign of successful specialization of a given industry in the large European economic area, but rather as evidence of a failure to reform structures to meet changed needs.

### *Rural society in flux*

Economic change has been accompanied by changes in the rural population. Differences in the pattern of migration provide some evidence of the scale of change.

In the 1960s and the early 1970s, the drift from the land, i.e. the movement of rural population to the major urban and industrial centres, was a fairly widespread phenomenon. Statistically, this was reflected in large-scale migrations from rural to industrialized regions and rapid population growth in the industrialized regions.

The movement persists to this day in Greece, some parts of Italy (Mezzogiorno), Spain, Portugal and France (Massif central), but in other rural regions there has been something of a reversal of the trend,<sup>1</sup> especially since the second half of the 1970s. This development seems to be associated with:

(i) the diminishing attractions of the traditional urban and industrial centres, themselves often severely affected by economic and structural difficulties and high unemployment; hence there are fewer incentives for leaving the countryside. There is also a tendency in many rural regions for former *émigrés* (or their children) to return home after acquiring non-agricultural skills and accumulating a small capital, which they are prepared to invest in their home region;

(ii) the beginnings of an urban exodus, due to the increasing interest of town dwellers in the countryside, which offers a less polluted environment, pleasanter landscape, low rents, houses to renovate, land for building, and a better quality of life in general. This trend is accounted for by economic factors (lower cost of living, tax benefits) and a changing way of life. The improvement of rural infrastructure in many regions, especially transport and (tele)communications, has also played a part, along with a sharp increase and improvement in commuter services between home and work; an increasing number of well-to-do elderly people and early-retired workers attracted by a pleasanter environment and easier opportunities for leisure activities have chosen to make their homes in rural areas;

(iii) the gradual diversification of rural economies, either by the decentralization of certain industries or, at least in some regions, an impressive surge of activity by a host of small-scale local entrepreneurs, whose initiatives have completely changed the economic geography of their area. This is amply illustrated by developments in all the central Italian provinces, where former share-croppers have managed to convert to crafts and small building and engineering businesses, bringing a revolution set in train by people whose imagination knew no bounds once outside the confines of farming.<sup>2</sup>

This distinct reversal of earlier migratory patterns is clearly illustrated by the figures.

In France, a recent study by Segesa<sup>3</sup> illustrates impressively how the country has changed from a situation in which rural exodus was a generalized phenomenon between 1962 and 1968, involving long-distance migration throughout western France, to a situation in which people are moving into

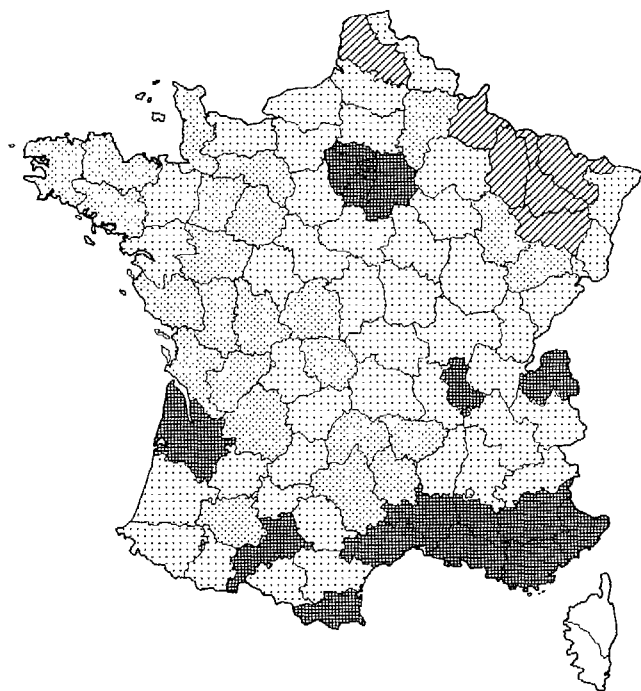
<sup>1</sup> Third periodic report from the Commission on the social and economic situation and development of the regions of the Community (COM(87) 230 final; Bull. EC 5-1987, point 2.1.127).







<sup>2</sup> C. Barberis (Vice-Chairman of the Italian national Countryside Campaign Committee): Presentation to the second European colloquy on the future of the countryside, Lisbon, 11-12 June 1987.

<sup>3</sup> J.-C. Bontron: 'Population et espace rural: vers une nouvelle dynamique' in: *La ruralité à l'horizon 2000*, special issue of *Pour*, June 1985.

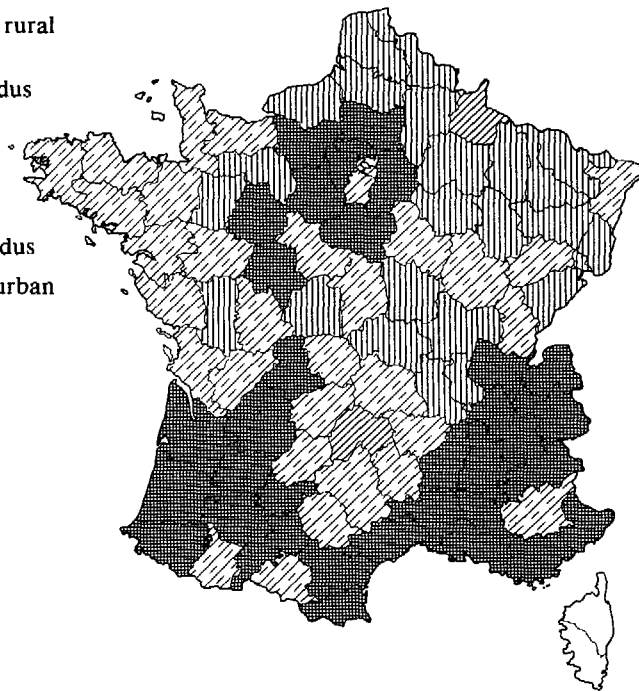
Map 1  
From rural exodus to urban exodus  
France

1962-68



-  Urban attraction insufficient to absorb rural exodus
-  Urban attraction exceeding rural exodus
-  Rural and urban exodus
-  Rural and urban attraction
-  Rural attraction exceeding urban exodus
-  Rural attraction insufficient to absorb urban exodus

1975-82



These two maps show, for each period and each department, the migratory balance of rural communes and urban communes, in absolute value. They show how the situation has changed from practically generalized rural exodus, involving long-distance migration throughout western France, to attraction of urban *émigrés* into rural communes, assuming the proportions of regional exodus in the north-east quarter of France.

Source: Insee, taken from *Pour*, special issue, June 1985 (article by J.-C. Bontron).



rural communes from urban areas, the trend being transformed into a regional exodus in the north-eastern quarter of France (see Map 1). The study, which takes its analysis to cantonal level, points out that, with few exceptions (Massif central and Corsica), even cantons which are predominantly rural have experienced population gains (positive migratory balances).

In Italy, although net emigration from the Mezzogiorno totalled 2.3 million in the 1960s, it had dropped to 0.7 million in the next decade. At the present time, the overall balance is positive, mainly on account of an influx into areas such as Molise and Abruzzi. The north-eastern and central regions, mainly Tuscany, Umbria, Friuli, Venezia-Giulia and Marche, are also showing substantial population gains as a result of migration.

In Germany, the most rural *Länder*, such as Bavaria or Lower Saxony, show significant positive migratory balances, especially in the more agricultural subregions.

In the United Kingdom, although most regions have shown trends of steady emigration since 1970, distinct immigration flows have built up in four regions where agricultural employment is highest (East Anglia, South-West, East Midlands and Wales).

Similar trends have been observed in the Netherlands and Belgium.

The new pattern of migration towards rural areas brings radical transformation to rural society, rejuvenation, and pronounced social and socio-occupational diversification. In France (Segesa study), for instance, the countryside lost 550 000 farming families in 20 years (1962-82), but gained 120 000 families in the professional and senior executive categories, 200 000 in middle management, 300 000 blue and white-collar workers. The trend towards diversification of rural society is very marked, and engenders a wide range of pressures as to the ways in which land should be used (see Fig. 3).

But these general observations need further qualification. First of all, as said earlier, despite the scale of the trend there are still

some rural parts of the Community which are losing their populations as a result of net emigration. Second, the fact that the population is growing in numerous rural regions does not mean there are no migratory trends within them. For instance, in some such regions, especially the outlying parts of the Community, outward emigration may well have ceased but there are intra-regional migratory movements towards small urban centres, which tend to constitute subpoles of economic activity, while the countryside is still losing inhabitants.

### *Foreseeable trends*

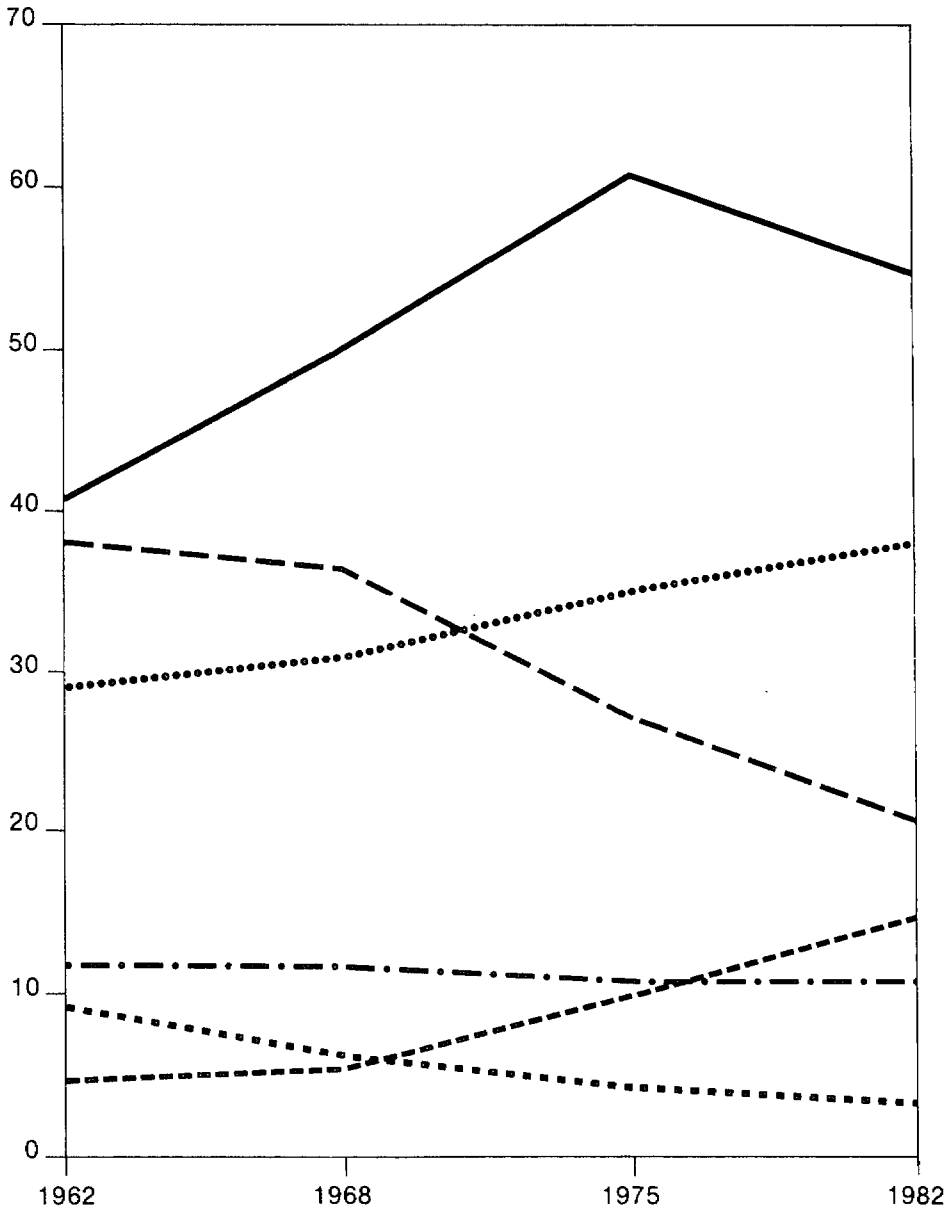
#### **Future limits on agricultural production**

Prospects for economic expansion of farming seem very limited today. Most traditional agricultural markets will probably remain saturated. Admittedly, some market outlets are still promising, or even expanding, as in the case of certain types of product (high-quality products, natural products, dietary products) and certain production methods (organic farming), but even these growth prospects are limited. There are also certain non-food outlets (industry, energy) for agricultural raw materials, but they are quantitatively limited or economically unviable at present (except cork).

On the other hand, it is certain that agricultural yields will continue to increase. The trend in the last 20 years could indeed actually gather momentum as a result of biotechnological progress, which is virtually certain to find large-scale applications in the coming years. Furthermore, major developments are to be expected in the automation of European farming (agricultural robotics), both for the cultivation of the land and associated treatments and for livestock farming and harvesting; the available technology of traditional robotics (manipulator, articulated arm) and advanced robotics (scanning, multiple sensors, electronic components, on-board computers) already offer scope — as yet far from fully exploited — for the rationalization of agricultural production.

On a world scale, with effective demand growing more slowly, competition for mar-

*Figure 3*  
 Number of rural households per 100 working households  
 France



- Retired
- - - Farmers
- ..... Blue-collar workers
- . - Small businesses, retailers
- ..... Paid farmworkers
- . - Middle and senior management

Source: Segesa, taken from *Pour*, special issue, June 1985 (article by J.-C. Bontron).

ket share should become increasingly keen. Already fraught with difficulties, the Community's trading relations with other major exporters of agricultural products may become increasingly acrimonious. These countries also have farm surpluses and also seek export outlets. Like the Community's farmers, their producers will also make every effort to turn (bio)technological progress and automation to good account. In these circumstances, the agricultural markets cannot be stabilized without joint efforts at world level. The countries concerned have given undertakings as to the principle in this respect, at the GATT talks in Punta del Este, at the OECD in Paris, and at the Western Economic Summit in Venice. The Community has declared its willingness to contribute to this stabilization. It has done so by its progressive remodelling since 1984 of the CAP and its mechanisms<sup>1</sup> and the submission of constructive proposals to the Uruguay Round. A major objective of the Community in these multilateral talks is to attain greater equilibrium in systems of external protection. A solution — once found — to the problems caused by cereal substitutes and oilseed/protein crops will enhance the prospects for agricultural production within the Community and will have a significant impact on the development outlook for certain rural regions.

### Ongoing structural adjustment of agriculture

In the light of past trends and various factors which may influence them in future (consumption trends and trends on export markets, regulations, international pressures, increases in yields), various estimates have been made of the land required between now and the year 2000 for the main conventional agricultural uses (human food and animal feed). Depending on the starting hypotheses, it is estimated that by the end of the century the Community will have a farmland surplus of between 6 and 16 million hectares.

The agricultural work-force will be greatly affected by ageing. At present, about half Europe's farmers are 55 years of age or older; half of these have no successors. Most

of these older farmers run small farms; almost two-thirds manage 5 hectares or less (see Table 1). On the other hand, in 10 years' time, half the agricultural work-force in many Member States will be under 45 years of age.

Table 1: Distribution of farms by age of farmer and area farmed

Age	Size class (ha)				Total
	-5	5-20	20-50	50-	
-34	4.1	2.3	1.7	0.6	8.6
35-44	7.8	3.9	2.5	1.1	15.3
45-54	14.4	7.5	4.1	1.5	27.3
55-64	15.1	7.6	3.3	1.2	27.1
65	15.9	4.3	1.1	0.4	21.6
Total	57	25.5	12.6	4.8	100.0

Sources: Eurostat (EUR 10, 1983), DG VI.

Given the present ageing and prospective rejuvenation of the agricultural work-force, there is significant potential for structural adjustment, especially in regions with a high proportion of elderly farmers working small holdings. This is true particularly in the south of the Community: there are about 30 regions in the south where average utilized agricultural area (UAA) is below the Community average (12.9 ha) and the proportion of elderly farmers (55+) is higher than the Community average.

These regions are all in Italy, Greece, Spain and Portugal. The most extreme cases are Liguria, Galicia, Algarve, the Peloponnese and the Ionian Islands, where the average area is 2 to 5 hectares and the proportion of elderly farmers is 60-70%.

### A less buoyant general economy

The last 15 years have been marked by the diversification of rural economies, the growth of the populations in a number of rural regions, the diversification of the social fabric, a general trend towards the decentralization of public authorities and, conse-

<sup>1</sup> A future for Community agriculture (COML(85) 750 final; Bull. EC 12-1985, point 1.2.1 *et seq.*).

quently, greater regional autonomy on the political level. These are all encouraging signs, but there is an underlying fragility. The trend towards economic and social diversification has not been equally marked throughout the rural regions, and there is evidence of increasing structural backwardness. In areas where economic diversification has taken place, too much emphasis has been placed on industries which are now on the decline (textiles, etc.), with too much dependence on investment from outside.

A recent OECD study<sup>1</sup> reports that present economic conditions are far from providing a significant stimulus for the economic growth of rural areas with exogenous investments. Outside investors have always regarded rural areas as sources of cheap surplus labour which can be used to reduce production costs. When labour costs are the critical factor of industrial competition, as is often the case during rapid growth phases (1960s), investment in rural areas tends to increase. But when other factors, such as transport costs or the return obtained on massive injection of capital or advanced technology, become relatively more important, investments tend to cluster in urban centres. Many observers take the view that the economies of the Member States are currently going through this kind of phase, and that prospects for strong industrial growth in rural areas with the aid of outside investments are poor for the foreseeable future.

This does not mean that exogenous investments, whether public or private, will dry up completely, but they could probably become more rare and more selective. This means that strategies to diversify rural economies must now be focused more heavily on the potential for endogenous development.

It is also probable that, generally speaking, the development of secondary and tertiary activities in rural areas will be even less well distributed through the countryside than in the past, tending rather to be concentrated in development subpoles constituted by small towns and regional centres (intermediate centres). It is there that the essential basic infrastructures are available (transport, telecommunications), together with adequate social and cultural amenities to make them

attractive as places in which to stay, set up home and enjoy consumer benefits.

### *By way of conclusion: problems of rural society*

#### **Three standard problems**

From the analysis of past and projected trends, it is apparent that many problems must be faced. Broadly speaking they can be classified in three standard types.<sup>2</sup>

The first problem can be described as the pressure of modern life. This type of problem appears in rural regions situated near to or within easy access of large urban areas. These regions have a fairly high population density and have enjoyed a fairly favourable economic environment during the past few decades.

These are the regions in which the drive towards more modern and intensive forms of agriculture, in some cases making heavy demands on the natural environment (pollution, damage to and destruction of parts of the countryside), has been strongest.

It is also in these regions that the rural economy's diversification has been most marked and the modern back to nature movement most evident: building of first and second homes (sometimes with unsightly speckling of the landscape), setting up of numerous tourist and leisure amenities (in some cases excessive and environmentally damaging), the decentralization of the industrial and service sectors and the establishment of new industries at local level (resulting in some cases of industrial pollution). It is in those regions that the various combinations of agricultural and non-agricultural work have developed most successfully.

This type of problem is found mainly in:

(i) rural regions close to built-up areas and main roads, e.g. South-East England and the Paris-Brussels-Bonn triangle;

<sup>1</sup> *Rural public management*, op. cit., p. 33.

<sup>2</sup> *Twenty years' work for rural development*, Council of Europe, 1987.

(ii) lowlands situated close to towns and cities, e.g. East Anglia and the Po Valley, and many regions in the Community's northern mainland, in particular in the Netherlands, Flanders and Northern Germany;

(iii) coastal regions, in particular on the Mediterranean coast of Spain, France, Italy and Greece, and in the Algarve, the Azores, the Balearic Islands and Southern England.

These areas are undergoing major changes, with rival interests competing for the use of the land, transforming some of the landscape and conserving other parts, placing the ecological balance in increasing jeopardy, despoiling the countryside by splinter development (*Zersiedlung*) and the seasonal overload of tourism.

The second standard type of problem is that of rural decline, which is steadily altering the appearance of many rural regions. With this, there is a persistent drift from the land, which takes place either:

(i) in its traditional form, as a net migration from the region: people leave their region because there is no work, and try their luck in the large towns; this is what has occurred in several regions of Greece, the Mezzogiorno, inland Spain and Portugal, Ireland and Northern Ireland;

(ii) as a process of migration within the same region, from rural to urban areas: people stay in the same region but not necessarily in the countryside.

In both cases one of the main characteristics of the rural areas as such is the relative importance of agriculture, despite major natural and structural handicaps. There are many micro-farms, much too small to provide full-time employment for even one person. Additional or alternative employment/income is either insufficient or not available at all, resulting in a fairly high proportion of concealed and almost permanent underemployment and, by the same token, fairly low family incomes. Faced with those structural blockages, the 15-45 age group, in particular women and the young, leave the countryside and thus help to speed up the ageing of the population. The reduction in the population usually leads to a decline in public and private services (reduc-

tion in the number and quality of the services on offer) and an increase in the prices of those services and also of imported goods (problems of distance, transportation and fixed costs).

The most marginal land gradually tends to be abandoned, leading to greater damage by erosion. The failure to maintain woodlands, in particular in the Community's southern regions, even contributes to the destruction of the vegetation cover by fires. At the same time, the rapid and in some cases ill-planned concentration of the rural population in regional or supraregional centres is engendering growing problems of urbanization, pollution and environmental damage.

This type of problem is commonest in:

(i) certain outlying areas of Western Europe, e.g. north-west Spain, the West of Ireland, Northern Ireland and the West of Scotland;

(ii) the Community's southern outlying areas (Greece, Portugal, central and southern Spain and southern Italy).

The third type of standard problem occurs chiefly in very marginal areas, which are often more difficult to reach. The symptoms are fairly similar to those of the second type of problem, except as regards the following two aspects:

(i) rural decline and depopulation are more marked;

(ii) the potential for economic diversification is much more limited and the basic (infra-structural) development needed for such diversification is particularly costly.

This type of problem occurs above all in mountain areas, e.g. in parts of the Alps and the Pyrenees, in the Massif central, in southern mountain areas in Greece, Italy, Spain and Portugal, in the Highlands of Scotland and on many islands.

### **Adjustment of agriculture and reform of the CAP**

Some observers argue that the reform of the common agricultural policy<sup>1</sup> is partly or

<sup>1</sup> Bull. EC 7/8-1985, point 1.2.1 *et seq.*

wholly responsible for the problems of rural society. This implies that the best solution for rural society would have been to keep the CAP in its original form. But no doubt the opposite would have happened, since failure to reform the CAP would have resulted in the devitalization of the entire rural economy of Europe. What is true is that the progressive adjustment of Community farming to market conditions is creating a climate of uncertainty, which the support schemes now being implemented or proposed are designed to alleviate.

The reform of the CAP consists of an inter-related package of measures to stabilize the markets, diversify farming, give support on a more selective basis, and apply structural schemes in order to:

(i) allow greater play of market forces and thus curb the upward trend of farm production and spending;

(ii) give more consideration to the future of rural society, attenuating the social impact of the measures to curb production and programme the necessary structural adjustments over a period of time;

(iii) strengthen the role of agriculture in particularly sensitive areas where other alternatives are unavailable.

It is difficult to predict accurately the impact of all the action taken recently. But experience shows that the farming world's ability to adjust tends to be underestimated. However, the stabilization measures (restrictive prices policy, quotas, stabilizers) and structural policy (early retirement) will tend to speed up change in agriculture. Other schemes (income aids, measures to assist mountain and hill areas and other less favoured areas) will tend to slow it down. All in all, assuming that all the Commission's proposals are adopted and implemented without delay, the restructuring process should gather some momentum in the early stages, and this could aggravate some of the standard problems. Hence the peculiar importance of the more socially oriented measures proposed by the Commission (income aids), whose purpose is to smooth the passage of agricultural adjustment measures. This is also why the rural development or regional development programmes approved under the reform of the structural policies<sup>1</sup> must be put into effect rapidly, in order to stimulate the creation of alternative and additional employment in rural regions.

---

<sup>1</sup> OJ C 345, 21.12.1987; Bull. EC 11-1987, point 1.1.8; OJ C 151, 9.6.1988; Bull. EC 3-1988, point 2.1.108; OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159; OJ C 256, 3.10.1988; Bull. EC 7/8-1988, point 1.1.1 *et seq.*; the Council adopted the four implementing regulations on 19 December 1988.

## Towards a Community approach to the problems of rural society

### *Preliminary considerations*

There is no single or specific policy covering the variety of problems besetting those who live in the countryside. Their future depends first and foremost on country people themselves, on the local and regional authorities, and on the Member States. The Community's common policies and action programmes are pitched at a higher level. Whilst the Community cannot therefore be held solely responsible for rural development, just as it cannot be held responsible for the problems which arise, its activities, both direct and indirect, are multifaceted. The following examples may be given:

- (a) the policy on agricultural prices and markets and intervention under the EAGGF Guarantee Section; the socio-structural agricultural policy and intervention under the EAGGF Guidance Section;
- (b) forestry schemes;
- (c) schemes for fisheries and aquaculture;
- (d) regional policy and assistance from the ERDF for projects, Community programmes (STAR, Valoren), national programmes of Community interest and action to enhance indigenous development potential;
- (e) the social policy and certain forms of assistance from the ESF; programmes to help young people starting work (transition programmes, exchanges of young workers);
- (f) integrated measures (IMPs, IDO, Pedip, etc.);
- (g) transport policy;
- (h) competition policy;
- (i) action programmes for environmental protection;
- (j) measures in favour of SMEs (Business cooperation centres, Euroinfo centres, Business and innovation centres (BIC));

(k) some Community research programmes, such as the agricultural research programmes, programmes such as Sprint and, to a lesser extent, Comett, Brite, Erasmus and Delta;

(l) Community loan instruments and proposals concerning financial engineering and venture capital.

Thus the Community now has wide scope for action, by means of legislation or funding, to support or encourage rural development. It therefore makes sense to review present arrangements in their entirety and to adapt and amplify them with a view to achieving a strengthened and mutually consistent body of measures.

This is the strategy recommended by the Commission here: it requires not only that direct and carefully targeted measures be taken, but also, to the extent possible, that the rural dimension be taken into account in all the Community's policies and measures. Some guidelines and more specific suggestion on this subject are set out in Part Three.

However, although it has a wide range of instruments at its disposal, the Community will be unable to take action in every rural area to cope with all development problems arising. Community action must be selective, properly publicized, consistent and related to objectives considered to be in the Community interest. Such measures should add value to the action taken by national, regional or local government, generally in close liaison with the latter (coordination, consistency). The principle of subsidiarity must therefore guide Community choices as regards regions (or areas) of intervention, type of measure and financial contribution.

The formidable scale of the task facing the national and regional authorities (in the areas of taxation, land, development, training, administration, etc.) cannot be exaggerated; to expect everything to come from the Community, even in areas which do in part come within its fields of competence, is to risk serious disappointment.

In some cases, Community action could be restricted to studying problems and making recommendations. In other cases, binding

rules might be needed. Sometimes it might be appropriate to implement Community rural development programmes.

### *Three standard problems — three basic strategies*

#### **Diversity of problems — differentiated approach**

The very idea of diversifying rural economies on the basis of their indigenous potential requires that whenever a rural development programme is embarked upon, it must be based on actual local circumstances.

This said, the analysis of the standard problems currently confronting rural society, introduced in the first part of this report, shows that three basic strategies could be used to deal with them. Specific development projects would then be devised following adaptation of the basic strategies to the real situation in a given region.

However, it is important to remember that while the distinction between the three standard problems and the basic strategies to deal with them simplifies the approach to analysis, it is much too general to reflect faithfully the very great diversity of rural society in Europe and the specific problems experienced in each region or rural area. In many rural regions, it is true, one or other of the standard problems can be seen to dominate. But each standard problem already covers a wealth of specific difficulties. And the fact that a particular standard problem dominates does not mean that it excludes all others. There are also many administrative regions within which major subregions facing different standard problems can be distinguished, sometimes very clearly.

#### **The pressures of modern life on rural society (first standard problem)**

##### *Protection of the environment and development of the countryside*

The crux of this problem is to keep the countryside intact from an environmental point of view, not only so that it can fulfil its

function as an ecological buffer and source of natural reproduction, but also to provide it with new and lasting scope for development as an area providing recreation and leisure for the city-dwellers.

Overall, the aim is thus much less that of stepping up the pace of economic development in the rural areas in question than that of providing stronger protection for the rural environment against mounting pressure from competing interests vying for use of the land and from increasing pollution; town and country planning must also gradually enable the regions in question to take full advantage of the growing demand of urban dwellers for green spaces.

It further damage to the countryside is to be avoided and if the damage already done is to be made good wherever possible, an integrated approach to planning and use of the land is needed, with environmental protection as an explicit objective. The future development of the rural areas in question must be managed using an efficient and flexible framework. This framework should be strengthened by information and arbitration procedures enabling the political decision-makers to assess the various interests competing for occupation of the land and the impact each would have on the natural environment in a given rural area, and to choose between them with full knowledge of the facts. One valuable Community instrument for this purpose is the procedure for assessment of the effects of certain public and private projects on the environment, as defined in the Council Directive of 27 June 1985,<sup>1</sup> which the Commission intends to amend before the end of the year. Systematic use should be made of this instrument.

#### *The role of the Community*

Integrated regional planning is, in the first instance, the responsibility of the Member States and the appropriate regional institutions. The Commission would be unable to match the expertise and tradition of physical planning which are their prerogatives, even

<sup>1</sup> OJ L 175, 5.7.1985; Bull. EC 6-1985, point 2.1.93.



though sufficient account has not always been taken of environmental requirements.

The Community's role, then should be restricted to supporting the actions of the Member States, at three different levels:

(i) carrying out additional studies and making recommendations; in regions where Community-aided regional or rural development programmes are run, Community support could even include financial and technical assistance;

(ii) setting maximum limits to the burdens on the environment (horizontal regulations). As announced recently, the Commission will be making proposals in connection with this;<sup>1</sup>

(iii) encouraging farming and forestry techniques which further environmental protection (general horizontal regulations and/or specific horizontal regulations for ecologically sensitive areas).

Community rules to protect the environment already exist. They could be reassessed in the light of early experiences and, where necessary, strengthened and supplemented by other instruments.<sup>1</sup>

### *Overall view*

As for the future development of rural areas under pressure from modern life, there is plenty of scope for diversification and reorientation. Table 2 gives a sector-by-sector summary of the main problems, the possible solutions and the type of measures recommended. Community intervention should, however, be restricted to either horizontal measures or certain specific measures in regions chosen for regional or rural development programmes.

### **Rural decline (second standard problem)**

#### *Economic diversification and development of indigenous potential*

The crux of the problem is that, in terms of structures, these areas lag far behind the others. Diversification is less advanced in the

rural economy than it is elsewhere and progress in improving agricultural structures has for the most part lost a great deal of momentum. To restore life and development to the rural areas faced with this kind of problem, not only action in respect of farming itself is needed, but also a job-creation policy that will provide lasting, alternative, economically viable employment outside farming. In addition, since there is now less likelihood of investment by large companies from outside these regions, a good development policy must reflect local needs and initiatives, particularly at the level of the small and medium-sized businesses, and give priority to the maximization of indigenous potential.

To this end, aid for material investment, whether in the creation of new units of production or in the modernization of existing plant, must be supplemented or even preceded by action to stimulate and diversify the supply of services available to SMEs. The measures to promote such services should in particular be designed to reduce the risks involved in investing in the countryside and to increase the profitability of such ventures (market surveys and feasibility studies, management consultations, common utilities for businesses, access to venture capital, spreading of innovation, etc.).

It is now widely recognized that the availability of good-quality business services has a major impact on the vitality and scale of industrial activity, including the operations of small firms. Similarly, the availability of services to individuals has a positive effect on the quality and quantity of human resources attracted to a region. The link between tertiary activities and rural society is therefore not simply a sectoral problem (the search for activities providing other work or sideline work for farmers), but is essential to the development of the rural economy as a whole.

One essential objective in this connection is to create clusters grouping both industrial processes and the services those processes require, which generally enable a higher ad-

<sup>1</sup> COM(88) 338 final; Bull. EC 6-1988, point 2.1.219.

Table 2: The pressures of modern life on rural society (first standard problem): Problems, possible approaches, type of action to be envisaged

	Agriculture	Woodlands	Environment
Type of problem	Pressure of demand for land. Land fragmentation. Various types of pollution.	Woodlands are subject to particular pressure: (i) over-use by the public; (ii) pollution	Peri-urban pressure (damage to green spaces). Intensive farming (pollution with fertilizers and pesticides, destruction of biotopes).
Type of solution	Land-use planning. Protection of the environment.	The social function (recreation, relaxation, leisure activities) is decisive and must prevail, paying due attention to environmental aspects.	Rational use of space. Regulation (standards). Incentives (to change cultivation techniques).
Type of scheme	Demarcation of agricultural areas (land-use plans). Land consolidation; keeping agriculture competitive; aid measures to encourage the changeover to forms of agriculture which use fewer chemicals. Extensification (see standard problem II).	<i>Future</i> Protection of woodlands (restriction of deforestation). Afforestation for environmental, recreational and landscaping purposes. Planning a better balance of woodland in relation to urban areas.	Land-use plans; studies on environmental impact; maintenance of agricultural and woodland areas. Standards (quality of air, water, etc.). Regulation (dangerous substances). Agricultural advisory services; development of non-polluting techniques. Designation and proper conservation of protection areas.

*Table 2 (contd):* The pressures of modern life on rural society

	Services	Industrial activities
Type of problem	Competition/attraction of urban nucleus. Quality of life, linked to the disadvantages of outlying urban areas (dormitory towns, etc.).	Congestion of towns, absence of alternative activities, empty space around towns (in Southern regions of the Community).
Type of solution	Continual expansion of the service network. Counteraction of competition from urban centres using a policy orientated towards innovation and quality of services. Development of new tertiary activities where possible.	Encourage the emergence of new subpoles of economic development to ease the congestion of built-up urban areas.
Type of scheme	Creation of services centres (offices) or making nearby services available to both companies and individuals. Improvement of communication infrastructures. Introduction of preferential rates for public services (telecommunications, transport, taxation, etc.). Development of rural tourism (accommodation and leisure infrastructure; organization and improvement of existing tourist facilities and services).	Development of the industrial and technological estate model. Support nascent local initiatives outside the large urban centres.

ded value to be achieved at local or regional level. For example, instead of being exported out of the production area, the farm products would be processed on the spot and personalized by means of a label specially created for the area. In the case of aquaculture, the use of lagoons and other stretches of water for fish production provides a good example of a cluster, because, apart from the added value of production in itself, the aquaculture would have both an upstream and a downstream impact on the local economy, in particular as regards the creation of new jobs which such activities entail. In the case of tourist activities engendered by a favourable natural and cultural heritage (the landscape, the village church, the residential environment), a range of services (such as access to leisure activities, child-minding facilities, guided tours, information and booking facilities, etc.) should be built up to improve and round off those already provided.

The indigenous potential of rural areas should also be further maximized by means of social and economic outreach activities aiming at a more active management of State aid by prospecting for potential recipients and strengthening links between businessmen, traders, etc. and their socio-economic environment.

Economic diversification of this kind may require and justify the creation of new infrastructure or the improvement of existing infrastructure, be it basic (transport, telecommunications) or host infrastructure (industrial and SME estates, multi-service centres, etc.) In some cases, investment in infrastructure may even be a precondition for development. However, even in those cases, it must take place within an overall development strategy for an area or a region.

In many cases, not just preliminary action, but also, and even more, back-up measures will be needed in the fields of education and training: a better level of education for the young; greater depth of vocational training; training, information, awareness campaigns aimed at managers and farmers; systematic and better-quality training for instructors working in rural areas, and so on. Again,

these training schemes must be the natural complement to the other measures, dovetailing into a logical system for overall development.

### *Planning, dialogue and partnership*

The examples given in the preceding paragraph show clearly that mutually consistent (integrated) regional development programmes are vital if the schemes launched are to be properly interrelated. Rural development must be both multi-disciplinary in conception and multi-sectoral in application. In addition, such programmes must be drawn up in close cooperation with the national, regional and local authorities; they should be based on a preparation stage, a follow-up stage and a joint evaluation, thereby founding a true partnership.

This last point is crucial. Experience has generally shown that regional or rural development plans cannot succeed without the direct involvement of the interests concerned. Dialogue and partnership are all the more important because rural decline occurs in such a variety of situations, none of which can be ignored when the programmes are framed and implemented.

Alongside local authorities, more and more semi-governmental or private rural associations, pursuing economic or social aims, are being set up. Springing from the rural environment itself, they take initiatives and organize common ventures. If properly exploited, they could be a decisive tool for the promotion of rural development, acting as catalysts and organizing forces on whom Community action should rely to a greater extent. It might even be desirable to initiate a multi-agent process in which leaders of such associations and local representatives should play a central role. The establishment, under rural development programmes, of appropriate organizational and guidance facilities could therefore, perhaps, be organized at local level. Such facilities would include the rural associations, and operating aids for these facilities would be included in the programmes.

## *Strengthening the intermediate centres*

In many cases, diversifying and strengthening rural economies in decline will require that economic activities be brought together at certain locations in order to avoid isolation, to facilitate the formation of clusters and the flow of information between firms, to enable certain services to function profitably and to allow some investment in infrastructure. Experience has shown that where economic activities are too widely scattered they are considerably more vulnerable and are that much less likely to prosper.

What matters, though, is to ensure that the grouping of activities does not lead to an ever-greater concentration of production, distribution and financial structures in a few heavily built-up areas, but that a balance is kept as regards the spatial distribution of economic activity. One course of action would be to encourage the emergence of economic subpoles at regional level. The role of the intermediate centres (small towns) as places providing employment and services to individuals should be reinforced, whilst an effort should be made to preserve the neighbouring rural areas as residential and leisure areas, all the while observing the code for rational development of green spaces. The experience gained in the Cevennes (France) from the *points rouges* and the *points verts* merits careful study.

This option, whilst accommodating current migratory trends, is based on the assumption that an intermediate form of development is viable, and that the relationship between town and country can be complementary and beneficial for the environment when their respective functions are treated in this way.

## *Overall view*

The fact that the emphasis in this report has been placed on development and economic diversification does not mean that agriculture and forestry have no part to play in the strategy to fend off rural decline; without agriculture any form of rural development would be impossible.

Table 3 gives a condensed and brief overview of the main problems, the suggested solutions and the type of measures which could be taken. A more detailed analysis concerning the main fields of action can be found in Part Three of this report.

## **The problems posed in particularly vulnerable areas (third standard problem)**

### *Serious handicaps*

Attention is focused here on certain mountain and hill areas and certain islands which are still far from the major tourist routes and centres and which suffer from considerable natural and structural disadvantages. They are handicapped in the following ways:

- (i) geographically, because they are in outlying areas or are relatively inaccessible;
- (ii) demographically, because so many inhabitants have already drifted away;
- (iii) economically, because they have little in the way of infrastructure and seemingly little potential for economic diversification.

Because they are relatively inaccessible and remote, and too sparsely populated, attempts at development in the past have not met with much success. The local people have often been demotivated by ill-assorted and thinly distributed development measures.

### *Unremitting effort*

Under these circumstances, any development process must take a good deal of time and unremitting effort. The following points are important if the longer-term development prospects are not to be jeopardized:

- (i) rural populations, mostly farming communities, must be maintained at their existing levels, by making the very most of extensive farming (one suggestion would be to create a Community label: 'upland produce') and by better incentives to farmers in a difficult production situation (greater differentiation in compensatory allowances or even the adjustment of some CAP mechanisms);

Table 3: Rural society in decline (second standard problem): Problems, possible approaches, type of measures to be used

	Agriculture	Woodlands	Industrial activities
Type of problem	Structural handicaps. Migration to medium-sized towns. Abandonment of marginal land.	<i>General:</i> increase in area of land in a state of abandon and insufficient alternative jobs. <i>Forestry:</i> (i) underexploitation of woodlands; (ii) large quantity of low-value, second-grade timber; (iii) fragmentation of woodland property; (iv) low geographical concentration of woodlands.	Ageing production plant. Economic isolation. Insufficient analytical and managerial capacity. Limited credit possibilities, with most available credit channelled into agriculture.
Type of solution	Individual measures to improve structures (production, marketing). Quality policy. Diversification. Guidelines for accompanying measures for market policy Nature conservation.	Within the framework of the operational forestry programmes, with the main emphasis on the production function.	Support economic diversification. The local SMEs and very small businesses must be allowed to survive or grow by adapting their production methods to the technological revolution, without forgetting environmental protection and re-creation.
Type of scheme	Improvement of structures. Directives on labels and designation of origin. Organizational support. Aids to farmers who undertake to pursue environmental protection objectives. Identification of coastal areas suitable for aquaculture.	Afforestation of agricultural land abandoned after land reorganization. Reallocation and consolidation of woodland. Creation of forestry associations. Reinforcement of actions to disseminate forestry knowledge. Development of the wood-based industries.	Physical investment aid (subsidies, loans with interest-rate subsidies). Support for innovation. Encouragement of cooperation among SMEs (joint activities in the fields of export, research, etc.). Improved access to credit and mobilization of regional savings. Aid for consultancy services. Stimulation of the wood and paper-based industries in conjunction with forestry activities. Strengthening of the agri-foodstuffs clusters in conjunction with emphasis on quality; support for the creation of regional labels. Possibility of creating clusters around aquaculture.

Table 3 (contd): Rural society in decline (second standard problem)

	Services	Training	Infrastructure
Type of problem	Restructuring of supply of public services. The business back-up services currently on offer to firms are of inadequate quality. Slow adaptation process due to underdevelopment of alternative activities.	Basic training still inadequate. Less education available than in urban areas. Relatively little demand for education. Cultural isolation.	Basic infrastructure and business back-up services often inadequate (transport, telecommunications, industrial and craft areas, multi-service centres). The situation is particularly bad in structurally backward regions.
Type of solution	Solutions must be integrated in a cohesive plan to turn around, not just halt, the trend of decline. The necessary instruments will be: (i) direct subsidies; (ii) exemptions (tax, etc.); (iii) measures to improve the supply of services.	Upkeep of small country schools. Adaptation of teaching to the needs and realities of rural society. Put right the lack of training infrastructure and facilities. Improve the quality of training of the instructors.	Strengthening of the infrastructure required for diversification of the rural economy.
Type of scheme	Strengthening of services to agriculture. Reinstatement of business back-up services for tertiary activities. Improved and increased access to information and telecommunication networks. Help formulate effective demand for business back-up services. Aim for technology transfer. Develop the endogenous capacity to provide business back-up services. Encourage the formation of groups and associations. Place development agents. Promotion of tourism. Promotion of very small firms.	Network of country schools. Creation of rural centres with training facilities. Training action programme for women (with a view to new jobs). Continuing education for adults. Promotion of new types of training for new work outside farming.	Support for the provision of basic infrastructure and business back-up services.

(ii) existing small businesses and small-scale industrial enterprises should be reinforced wherever possible; (integrated) production structures for forestry and timber should be gradually built up;

(iii) national and Community intervention should be coordinated in programmes, to ensure that the local populations are given the assistance they need: basic services for individuals; education and vocational training; the infrastructure necessary for keeping up the level of activity; new infrastructure for developing tele-commuting (pilot projects); the creation of multimedia centres (the Scandinavian tele-cottage model); in general, the carefully prepared introduction of new information technology and telecommunications, adapted to the specific needs of the populations in question, could be beneficial in overcoming the disadvantages

handicapping these areas as regards information, training and communication;

(iv) the natural environment should be protected, not only because of its ecological function of regeneration, but also as a special asset for the gradual development of tourism, with agriculture and forestry playing a key role;

(v) the cultural heritage (architecture, folklore, etc.) must be defended, not only in its own right but also because in many areas it is the key to the development of tourism.

#### *Overall view*

Table 4 gives an overall view of the problems, the suggested approaches and the kind of schemes that could be organized.



Table 4: Rural society in particularly vulnerable areas (mountain and hill areas and certain islands — third standard problem): Problems, possible approaches, type of action to be envisaged

	Agriculture	Woodlands	Industrial activities
Type of problem	Poor agricultural structures. Difficult production conditions. Difficult living conditions	Inadequate forestry infrastructure. High exploitation costs (including transport costs). Restrictions on exploitation for reasons of environmental protection. Location of the wood-processing industries.	Depopulation (hence absence of nearby markets). Excessive cost of modern, efficient infrastructure.
Type of solution	Maintenance for farmers to stay on their farms. Nature conservation.	Priority must be given to the protective function of woodlands, but production must also be taken into account.	Encourage initiatives in the field of industry to maintain an acceptable level of population, since the existence of assistance facilities is a vital prerequisite.
Type of scheme	Income support. Improvement of the rural habitat. Soil conservation. Compensatory allowances (differentiated). Creation of protection areas. Premiums for environmental maintenance.	Prevention of erosion, in particular by means of controlling fast-flowing streams. Improvement of forestry infrastructure. Optimization/balance of woodland grazing. Nature parks in predominantly woodland areas.	Strengthening the existing industrial and craft activities: aids for modernization and creation of new production units. Promotion of cooperation among firms. Improved access to credit. Aid for consultancy services. Stimulation of the wood and paper-based industries in conjunction with forestry measures. Strengthening of the agri-foodstuffs clusters, making optimal use of the 'European mountain product' (label).

*Table 4 (contd): Rural society in particularly vulnerable areas (mountain and hill areas and certain islands — third standard problem)*

	Tertiary activities	Education and vocational training	Infrastructure
Type of problem	<p>Insufficient basic services for individuals (administrative, health, education and transport services). Absence of business back-up services. Excessive cost of a permanent supply of services due to small population..</p>	<p>The relative importance of agriculture imposes the need for conversion and therefore for vocational training. The rural exodus and the ageing of the population result in schools being closed down and in infrastructure problems. Cultural isolation and the cost of infrastructure.</p>	<p>Investment and infrastructure do not become quickly profitable.</p>
Type of solution	<p>Absolute priority should be given to basic services for individuals, especially as regards commercial activities.</p>	<p>Maintaining the basic educational infrastructure (primary schools) whatever the cost, but making varied use of the facilities for cultural and vocational training. Matching the vocational training offered to the economic activities to be launched and supported in these areas by integrating their local and cultural traditions.</p>	<p>Basic services for individuals (schools, hospitals, etc.). Priority should be given to light infrastructure for tourism and certain PME and industrial activities; selectivity on the basis of profitability. Infrastructure to break the isolation of areas where necessary, with no short-term profitability requirement.</p>
Type of scheme	<p>Financing of physical infrastructure. Grouping together of agricultural, industrial, PME and service activities and/or development of tele-commuting. Investment in socio-productive reception infrastructure (multi-purpose premises). Community development services (self-help movement). Financing of feasibility studies for tourism and handicraft projects..</p>	<p>Varied use of the educational facilities (both human and physical). Home study courses. Training geared to farming as an occupation leaving time for other work (production and marketing, agro-tourism, small rural business). Training geared to forestry, the wood and paper-based industries and environmental protection.</p>	

## The main areas of Community action — policies and suggestions for rural society

### *The common agricultural policy*

#### **Reorientation of the CAP**

The common agricultural policy is less monolithic than in the past. For a number of years the Commission has, whenever it has deemed it necessary or possible without compromising market unity, proposed to the Council that it diversify the price and income support measures in order to target them more effectively. The following examples may be cited:

- (a) on the market policy side:
  - (i) direct aid to small producers of seeds and olive oil;
  - (ii) special treatment of certain sensitive areas, e.g. exemption from the milk co-responsibility levy for mountain and hill areas and a reduced levy for small producers in less-favoured areas, additional aid for durum wheat in areas specially suited to it;
- (b) on the socio-structural side:
  - (i) schemes to help agriculture in mountain and hill and less-favoured areas;
  - (ii) specific schemes to help certain areas with very unusual agricultural characteristics;
  - (iii) authorization of Member States to grant farmers above the age of 55 early retirement pensions co-financed by the Community, which ought to facilitate the structural adjustment indispensable in certain areas and in others the conversion of some land to non-agricultural uses (forestry, leisure activities, etc.);<sup>2</sup>
  - (iv) authorization of Member States to aid, with Community co-financing, agricultural practices favourable to the natural environment in ecologically sensitive areas (extensification).

To these more targeted measures must be added schemes launched under the heading of reform of the CAP: incentives to convert to non-surplus products, extensification of production and withdrawal of arable land from production. These are measures intended to accompany adjustment of the CAP to new market realities and to cushion the impact of these on agricultural income. It is expected that these schemes will shortly be supplemented by the proposed direct aids for small farmers having serious social or operational difficulties to contend with.

#### **Suggestions for the future**

##### *Policy on product quality: rural society holds a strong card*

Because of stagnating demand and the need to bring surpluses under control the future of rural production can no longer be seen in quantitative terms, but this does not rule out increases for certain products in deficit. The continued production and the promotion of high-quality products could become of substantial importance in particular to less-favoured and remote areas. Most distributors report that consumer demand for non-factory and regional products is increasing steadily.

The determination to protect agricultural and food products of identifiable geographical origin, their mode of production and their special qualities has led to the appearance of controlled origin designations or labels in the Member States. This movement has been piecemeal but has in general pleased both producers, who obtain higher prices in return for a concentration on quality, and consumers, who can buy high-quality products of guaranteed production method and origin.

The Commission intends to promote a Community policy on product quality. It clearly

<sup>1</sup> OJ L 93, 30.3.1985; Bull. EC 3-1985, points 2.1.111 to 2.1.114; OJ L 167, 26.6.1987; Bull. EC 6-1987, point 2.1.180.

<sup>2</sup> OJ C 236, 2.9.1987; Bull. EC 4-1987, point 1.2.1 *et seq.*; Bull. EC 2-1988, point 1.1.1; Bull. EC 3-1988, point 2.1.136.

indicated this option in 1985 in its Green Paper on a future for Community agriculture<sup>1</sup> and in its communication on completion of the internal market in foodstuffs.<sup>2</sup> National practices on labelling and origin designations vary at present and a Community approach is required. Approval and mutual recognition procedures should be set that would prevent misuse and the pointless proliferation of labels of no precise significance.

Such a policy must not, however, lead to practices that could jeopardize the elimination of barriers to trade or to national legislation incompatible with completion of the internal market by 1992. Labels and origin designations must serve to highlight the special characteristics of certain products and protect them against unfair practices and imitations. But under no circumstances may they be used as an obstacle to the free movement of any product not bearing incorrect or misleading markings. Nor may their use hinder competition or innovation where the consumer is fully informed of these.

On this basis the Commission will shortly be suggesting a general framework for the use of labels permitting recognition of products:

- (i) subject to a special production quality requirement (cheese, butter, prepared cut meats, durum wheat pasta, etc.);
- (ii) originating in areas known for their traditional production (poultry, drinks, meat of particular breeds); a label such as 'European upland product' could be used to promote the extensive production methods still predominant in these areas;
- (iii) produced by special methods: free range, organic, etc.

In 1979 the Council adopted a Directive on labelling<sup>3</sup> introducing provisions designed to prevent purchasers of food products from being misled. Its text, general in nature, will shortly be amplified to prohibit any use of national names and descriptions incompatible with completion of the internal market by 1992, in order to guarantee free movement of products not marked with incorrect or misleading information. Statements describing modes of production and manufacture, origin or source will also be defined,

e.g. free range, non-industrial, traditional, from animals fed in the traditional way, upland product, etc.

The same approach ought to be followed for the granting of controlled origin designations. While labels are, legally speaking, trademarks that may be used in more than one sector, origin designations involve more detailed legislative provision, the product description being available only to producers in a specific zone. The approval procedures for recognition at Community level ought to permit establishment of a clear link between product quality and geographical origin (soil, herbage cover, vine variety, know-how, etc.).

It is only for wine that specific rules protecting geographical indications have so far been enacted.<sup>4</sup> A proposal on the names of spirits and aromatized wines is also on the table.<sup>5</sup> General quality-linked protection of geographical indications, also covering origin designations, is needed for other food products.

A quality policy involving geographical indications ought to be integrated into a more general Community framework and to take account of policy followed on industrial and commercial ownership (trademark law).

A comprehensive approach not restricted to products originating in the countryside would also have the advantage of more easily permitting both the introduction of a Community policy to replace the bilateral agreements used so far between Member States and international defence of a uniform policy.

The Commission will shortly be presenting proposals, without encroaching on existing rights, for the application at Community level of a coherent policy on labels, descriptions and origin designations. This could be

<sup>1</sup> Bull. EC 7/8-1985, point 1.2.1 *et seq.*; COM(85) 333 final.

<sup>2</sup> Bull. EC 11-1985, point 2.1.18; COM(85) 603 final.

<sup>3</sup> OJ L 158, 26.6.1979; Bull. EC 6-1979, point 2.1.69.

<sup>4</sup> OJ L 84, 27.3.1987; Bull. EC 3-1987, point 2.1.168.

<sup>5</sup> In December 1988, after six years of long and difficult negotiation, the Council unanimously reached a common position concerning the regulation setting out the general rules relating to the definition, description and presentation of spirits.

dovetailed into the rural development programmes and some financial assistance provided, for example market study costs.

### *Increased differentiation of measures of general application*

The diversity of European agriculture, which became even more marked with the accession first of Greece and then of Spain and Portugal, raises the whole question of across-the-board application throughout the Community of CAP mechanisms, both in the market organizations and as regards schemes to improve structures.

As indicated above, whenever necessary and feasible the Commission has adopted or laid before the Council measures accommodating this diversity: this is a principle underlying most of the guidance schemes, but there is also some degree of differentiation under the market organizations as well.

The Commission does not rule out in advance more action of this type and proposes to examine, in consultation with all interested parties, ways and means of adjusting, on terms to be defined, the general CAP mechanisms to regional and local conditions and also the possibility of graduating their application.

The Commission also proposes to take advantage of the EAGGF Guidance Section review to make further adjustments to the financing arrangements. Those for agriculture in mountain and hill and less favoured areas could be rationalized and further differentiated to give more help to areas where there is little scope for economic diversification and hence for creating alternative employment. Compensatory allowances might also be increased to recipients undertaking to perform certain countryside maintenance tasks or to maintain agricultural practices which help conserve the natural environment.

### *Support targeted on economic integration*

Improving the continuing training of farmers, making them more interested in management and marketing techniques, in-

creasing their bargaining power *vis-à-vis* processors and suppliers and boosting support services are not new ideas but in the present situation of forced adjustment in the face of market constraints their implementation is becoming vital in many rural areas. The Commission will be making proposals for aiding introduction of the necessary co-operative strategies.

### *Community forestry schemes*

Community action in the forestry/timber sector has up to now been very limited but, as is pointed out in a parallel communication,<sup>1</sup> the Community must now make a major effort to promote the development of forestry and the timber-using industries in rural areas.

The areas where effort will be concentrated will be those where:

- (i) conservation of the environment, including protection of the soil against erosion, of water balances and of natural habitats is important;
- (ii) promotion of forestry can improve the economy of the area by contributing to the development of job-creating activities;
- (iii) the social and recreational function of woodlands is important.

### *Protection of the rural environment*

While there is general agreement that economic development of rural areas and protection of the environment should in the long term go hand in hand, there remain a number of conflicts today between the two. A considerable degree of responsibility for managing these interests and taking a long-term view lies with the public authorities, who have the job of proposing, or at the very least approving, with due regard to environmental constraints, integrated land development and land use plans, and of setting up arbitration procedures, defining maximum pollution limits, etc.

<sup>1</sup> OJ C 312, 7.12.1988; Bull. EC 9-1988, point 1.2.1 *et seq.*

For farming and forestry a set of rules should be laid down that will restrict certain harmful practices (intensive and factory farming, excessive use of fertilizers and pesticides, etc.) and promote practices with a positive impact on the environment. A detailed communication was recently sent by the Commission to the Council and to Parliament.<sup>1</sup>

But agriculture and forestry can play a further role in protecting the rural environment. If farmers and foresters are prepared to provide a necessary and valued public good, incentives and compensation, perhaps even on a permanent basis, can be justified. The Commission intends to propose the introduction of an aid scheme sufficiently flexible to permit targeting and adjustment to widely varying regional situations. Some of the aids, e.g. for extensification, are already available. Aid could be granted for:

(i) the maintenance of agriculture in areas suffering from natural handicaps: such compensatory aids are already granted in mountain and hill and less favoured areas; the question is whether they should be widened in scope and an environmental dimension introduced to ensure that some benefits no longer automatically provided by farming are maintained; in other words, in exchange for a higher allowance, the farmer would contract to undertake certain environmental upkeep tasks and to observe in his cropping and stockfarming practices certain environmentally favourable rules;

(ii) the adoption, under management contracts, of farming practices compatible with or promoting environment protection objectives, and the introduction of organic and integrated pest control farming techniques (demonstration and group training projects);

(iii) the release of land for environmental purposes under programmes for the establishment of a systematic network of special production zones (biotopes, tree belts, protected water); according to some estimates at least 10% of the land area of the Community could be classed as special protection zones and 10% of the agricultural and forest land treated as lines of communication (waterways, hedges, small areas of trees, poor grassland);

(iv) afforestation in outlying areas surrounding towns and cities and in zones with an ecological function;

(v) extensification.

## *Energy and rural society: multiple links*

### **Not a negligible stake**

Rural society uses considerable amounts of energy. Farmers alone use up every year, either directly or indirectly, the energy value (toe) of some 50 million tonnes of oil, i.e. more than 7% of final energy consumption in the Community.<sup>1</sup> The energy used by small and medium-sized industrial undertakings, for private and public building and construction work in the countryside, and for tourism, easily doubles this figure.

At the same time, both agriculture and forestry produce renewable raw materials that can be used as fuel. The use of some agricultural and forestry waste products is cost effective at the moment. Further, the lower density of the population in certain outlying areas and the amount of sun and wind they receive may well make the use of these alternative energy sources viable under a decentralized energy supply programme.

These factors combined fully justify the interest so far displayed by the Commission and the Member States in the multiple links between agriculture/forestry and the energy requirements of rural development.

A substantial amount of the financial support given by the Community for developing the technology for using energy more effectively and for developing the use of renewable energy sources is thus specifically devoted to work of direct interest to the countryside. Production of biogas from slurry in bio-digesters serving several dozen holdings, combustion of straw and plant waste in high

<sup>1</sup> COM(88) 338 final; Bull. EC 6-1988, point 2.1.129.

<sup>2</sup> Direct consumption (electricity, diesel fuel, etc.): 20 million toe; indirect consumption (energy used in the production of agricultural machinery, fertilizer, pesticides etc.): 20 million toe; consumption for transport of agricultural raw materials and distribution of agricultural/food products: 10 million toe.

performance boilers for the combined production of heat and electricity, use of solar energy for cheap drying of agricultural products such as maize, fodder and tobacco, use of waste from timber-using undertakings and of forest prunings and production of tractor fuel from oilseeds all merit exploration for industrial feasibility and cost effectiveness.

The Commission also proposes incentives to all efforts to secure lower energy use in the heating of buildings and in engines. The use of solar and wind energy on a local scale will also be encouraged.

The short-term aim is, through the energy demonstration programme,<sup>1</sup> to help reduce the energy costs of agricultural activities, food production and rural activities in general and so increase their profitability. In the longer term the problems of rural development will require a comprehensive strategy that will also facilitate and render more effective action to optimize energy use. The creation of suitable instruments for financing the sometimes considerable investment required in order to save energy or in suitable cases produce it from agricultural raw materials could therefore be envisaged.

#### **Reinforcing Community action: some suggestions**

Since 1979 the Commission has, through the energy demonstration programme,<sup>1</sup> selected for financial support numerous real-scale demonstration projects, directly relevant to rural society, for saving energy, replacing hydrocarbon fuels by others and using alternative energy sources.

The present demonstration programme runs out in 1989 and an assessment of the results obtained will then be undertaken. These will help in working out the broad lines of the future programme. Particular attention will be paid to work of direct interest to rural society, at several levels:

(i) advisory services: advice to farmers, managers and executives and local administrations and the introduction of mobile information, assessment and advice units (rural

energy buses) could be an effective and interesting solution, which the Commission intends to test by pilot projects;

(ii) an increase in the number of demonstration projects on the use of energy in the rural world;

(iii) increased participation by small and medium-sized rural enterprises.

### *Regional policy*

#### **Development of intermediate centres — rural emphasis in regional policy**

Any policy for revitalizing and developing the countryside is also a facet of regional policy since regional policy of any sort is bound to have repercussions on the countryside. If rural development is to be assigned the importance it merits in regional policy, what must be sought first and foremost now is a more balanced geographical spread of economic activity.

In more practical terms, care must be taken to ensure that development efforts are not all concentrated on the few main centres but that the establishment of a larger number of intermediate centres distributed evenly throughout the territory concerned is encouraged.

The Commission will take particular care to ensure that the role of these intermediate centres as development subpoles is respected and strengthened by the regional development programmes submitted to it. It will endeavour, by consultation with the Member States and the regions concerned, to find the best ways of promoting more balanced geographical distribution of economic activity.

#### **External support — endogenous potential**

Declining rural areas will in many cases be revitalized and their future development ensured through sectoral diversification of their economies. Less reliance can be placed than in the past on investment by large un-

<sup>1</sup> OJ L 158, 16.6.1978; Twelfth General Report, point 391.

dertakings from outside. The rural development policy must more than ever therefore be geared to local requirements and initiatives, particularly at the level of small and medium-sized enterprises, and must place particular emphasis on making the most of local potential.

Local rural development does not mean merely working along existing lines. It means making the most of all the advantages that the particular rural area has: space and landscape beauty, high-quality agricultural and forestry products specific to the area, gastronomic specialities, cultural and craft traditions, architectural and artistic heritage, innovatory ideas, availability of labour, industries and services already existing, all to be exploited with regional capital and human resources, with what is lacking in the way of capital and coordination, consultancy and planning services brought in from outside.

The promotion of indigenous rural development does not automatically rule out the establishment of business activity brought in from outside. Where this is feasible, and new businesses are smoothly dovetailed into the rural framework, they may be a valuable source of jobs and income.

Nor must any particular industry be automatically excluded. In certain areas, even for industries that are in general decline (textiles, leather, pottery, etc.), there may be opportunities for development by using specific know-how and targeting production to market segments in expansion. Other regions may be particularly attractive to growing sectors (electronics, biotechnology) since areas with very low pollution levels are being sought for certain production processes. In other cases the sheer scale of the natural environment may permit establishment of strategic heavy industry processes that tend to pollute and that could not be absorbed elsewhere without serious problems.

### **Guidelines for physical infrastructure**

Infrastructure is the most costly and most risky form of investment, since it is often difficult to determine with real accuracy the

economic return. The cost and the time it takes to justify the outlay can make proper planning of a region's future well-nigh impossible. Past experience of infrastructure underutilization and overutilization in the Community has demonstrated clearly that excessive concentration on infrastructures in regional policy is inadvisable, even in the least developed regions. Infrastructures must be used as an integrated instrument for overall development.

More encouragement will thus be given to productive private investment responding to market requirements. Where these must be accompanied or even, in some cases, preceded by investment in technical infrastructure (roads, telecommunications networks, etc.) these should be to some extent economically justified in their own right. The actual direct financial return may be sufficient justification (telecommunications, toll roads and bridges), but this is the less common case, and usually a more general cost-benefit analysis will be needed to assess the economic impact of the investment.

Such analysis will also be necessary for investments (or other measures) that constitute the response not to a market but to a collective requirement, e.g. landscape maintenance and improvement, maintenance of population and activity in sensitive areas. In these circumstances payment by users of the infrastructure is not to be debarred, the value (price) being determined by the authority on the basis of priorities and available resources.

### *Measures to help small businesses*

#### **Small firms: industry and crafts — adaptation to technological development**

As we have seen in the preceding chapter and in the first part of this report, regeneration of rural areas and their future development will, in many cases, involve sectoral diversification of their economies, better reflecting local needs and initiatives, particularly those of small businesses, and put greater emphasis on harnessing endogenous potential.



The above analysis underlines the importance of small businesses for the diversification of rural economies, but also points out the main problems which they encounter and which any rural development strategy must accommodate.

Too often, still, small businesses in rural areas lack drive and competitive edge largely because of their relative economic isolation and ageing production methods. The existing economic fabric can be strengthened and revitalized only by adapting production methods to technological progress. This could be done in four different ways:

(i) by encouraging the use of new technology in manufacturing industry and small business; this would involve helping firms to adapt to new technology at all stages of operations (production, management, organization of work, staff training and commercial networks) and would above all take the form of support for studies and advisory services to be provided by outside bodies;

(ii) by promoting the emergence of a competitive supply of sophisticated capital equipment, which is often lacking in rural areas and has to be sought elsewhere; here, too, specialized information and advisory services will be required;

(iii) by providing special help to basic local sectors (agri-foodstuffs, building and public works) seeking to master new technology in order to compete more effectively;

(iv) by channelling regional savings to fund projects to modernize production.

As far as this last aspect is concerned, financial infrastructure in rural areas must be strengthened by greater decentralization of banking facilities, easier access to credit for non-farmers (preferential treatment is still often given to farmers alone and in some cases this leads to an inefficient allocation of resources), providing support for the setting-up of regional investment corporations and venture capital companies or help in creating capital-holding and loan-guarantee schemes, etc. All these schemes are dealt with further on.

Stronger financial infrastructure must go hand in hand with better sites and facilities:

regeneration of present factory and craft workshop zones by setting up multi-service centres, providing help in creating new trading estates, and improving access to telecommunications and transport networks.

## Services play a key role

### *The basic objectives*

One common problem which has serious consequences in the long term is the lack or poor quality of certain services in rural areas. This applies not only to top of the range services for individuals (whose availability has an impact on the quality and quantity of human resources attracted to an area) but also to business services (which affect the vitality and level of industrial activity in a region).

The relevance of services and service industries to rural life is thus not only a matter of establishing activities alternative or complementary to farming: they are the life-blood of all activities in the area concerned. Any strategy to develop services in a rural area must centre on three prime objectives (in an order of priority dictated by the nature of the main problem):

(i) to maintain existing tertiary activities (commerce, transport, recreational facilities, education and public services) in order to preserve a certain quality of life which will attract people to or keep people in rural areas — which is, in the end, the only way of generating or regenerating business activity;

(ii) to create new tertiary activities for firms and individuals that exploit the local advantages, both natural (climate, scenic beauty, etc.) and historical or traditional (cultural resources, skills and crafts, heritage sites, etc.); these are aspects which are vital to the development of activities such as rural tourism;

(iii) to develop business services (agricultural, industrial or tertiary in the public or private sector); business services, whether they be market intelligence, R&D, technical services, training, financial services or other, are becoming increasingly necessary; access to quality services can be a problem for

businesses in rural areas, either because such services are scarce or do not exist at all or because, where they do exist, they are often tailored to one sector, agriculture.

### *Ways of improving the supply of services in rural areas*

To improve the supply of services in rural areas there must be a minimum of infrastructure and facilities, and measures must be taken to stimulate demand. There are four main ways in which this can be done:

(i) by introducing technical infrastructure for the services sector; this might take the form of telecommunications infrastructures (cable networks, communication centres, the STAR programme<sup>1</sup>) or business service centres offering the facilities necessary for tertiary professions (automated office equipment, access to databases, etc.), thus marrying supply and demand; in other cases priority should be given to (or shared with) quality personal services and amenities (shopping or recreational facilities, transport, education/training, public services);

(ii) by developing the right environment through such legal, organizational and fee-structure inducements as exemptions to the administrative and budgetary rules governing public services (preferential rates to compensate for remoteness from large conurbations, maintenance or creation of particular public services despite poor profitability), renovation of housing stocks and improvement of local amenities;

(iii) by stimulating supply and demand for services according to the needs of the productive system, e.g. public procurement of services (advisory outreach, enterprise schemes, management, etc.), encouraging small businesses to use specialized services (subsidies for the use of advisory, consultancy and management services), development of services upstream and downstream of agri-industries or very small businesses (research centres, services to exploit and disseminate results, etc.);

(iv) by providing training for service trades; the quality of service offered is determined by the skills of the person providing the service, whether it be farming-related or a

new activity; there are far too many unskilled young people in rural areas: new methods of post-secondary and vocational training must be found to ensure new opportunities are not passed by; the example of rural tourism and allied activities is often quoted in this context.

### **Rural tourism**

Rural tourism is a vast concept which includes not only farm holidays but also any other tourist activity in rural areas. It is often mentioned as having promising potential for the future of rural society. Nearly all the Member States are interested in developing such tourism, for three main reasons:

(i) to meet new demand by a certain tourist clientele which could be attracted to the countryside if certain conditions were met (information, infrastructure and adequate services);

(ii) to safeguard local housing, which might suffer deterioration or even demolition but could be restored, maintained and run at a profit as accommodation for visitors;

(iii) to create employment that supplements or is an alternative to agriculture.

At first sight the prospects for rural tourism seem quite good. To make the most of them action should focus on three areas:

(i) Improvement of tourist services by the granting of aid for the organization of those providing the services (cooperatives, labels) and for the marketing of products (increasing the awareness of service firms so that they diversify their activities outside agriculture, establishment of specialized services and easier access thereto, either at regional level or for each tourist sector concerned).

(ii) Encouragement for the provision of more elaborate tourist facilities, in other words a complete package: accommodation, leisure activities (sports, recreation) and related services (personal services, provision for children, etc.). This could be accompanied by efforts to develop infrastructure and training.

<sup>1</sup> OJ L 305, 31.10.1986; Bull. EC 10-1986, point 2.1.107.

(iii) Adoption of tourism as a way of diversifying from agriculture as the main activity. Tentative experiments in this field indicate that success for this type of rural tourism will mainly depend on the availability of infrastructure (swimming pools, golf courses, tennis courts) or services (riding, guided tours, catering) on the farm or in the neighbourhood. It will also largely depend on the systematic information of potential clients and the organization of contacts (information and reservation centres or agencies, transport).

### **Scope for Community action now and in the future**

There are already a number of ways in which the Community can help with the development of small businesses and which would form a good basis for Community action. In some areas this basis would need to be reinforced and extended in order to take better account of problems specific to rural areas. Community action could come under the following headings:

#### *Targeted information and education*

- (a) Information and education seminars at regional level for heads of businesses.
- (b) Brochures providing information on Community projects to assist small businesses in rural areas.
- (c) Financing preliminary studies and preparing recommendations.

#### *Physical infrastructure*

- (a) Aid to improve and create site infrastructure and facilities for small businesses: trading and small business estates, service centres, easier access to telecommunications and transport.
- (b) Greater access by rural areas to existing sectoral programmes like STAR or Valoren;<sup>1</sup> if necessary, setting up new programmes of this kind.

(c) More generous and wider financial assistance to set up tourist infrastructure: improving sites, establishing countryside parks, recreational areas and sports facilities.

#### *Financial infrastructure*

- (a) Easier access to finance by the EIB, NCI, etc.; creation of a rural NCI.
- (b) More Community support for measures to widen the range of financial mechanisms in rural areas for investment leading to economic diversification: regional investment corporations, venture-capital companies, capital-holding schemes, loan-guarantee schemes, etc.; measures to be eligible for help from the structural Funds (investment aid, interest subsidies, etc.).

#### *Small industries and craft firms*

- (a) Aid for productive investment (modernization and new business units): subsidies and/or loans (with or without interest-rate subsidies).
- (b) A programme of consultancy aid for firms in rural areas (under the structural Funds).
- (c) Easier access by rural small businesses to business cooperation ventures (SME Task Force) and technology transfer projects (Sprint<sup>2</sup> and Comett<sup>3</sup>).
- (d) Bring rural development concerns into Community research programmes (Esprit<sup>4</sup> and Brite<sup>5</sup>) and encourage participation by rural small businesses.

<sup>1</sup> OJ L 305, 31.10.1986; Bull. EC 10-1986, point 2.1.107.

<sup>2</sup> Experimental phase: OJ L 353, 15.12.1983; Bull. EC 10-1983, point 2.1.38; OJ L 153, 13.6.1987; Bull. EC 6-1987, point 2.1.56. Main phase: OJ C 153, 13.6.1987; Bull. EC 7/8-1988, point 2.1.40.

<sup>3</sup> OJ L 122, 8.8.1986; Bull. EC 7/8-1986, point 2.1.95.

<sup>4</sup> OJ L 67, 9.3.1984; Bull. EC 2-1984, point 1.3.1 *et seq.*; OJ L 118, 6.5.1988; Bull. EC 4-1988, point 2.1.54.

<sup>5</sup> OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2; OJ L 53, 4.3.1988; Bull. EC 2-1988, point 2.1.35.

**Business services**

- (a) More Euro info centres<sup>1</sup> in rural areas.
- (b) Easier eligibility of rural areas to the business and innovation centres programme.<sup>2</sup>
- (c) Stimulate public and private demand for business consultancy, advisory and management services (consultancy aid programmes as part of rural development programmes).

**Customer services**

- (a) For public services: organize exchanges of know-how by senior administrators; disseminate information on practices in different regions; assess the effect of keeping in operation (or abolishing) public services for inhabitants of rural areas; possibly, prepare recommendations for different Member States and/or regions.
- (b) For private services: disseminate information; encourage exchange of know-how; allow certain commercial activities to be eligible under rural development programmes; devise special funding mechanisms for this purpose (e.g. advances which are repayable in the event of success).
- (c) Sponsorship arrangements for specific initiatives (pilot projects to improve services in rural areas).

**Rural tourism**

- (a) Programmes of aid for productive investment in tourism (farmhouse holidays, rural holiday centres, guest accommodation capacities, etc.) under rural development programmes; co-financing by the structural Funds (ERDF or, on farms, the EAGGF Guidance Section) or preferably loans (with or without interest subsidies); and consultancy aid, market surveys, promotion and pooled organization (associations, advertising and publicity, booking agencies, etc.).
- (b) Exchanges of information and know-how to encourage wider use of the best and most profitable formulas.

**A strategic challenge which must be met**

The debate on the future of technology in Europe often concentrates solely on an external factor: international competition. While this is certainly of strategic importance, there are also internal issues which must not be neglected, a particular example being the risk that technological innovation will be concentrated excessively on a small number of important centres of economic activity, to the detriment of the rural population.

The Commission is anxious to foster a balance between town and country in its determination of the subjects to be covered and the role of institutes, universities, businesses and rural areas themselves in developing new technology and in putting it to more systematic use in rural development after adapting it to the specific needs of the rural economy and rural enterprises. Technological development, particularly that of biotechnology and information and telecommunications technology, will undoubtedly have a considerable bearing on the location of research activity and therefore also on the geographical distribution of the benefits brought by their development and use. It is in this sense that the choices made as regards research and technological development and the use of new technologies are of strategic importance to the future of rural society. The Community cannot allow that society to progressively turn into a technological third world and therefore condemn it to a state of permanent underdevelopment.

**A difficult socio-economic context**

A number of studies have confirmed that rural areas are at a substantial disadvantage where technological development is concerned.<sup>3</sup> The findings are:

<sup>1</sup> Bull. EC 4-1987, point 2.1.18; Bull. EC 7/8-1987, point 2.1.23; Bull. EC 2-1988, point 2.1.21; Bull. EC 3-1988, point 2.1.27.

<sup>2</sup> OJ C 33, 11.2.1987; Bull. EC 7/8-1987, point 2.1.24.

<sup>3</sup> Irish National Board for Science and Technology report, prepared for the Commission in connection with the Stride (Science and technology for regional innovation and development in Europe) programme.

(i) that rural areas often have no contact with leading research centres and are therefore not in a position to take the initiative in developing new technologies;

(ii) that it is often difficult for rural society to acquire and use technologies developed elsewhere, either because the latter are not suited to the rural environment or because the sections of the rural economy in question specialize in products with a low technology input, are lacking in financial resources or suffer from a shortage of appropriate vocational training and a lack of access to information networks.

It therefore appears that as a first step the economic, social and professional climate of these areas must be improved in order to enable them to overcome their handicaps, by placing emphasis on:

(i) the development of know-how and professional ability (educational and vocational training programmes, demonstration projects);

(ii) accessibility of information on economics and technology (setting-up of programmes and information centres; development of telecommunications infrastructures);

(iii) support for research and technological development from SMEs through establishing contacts between those developing the new technology and its potential local users.

#### **Increased emphasis on approaches which will benefit rural society**

Aside from the considerations already mentioned, the influence of the choice of subjects to be tackled and approaches towards research and development must be taken into account, since these have important implications for rural society. The Community's research and development measures may be divided into three categories:

(i) identification, assessment and management of local resources;

(ii) development of new products and new production processes;

(iii) encouraging joint ventures between laboratories and industry.

In the light of the significance of these three types of measure for the future of rural society the Commission proposes that steps be taken to tailor them more closely to the needs of the rural economy.

To this end:

(i) assessment of local resources will continue to include consideration of natural and economic resources but will also devote more attention to human resources;

(ii) greater emphasis will be placed on the products and production processes which are best suited to the needs of the rural economy and rural businesses (farm holdings, small and medium-sized enterprises);

(iii) there will be a greater number of exchanges of scientific personnel between laboratories and research institutes and industry in general, and between research facilities and businesses in rural locations in particular.

The Commission will also be examining the possibility of making rural development needs a more intrinsic part of Community research programmes such as Esprit (information technology)<sup>1</sup> and Brite (promotion of European industry)<sup>2</sup> as well as of increasing the participation of SMEs from rural areas in these programmes. Should this not prove sufficient, the Commission may suggest a Community research programme centred specifically on the development and use of new technologies in rural society (information, communication, production and marketing technology).

#### ***The dissemination of new information and telecommunications technology***

##### **An advantage to be exploited**

The great importance of recent developments in information and telecommunica-

<sup>1</sup> OJ L 67, 9.3.1984; Bull. EC 2-1984, point 1.3.1 *et seq.*; OJ L 118, 6.5.1988; Bull. EC 4-1988, point 2.1.54.

<sup>2</sup> OJ L 83, 25.3.1985; Bull. EC 12-1984, points 1.7.1 and 1.7.2; OJ L 59, 4.3.1988; Bull. EC 2-1988, point 2.1.35.

tions technology has been stressed repeatedly. This is brought home all the more forcefully when one considers that the use of new information technology is far from widespread, and that in many rural areas the basic telecommunications infrastructure is seriously inadequate. As an example, Spain is estimated to have some 30 000 communities of fewer than 100 inhabitants which are not connected to the telephone network.

However, numerous experiments have shown that telecommunications can provide a very special link between the rural environment and major economic and cultural centres, since they provide areas with a low population density and/or areas which are difficult to reach with access to a number of public and private services (education, vocational training, information of all kinds, cultural services, services for businesses and retail services to consumers). These would either not otherwise be available, or would be available only at a very high cost.

In the more developed regions of the Community, large numbers of rural businesses, including farms, are now successfully using new information technologies and the range of services to which they provide access. None the less, considerable effort will still have to be put into extending the use of such technology to less developed areas and bringing home to those who play a part in the social and economic lives of those areas the enormous development potential inherent in these fields in order to improve the economic performance, trade, cultural links and, ultimately, living standards.

A key consideration for the future of rural society is the access telecommunications will bring to basic education and quality vocational training. The launching of satellites in increasing numbers is a development to be exploited, since it will allow education programmes to be broadcast to a wide area. The Community is currently sounding out new technical avenues through its Delta programme,<sup>1</sup> and the programme to determine the uses which could be made of the European Space Agency's Olympus satellite (which is scheduled for launching next year).

## Encouraging results

France has already had some experience in transmitting agricultural information by satellite. One idea which has been tested in connection with this is the use of satellite for night-time (and therefore low-cost) transmission of farming and training programmes, which are recorded on domestic video recorders for viewing during the day.

A particularly interesting and wider-ranging experiment is that conducted in Scandinavia with tele-cottages (telehouses, information community services centres, electronic village halls). The concept of telecommunications centres, developed within the Community's STAR programme,<sup>2</sup> is similar in approach, but operates on a smaller scale and is more specifically targeted at SMEs.

Tele-cottages operate as follows:

(i) the facilities the service affords are aimed equally at private, professional and commercial users; they generally comprise satellite TV reception, tele-shopping services, consultations involving the viewer, access to national and international databases and local, regional, economic, commercial and news information services;

(ii) the day-to-day management of the centre is in the hands of an information technology expert who helps businesses and other local organizations to get the most out of the facilities available;

(iii) where conditions favour such an approach, tele-commuting facilities are available;

(iv) also on offer are training courses in information skills (e.g. introduction to computing) and computer-assisted training courses;

(v) telecommunications equipment (e.g. telex and fax terminals) are made available to the local population to ease communication with areas outside their community;

(vi) the centre plays a key role in the political, social and cultural life of a village, parti-

<sup>1</sup> OJ L 206, 30.7.1988; Bull. EC 6-1988, point 2.1.81.

<sup>2</sup> OJ L 305, 31.10.1986; Bull. EC 10-1986, point 2.1.107.

cularly through its provision of meeting rooms, local and regional news, and the opportunity for the population to gather to watch films or television programmes broadcast by domestic or foreign channels.

The Scandinavian tele-cottages experiment is considered an overall success. The Danish authorities, which were involved in its development, have recently provided the Spanish, Greek and Portuguese authorities with relevant information.

### **Making Community action more effective**

Although progress has been made in the past few years, the Commission takes the view that more work will be needed to improve infrastructure and access to new information and telecommunication technology in rural society.

This future work should include extending and improving telephone (including mobile telephone) networks and videotext networks in rural areas (developing new types of information format and open-university-type training) and making the maximum use of the facilities new satellites will provide for these purposes. More precisely, the Commission suggests:

(i) that investment in telecommunications infrastructures in rural areas should be increased by pressing into use all sources of funding which are aimed specifically at structural improvement;

(ii) that the scope of the STAR programme,<sup>1</sup> which specifically targets advanced telecommunications, be expanded; STAR is a five-year programme which has been running for 18 months; tentative experiments have already yielded a basis for determining the ways in which it might be improved, added to or changed to more accurately reflect the needs of rural society and so move towards a Community strategy for this area of activity for the 1990s (post-STAR);

(iii) that a scheme be set up to support the use of new technology in rural areas, with the aim of alerting potential local users (firms, administrations, community and cultural bodies and individuals) to the opportunities brought by new technology, to pro-

vide users with the training they will need to get the maximum benefit from them and thus to stimulate demand for the technology itself; STAR already includes measures to encourage demand, but their scope could still be increased to better accommodate the specific situation of rural areas;

(iv) that the Scandinavian tele-cottage experiment be examined closely, and the possibilities of using the idea in the Community, with any necessary changes, be investigated.

As soon as possible, the Commission will be forwarding its findings, if appropriate with proposals, to the Council and Parliament.

## ***Education — Training — Social policy***

### **Two basic problems**

The importance of vocational education and training as prerequisites for the development of rural society is widely acknowledged today, especially in rural regions where structural development is lagging behind or where the third standard problem is predominant (mountain and hill areas, islands).

These regions face two major difficulties.

First, the education infrastructure is lacking or being eroded. The maintenance and development of small rural schools presents increasing problems. On the one hand, they are excessively expensive as compared with national staffing norms, while on the other, the jobs they offer usually have little attraction for teachers, most of whom have an urban background. Faced with this situation, the Member States have tended to merge schools together, busing pupils in from wide catchment areas.

Second, apart from agricultural and forestry courses, education and training schemes are aimed mainly at urban and industrial sections of the population. They are difficult to adapt to the concerns of rural development.

The development of new activities — alternative or supplementary — in rural areas

<sup>1</sup> OJ L 305, 31.10.1986; Bull. EC 10-1986, point 2.1.107.

will entail a demand for new occupational qualifications. The priorities for these qualifications and for the information and training accompanying them will need to be:

- (i) encouraging farmers and their families to combine several jobs by managing the production, processing and marketing of farm products and keeping up standards of safety and hygiene in their work;
- (ii) the enhancement of farming by introducing activities related to farm tourism, taking in young people and out-of-school activities in a rural setting;
- (iii) rural craft industries, often related to country housing and its maintenance and to the maintenance of agricultural machinery;
- (iv) activities related to forestry and conservation of the environment;
- (v) the setting up of new types of mobile services (repairs, buying and selling, or services directly related to information, training, counselling and organization).

#### **A few suggestions and new ideas**

In view of the basic problems which have been outlined, several operations are suggested:

(a) Supporting and encouraging the Member States and the regions in their efforts to maintain the education infrastructure in the countryside. Where this approach appears promising as part of rural development programmes, the Commission considers that aid could be provided for the maintenance of the infrastructure constituted by village schools and the introduction of changes in the way they operate. One possibility would be to convert them into small multipurpose centres for education, basic vocational training, continuing training, introduction to and organization of rural development, and cultural activities (with libraries, multimedia rooms, etc.), thus gradually creating a Community equivalent of the tele-cottages. Other possibilities should be explored in relation to these centres, more especially open-university-type teaching, perhaps using local radio and/or television, or specific courses (including teachers), training aids and mobile libraries (buses or lorries).

(b) Developing in close cooperation with the Member States and their regions educational schemes and vocational training courses adapted to the requirements of country-dwellers. To this end, the implementation of a three-phase action programme is proposed:

(i) *First phase (analysis and information)*: identifying and listing existing innovative schemes and practices which have emerged — often in a haphazard fashion — and which have proved successful; affording them a wide dissemination in forms which can be readily used by those who make policy decisions and by specialists and those working on the ground. This initial phase, which should not exceed one year, is first and foremost intended to counter the lack of systematic knowledge and information in this field.

(ii) *Second phase (planning)*: developing on the basis of the knowledge thus gleaned — and as part of a joint operation involving the network of rural schools and universities, the regions, the Member States and the Community — new training modules, taking account of the specific requirements for the future of rural areas. Subsequently, these new courses would be distributed free of charge, or at a reduced rate, to users such as rural training centres or universities.

(iii) *Third phase (implementation)*: creation of rural training centres using, where possible, existing infrastructure (schools or other teaching establishments in the country). This is one way of recognizing the valuable role schools and teachers can play in the future of rural society and of remedying their lack of equipment and sometimes chronic under-use.

Rural training centres should be accessible both to school-leavers going into working life and to all adults. They could operate on the following bases: availability of a full range of information on rural activities and careers, so as to facilitate individual choice; availability of full distance learning formulas; and introduction and management of short specialized courses (with suitable support).

(c) At national and/or regional level, mobile multiskill teams of instructors could be or-



ganized (general and specific training, economic and technical advice, social and occupational activities, etc.). These teams' main task would be to provide the necessary social and occupational support, both to develop activities which are alternatives or supplements to agriculture and to promote a better grasp of modern production, management and marketing techniques by the agricultural sector itself. They could also offer more advanced training opportunities (technical, economic or other). Provision could be made for support for non-resident teachers who would supplement the local teaching base by giving courses of lectures and seminars, thus making outside know-how directly available to the rural populations concerned. The formation of such mobile teams of instructors would supplement the arrangements proposed under points 1 and 2 and in conjunction with them would allow a rational organization of combined operations. Clearly this could only take place following an initiative by the Member States or, if applicable, by the region concerned. The Community could, however, recommend this approach and make provisions for a financial contribution towards the establishment or operation of the teams in those regions where Community rural development programmes were being implemented. Such co-financing should be possible, particularly in the context of ESF assistance for instructor training.

### **Review of current measures**

In addition to direct ESF assistance, there are several existing and projected Community action programmes or cooperation programmes covering the rural population or accessible to them. In some cases the emphasis on the rural population could possibly be increased. For example:

- (i) the programme for training and preparing young people for working life;<sup>1</sup>
- (ii) the third programme for exchanges of young workers;<sup>2</sup>
- (iii) the 1985-87 programme on the implementation of measures for the introduction of new information technology in education;<sup>3</sup>

(iv) the work programme on vocational training and the new information technologies (Eurotecnet);<sup>4</sup>

(v) the vocational training programme for women.<sup>5</sup>

### **Information and stimulating awareness**

Those in positions of responsibility in rural society find it difficult or impossible to obtain prompt and systematic information of almost every kind — economic, commercial, technological, social and cultural, and this formidable problem is aggravated by deficient communication even among themselves, and even within a single region. All too often news of new developments spreads slowly and in an incomplete form, and local officials, businessmen and councillors, ill-informed or misinformed, are apt to react and adjust too late, with the wrong decisions.

There is no simple solution to these problems, but the systematic introduction of new information and telecommunications technology, adapted as necessary to the needs of rural society, the improvement of levels of education and vocational training, the creation of rural community centres (on the tele-cottage model), an improvement in the mechanism for exchanges between research centres and rural firms, an increase in the quantity and diversity of services available in rural areas, and the acceptance or even encouragement of a degree of concentration of secondary and tertiary activities in rural areas around intermediate centres of population, should all help to progressively improve this situation.

### **Specific measures with specific targets**

The Commission intends to speed up and amplify the positive effects which could re-

<sup>1</sup> OJ L 346, 10.12.1987; Bull. EC 12-1987, point 2.1.143.

<sup>2</sup> OJ L 331, 19.12.1984; Bull. EC 12-1984, point 2.1.93.

<sup>3</sup> COM(84) 722 final; Bull. EC 1-1985, point 2.1.22.

<sup>4</sup> Bull. EC 4-1985, point 2.1.57.

<sup>5</sup> OJ C 178, 7.7.1987; Bull. EC 5-1987, point 2.1.112; OJ C 342, 4.12.1987; Bull. EC 11-1987, point 2.1.127.

sult from these measures by taking steps to mobilize the efforts of those in positions of responsibility in rural society towards developing their regions, and to inform them of current and projected Community measures and the approach they should adopt in order to draw the maximum advantage from them.

To these ends, it intends:

(i) to organize briefing seminars for local officials, heads of firms and other leading figures in the social and economic life of rural areas;

(ii) to publish information leaflets on the Community's initiatives for rural society (a guide on the facilities for Community assistance and the procedure for obtaining such assistance);

(iii) to promote the exchange of information and the dissemination of the results of experience in rural development, particularly by means of the Elise network<sup>1</sup> (the local labour market, for instance).

#### **Consultation sessions for information on rural society**

Beyond these specific information measures, the Commission wishes to contribute, within

the bounds of its ability, to facilitating and stimulating mutual dialogue and discussion and cooperation between the various leading figures in the social and economic life of rural society, and to facilitating contact and the exchange of information and experience between the various rural areas of the Community, as these often face similar problems.

In this regard, the Commission is currently examining the possibility of setting up visible information and promotion facilities and encouraging forums such as information and promotion sessions for rural areas. These sessions could be organized around existing public or collective bodies which, by their very nature, were already forums for promotion and information. Pilot experiments could well begin in 1989, the aim being expedited fact-finding with a view to extension of the schemes in future years.

For the Community institutions, these rural promotion and information sessions would allow information to filter upwards and go beyond the traditional statistical surveys in giving details of experience and progress in rural development.

---

<sup>1</sup> European information network on local employment initiatives: Nineteenth General Report, point 409.

## The reform of the structural Funds and financial assistance for rural society

### *The future of rural society and the reform of the structural Funds*

#### **Preliminary remarks**

There are many ways in which the Community can intervene in favour of rural society.

Many feel that what matters most is how much could be allocated from the Community budget to that end, seeing a direct, indispensable link between assistance from the Community structural Funds and schemes in favour of rural society. That is not necessarily the best way to solve the problems. A good label, for example, or sound information may go much further, in certain cases, than a capital grant from the Community.

The other Community policies and action programmes may make a greater contribution to the development of rural society, admittedly sometimes after some changes of orientation, which is why the Commission attaches such importance to the developments of Part Three.

Having said that, it seems clear that where rural society is up against a real problem of development, or a need for agricultural restructuring or economic diversification, the structural policies, together with financial assistance from the structural Funds, are of crucial importance for the strategy for rural society.

#### **Present situation**

At Community (and national) level there are as yet no real development strategies for rural areas. The Community assists rural society through a wide range of schemes which may have an impact on development but, in most cases, are not specifically targeted towards that end.

None the less, since the early 1980s, attempts have been made to implement a policy of

integrated development in certain rural regions. Since 1981 the EAGGF Guidance Section has financed integrated development programmes (IDPs)<sup>1</sup> in Lozère, the Western Isles of Scotland and the south-east of Belgium, and in 1985 certain integrated Mediterranean programmes (IMPs)<sup>2</sup> aimed — to varying extents — explicitly at a strategy of rural development (with a concentration of resources and projects in certain smaller areas within the region as a whole).

These smaller areas are often rural areas in decline. The measures implemented in those areas contribute towards both adapting agriculture and diversifying economic activity in the area. In a similar way, several IMPs comprise subprogrammes for inner areas. In these upland and less favoured areas a variety of agricultural and non-agricultural measures are applied, especially in order to maintain rural populations there.

These experiments may be used as interesting references when drawing up guidelines for Community financial action in favour of rural society.

#### **Rural development as an objective of the reform of the structural Funds**

The reform of the structural Funds,<sup>3</sup> decided by the European Council of February 1988<sup>4</sup> implies a change of method, better coordination, greater geographical and operational concentration of the available budget resources and a significant increase in the latter (which must be doubled).

Five priority objectives have been laid down in the framework of this reform:

(i) promoting the development and structural adjustment of the less developed regions (Objective 1);

<sup>1</sup> Fifth General Report, point 316.

<sup>2</sup> OJ L 197, 27.7.1985; Bull. EC 7/8-1985, point 2.1.106.

<sup>3</sup> OJ C 345, 21.12.1987; Bull. EC 11-1987, point 1.1.8; OJ C 151, 9.6.1988; Bull. EC 3-1988, point 2.1.108; OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159; OJ C 256, 3.10.1988; Bull. EC 7/8-1988, point 1.1.1 *et seq.*; the Council adopted the four implementing regulations on 19 December 1988.

<sup>4</sup> Bull. EC 2-1988, point 1.1.1 *et seq.*

(ii) converting regions, frontier regions and parts of regions seriously affected by industrial decline (Objective 2);

(iii) combating long-term unemployment (Objective 3);

(iv) facilitating the occupational integration of young people (Objective 4);

(v) with a view to reform of the common agricultural policy, ' speeding up the adjustment of agricultural structures (Objective 5a) and promoting the development of rural areas (Objective 5b).

The development of rural areas is explicitly mentioned as part of Objective 5b, but most of the less developed regions referred to in Objective 1 are also quite rural or extremely rural in character. In these regions, the development of rural society is clearly a priority and must form part and parcel of regional development and structural adjustment.

Thus the Community will act directly to promote rural development under Objective 1 (less developed regions) and Objective 5b. It could make a more indirect and less systematic contribution under the horizontal objectives (3, 4 and, in particular, 5a).

### **Geographical scope of Community action**

The analysis presented in the first part of this communication reveals three major typical problems. In the second part, three basic strategies are outlined, with special stress on the Community financial contribution. Specific schemes and programmes for rural development must be derived from the adaptation of these basic strategies to the individual realities of given regions.

#### *Rural development in structurally backward regions*

A key feature of the less developed regions referred to in Objective 1 in the context of the reform of the structural Funds is their low level of overall economic performance. The main criterion of identification is the fact that gross domestic product per head in such regions is less than 75% of the Community average.<sup>2</sup>

The rural character of these regions is very pronounced and they are heavily dependent on farming.<sup>3</sup> The problems are mainly of the second and third types except in a few peri-urban belts and coastal areas.

Because of the very rural character of most of these regions, rural development cannot be dissociated from an overall policy of structural adjustment and regional development. What matters then is that the regional development programmes, which will ensure the mutual consistency of Community measures, should take sufficient account of the requirements of regional development and that they should not be systematically focused on the development of the large conurbations where economic activity is concentrated. The Commission thus intends to ensure that, when regional development plans are being prepared, the geographical distribution of economic activity is balanced. As is the current practice under certain IMPs, it could prove desirable to identify rural areas under particular threat for which specific subprogrammes of rural development would be implemented.

The draft of the new EAGGF Regulation<sup>4</sup> also provides that within these regions, rural areas the agricultural structures of which lag well behind the rest, in particular if they are located within upland or less-favoured areas, are to enjoy priority status for intervention from the Funds.

#### *Rural development covered by Objective 5b*

The financial resources available under this Objective and the need to avoid confusing difficulties of adjusting agriculture and regions with structural adjustment problems

---

<sup>1</sup> Bull. EC 7/8-1985, point 1.2.1 *et seq.*

<sup>2</sup> A tentative list of less developed regions is annexed to the framework Regulation on the reform of the structural Funds (OJ L 185, 15.7. 1988). After the Regulation has been in force for five years, it will be reviewed. The list defines the less developed regions on the basis of NUTS II (major regions).

<sup>3</sup> Third periodic report on the social and economic situation and development of the regions of the Community (COM(87) 230 final; Bull. EC 5-1987, point 2.1.127).

<sup>4</sup> COM(88) 500 final.

and an unfavourable economic environment entail some selectiveness in the choice of regions eligible for financial assistance from the Funds.

The new horizontal Regulation<sup>1</sup> (Article 4) selects the areas eligible for assistance from the Community on the basis of a certain number of criteria.

In these regions, where the problem is not one of implementing major economic development programmes but rather of addressing specific problems in more limited rural areas, the regions to be eligible for rural development programmes should be defined at a more precise level than the structurally backward regions,<sup>2</sup> i.e. at the NUTS III level. Reducing the size of the operational area for structural intervention by the Community will also allow a more flexible approach when identifying and tackling rural problems.<sup>3</sup> The Commission therefore proposes maximum flexibility in the new Regulation for the selection of such regions or areas.

#### *Rural development in regions or areas not covered by Objectives 1 and 5b*

Community financial assistance for rural regions and areas not covered by Objectives 1 and 5b will be confined either to horizontal measures (assistance under Objectives 3, 4 and 5a, market policy, environmental protection measures, measures under the transport policy and the fisheries policy, general awareness and information campaigns, etc.) or to more specific measures (studies, recommendations, specific awareness and information schemes).

This does not rule out rural development schemes being implemented by the central or regional authorities for such regions and areas. However, public aid schemes of this kind must form part of a Community framework of State aids for regional development, be notified to the Commission and approved by it.

By examining cases of aids notified, the Commission will take account of the particular development problems and characteristics of rural areas, particularly in the context of adjustments in agriculture.

However, to ensure that the competition policy is consistent with measures in favour of rural areas, where an area is not covered by national aids with regional aims, the Commission will examine the situation of these areas both with regard to the objectives of the structural Funds and from the viewpoint of the competition policy and will take the requisite decisions.

#### **Planning of rural development — procedures and organization**

##### *The future framework for assistance from the structural Funds*

The framework Regulation for the reform of the structural Funds<sup>4</sup> provides for a new method of intervention for rural development support in the framework of regional development under Objective 1 or under Objective 5b.

It is based on planning in order to ensure an internally consistent overview. Planning will be as follows:

- (i) Member States will submit development plans to the Commission;
- (ii) on the basis of these plans, the Commission will draw up, in consultation with the national authorities of the Member State concerned, a Community support framework for Community structural intervention compatible with the objectives of the reform and with the other Community policies;
- (iii) once the Community support framework has been defined, intervention will take the form of operational programmes, i.e. mutually consistent sets of multiannual measures; where an operational

<sup>1</sup> OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159.

<sup>2</sup> The less developed regions are defined on the basis of NUTS II (major regions: *région* in France, *regione* in Italy, etc.)

<sup>3</sup> The same type of approach could moreover be applied for identifying, where appropriate, within the less developed regions, rural subregions for which provision should be made for specific subprogrammes of rural development within the framework of the regional development programme.

<sup>4</sup> OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159.

programme involves assistance from several Funds or other financial instruments, it may be implemented in the form of an integrated programme.

This should ensure that Community action provides a better response to the specific development needs of rural areas, being founded on a multidisciplinary and multisectoral approach (integrated approach, dialogue and partnership), selectivity of Community measures to give added value to national and regional public measures, greater economic rationality and an endogenous rural development process (local initiatives, encouragement of development clusters, strengthening of links between intermediate centres and the rural economy).

#### *Involvement of the local partner*

If the endogenous potential of rural regions is to be properly developed, local initiatives must be stimulated and mobilized. External intervention has little prospect of success without the support of the local communities. Moreover, the involvement of local and regional authorities and other social, local and regional economic interest groups in the identification of problems and the quest for solutions limits the number of errors of diagnosis that are all too common when planning is carried out from the outside.

In the light of a number of experiments, the Commission could contemplate, in order to involve local partners:

(i) stepping up training-information-awareness campaigns for the political, economic and social authorities of the regions or areas concerned; its suggestions, which have been presented previously, could involve seminars to promote awareness and information, information brochures on Community initiatives in the rural environment, the dissemination of information on experiments already carried out, encouragement of discussion on this subject, financing of preparatory studies in order to obtain a common starting-point for dialogue, etc.;

(ii) creating a network of rural development agencies (or agents) to play a stimulating, mobilizing and coordinating role; it might be possible, in this connection, to recruit re-

gional coordinators to help the local authorities in their work of preparing, devising and implementing programmes, and to ensure the proper coordination of the means deployed; the Commission and the national and regional authorities concerned would thus have a single dialogue partner (the agency), which would maintain close, permanent contact with the rural operators; under the rural development programmes the Commission could provide assistance for the setting up of such agencies (identifying and selection of existing structures, definition of terms and conditions for the agency, drafting of an initial funding plan) and would help to organize the networking of the agencies;

(iii) producing a practical guide for rural development promoters, indicating the available sources of information, funds and the contracts to be drawn up in order to be included in the Community schemes.

#### *Community financial assistance for rural society*

##### **Financial assistance from the structural Funds**

Article 130d of the Treaty speaks of rationalizing, efficiency and coordination in connection with intervention by the Funds. These concepts take on their full value when the development of rural society is concerned, particularly as the scope is vast, the problems numerous and resources relatively limited.

The framework Regulation<sup>1</sup> states that the Guidance Section of the EAGGF is 'the main instrument for financing... the development of rural areas'. This means that the tasks assigned to it are therefore extremely important. But it also means that, more than in the past, the ERDF and the ESF as well will be contributing to the development of rural society, and, in view of their objectives, there is a wide range of schemes which may be financed in this context.

<sup>1</sup> OJ L 185, 15.7.1988; Bull. EC 6-1988, point 2.1.159.

*Measures eligible for finance within the development programmes*

The range of measures which may be financed by the three Funds within the operational programmes should remain broad so that intervention can be adapted as closely as possible to the specific needs and potential of the regions or areas concerned.

The draft EAGGF Regulation<sup>1</sup> stipulates the measures within regional development operational programmes which may qualify for assistance from the Fund. With regard firstly to the less developed regions, one notes:

- (a) incentives to cessation of farming, facilitating land consolidation and larger farms and opening the way to young farmers;
- (b) conversion, diversification and reduction of production by specific measures;
- (c) where their financing is not provided for by the Regulation (ERDF), improvement of rural infrastructures which are indispensable for the development of agriculture and forestry, and diversification schemes, in particular with a view to enabling farmers to hold other jobs as well and enjoy alternative incomes;
- (d) reparacling or land consolidation, including related work;
- (e) individual or collective land improvement, including grazing land;
- (f) irrigation, including the renovation and improvement of irrigation networks; creation of collective irrigation networks based on existing main channels and creation of small irrigation systems not supplied by collective networks; renovation of drainage systems;
- (g) encouragement of small-scale tourist investments, including improvements to housing on holdings;
- (h) protection of the environment and maintenance of the countryside;
- (i) reconstitution of agricultural production potential destroyed by natural disasters;
- (j) development and upgrading of forests in accordance with conditions and criteria to be adopted by the Council on a proposal from

the Commission (comprising in particular afforestation and improvement and reconstitution of forests, and related work and accompanying measures required to upgrade forests) with a view to increasing the contribution of forests to the conservation and protection of the environment and to generating extra work and income to farmers;

(k) development of agricultural and forestry advisory services, a contribution (on a declining scale) to their installation, and the improvement of equipment for agricultural training.

The same types of schemes may be financed by the EAGGF in rural areas located outside less developed regions.

The European Regional Development Fund (ERDF) would take part in the financing of:

- (i) investments in enterprises for the creation or maintenance of lasting employment;
- (ii) infrastructures, i.e. in the regions concerned by Objective 1, contributing to economic development, and in the areas concerned by Objective 5b, directly related to economic activities creating alternative employment to agriculture;
- (iii) development of the endogenous potential of the regions by measures to organize and support local development initiatives and the activities of small and medium-sized enterprises, involving in particular aids to services to enterprises, improving the access of enterprises to the capital market, (in particular by granting guarantees, taking shares, providing securities and insurance), direct aid to investments, where there is no aid scheme, and constructing small infrastructures;
- (iv) measures provided for under regional development at Community level.

The European Social Fund (ESF) would take part in the financing of vocational training measures, accompanied where necessary by career advisory measures, and measures to promote employment in newly created permanent jobs, and to set up self-employed activities.

---

<sup>1</sup> COM(88) 500 final.

In this framework the ESF would also take part in the financing of:

(i) innovatory measures the aim of which is to validate new hypotheses relating to the content, the methodology and the organization of occupational training, and more generally the development of employment, with a view to providing a basis for subsequent intervention by the Fund in several Member States;

(ii) preparation, support and management measures necessary for the implementation of other schemes by the ESF; such schemes include in particular studies, technical assistance and exchange of experiences which may be repeated, and the monitoring and assessment of measures financed by the Fund;

(iii) training schemes for staff representatives from two or more Member States, conducted at the request of employers' and workers' organizations, in the context of the modernization of the production apparatus.

In the regions concerned by Objective 1, and for a period of three years, action in aid of employment is to be extended to schemes providing work in projects meeting collective needs and aimed at the creation of additional jobs lasting at least six months for long-term unemployed over 25 years of age.

Under Objectives 1 and 5b, aid from the ESF may also be granted to schemes to:

(i) encourage stability of employment and develop new employment opportunities for persons employed in small and medium-sized enterprises, persons threatened with unemployment or the unemployed;

(ii) facilitate the occupational training of any working person taking part in a scheme vital to the execution of the development and conversion objectives of an integrated programme.

Under Objective 1, aid from the ESF may also be granted to schemes for apprentices and persons trained under national secondary vocational education systems.

### *Measures eligible for finance under the horizontal objectives*

The draft EAGGF Guidance Section Regulation<sup>1</sup> includes a list of common measures which may be financed. They will apply in principle to all regions of the Community where eligibility conditions are met. They will thus also apply to regions qualifying for regional or rural development programmes.

The aim of these measures is 'to speed up the adjustment of agricultural structures with a view to the reform of the common agricultural policy'. The list is in the draft Regulation. It includes:

(a) measures supporting market policy, such as the reduction of production potential, reorientation and conversion of production, including the production of quality products and on-farm marketing;

(b) afforestation of farmland;

(c) encouragement for early retirement from farming to release land for other uses;

(d) schemes to support agricultural income, such as compensation for permanent natural handicaps in mountain and hill areas or in other less favoured areas;

(e) increased protection of the environment and preservation of the countryside;

(f) encouragement to the setting-up of young farmers in agriculture;

(g) support for structural adjustment in farms (investments in modernization);

(h) action to improve under certain conditions the marketing and processing of agricultural, forestry and fishery products.

### **Loan and financial engineering instruments**

#### *The traditional loan instruments*

These consist essentially of loans from the European Investment Bank (EIB), Euratom and ECSC loans, and loans from the new Community instrument (NCI). In 1986 over ECU 8 500 million in loans were granted by means of these instruments: 33% to finance investments in productive industries, 36% to

<sup>1</sup> COM(88) 500 final.



finance investment in energy and 31% to finance investment in infrastructures.

Because of their links with specific industries, ECSC and Euratom loans will seldom be appropriate to assist in financing of rural development.

However, the EIB, the most important loan instrument in the Community, which is very active in the economic development of the less favoured regions, like the NCI (NCI IV),<sup>1</sup> which serves to finance productive investments of SMEs, could play a role in Community action in favour of rural society.

### *The more innovatory measures*

It has often been noted that the cost of capital is not the most important obstacle to the expansion of firms. However, what the SMEs, particularly innovatory ones, actually need (their handicap is precisely their lack of creditworthiness to provide the guarantees required by banks) is a set of instruments or mechanisms offering them the requisite products and financial services. The Community has attempted to remedy this recently by setting up mechanisms to encourage the creation of investment companies in order to increase the supply of equity capital, to facilitate the setting up of temporary holding guarantee funds and to assist the setting up of service organizations (financial services, consultancy services, assistance with starting up, search for partners).

The Community's desire to support investment by SMEs and, at the same time, the development of venture capital is also apparent in the proposal to make it possible to convert loans from NCI IV resources into capital contributions to an SME.

In addition, the Community makes it easier for SMEs to obtain credit where their creditworthiness is insufficient for them to offer the required guarantees, by encouraging the setting up of mutual guarantee societies, particularly in the less favoured regions. ERDF or IMP funds could be used to make up the capital endowment of any mutual guarantee societies set up at the initiative of the SMEs or the regional authorities.

The setting up of guarantee societies seems particularly suitable for enterprises which, as is often the case in rural regions and for small economic operators, operate without the benefit of banks (i.e. they do not make use of the banking system).

The range of more innovatory financing methods encouraged by the Commission is thus able to meet the problem of financing SMEs in the country, which, according to an OECD study, may be put down to a lack of availability rather than the cost of capital: 'Basically', says the study, 'it is the unavailability rather than the cost of capital which constitutes the principal obstacle to the growth of SMEs in the countryside. The distance which often separates them from the financial centres makes it difficult for rural enterprises to obtain venture capital if they are small or insufficiently profitable, which is usually the case with firms breaking new ground'.<sup>2</sup>

### *Reflections on a new way of financing the diversification of rural economies*

Today, as has been stressed on many occasions, it appears vital for numerous rural areas to proceed with the diversification of their economies. Often seen as a source of prohibitions and restrictions, the Community must provide opportunities for development by giving its aid and encouragement to this movement. Since public action should, as far as possible, be aimed at ensuring the profitability of the investments aided, the Community's financial instruments should be employed to the maximum, especially to promote investment projects in the private sector.

The Commission's encouragement of financial engineering is in line with better mobilization of capital and investment. It could however be further stressed in the rural regions.

In addition to action such as the above to improve and diversify the financial infrastructure in rural areas, there could be temporary schemes (perhaps running to 10 to 25

<sup>1</sup> OJ L 71, 14.3.1987; Bull. EC 3-1987, point 2.1.3.

<sup>2</sup> *Rural public management, op. cit.*

years) consisting in the provision of loans specifically intended for investments unrelated or only loosely related to agriculture in rural regions.

These loans could be offered by the EIB either from its own resources or from Community borrowing. Creation of a sort of rural NCI or green NCI could thus be contemplated. Such loans would be used to finance investment on a modest scale and would be distributed in accordance with the tried and proven method of global loans.

They could also be used to expand the basic capital, in accordance with the rules laid down for the NCI IV loan ceiling.

The loans could also be supported by interest subsidies for the development of rural society.

In view however of the high cost of action of this kind, its effectiveness would have to be ensured: all potential investors could accede thereto but minimum conditions (e.g. number of jobs created for investments exceeding a certain threshold) would be laid down, in addition to conditions customarily required by banks — redemption capacity etc.

Such a system, open to all potential investors in sectors unrelated or only loosely related to agriculture and to banks operating outside rural society, could encourage an expansion of capital, which would reinforce indigenous growth.

The approach would have two advantages. It would make a substantial contribution to the diversification of rural economies; since the loans would be repayable and the financial intermediaries would risk not being repaid, there would be a guarantee of sound allocation of resources and only the interest subsidies would be borne by the Community. It would have the additional effect of

reducing, or even eliminating, the distortion between sectors resulting from the sometimes substantial interest subsidies on the loans currently granted for investment in agriculture.

Using these guidelines as a basis, the Commission will, before the end of 1988, draw up suitable proposals on such new measures of financing to encourage the diversification of rural economies.

It also intends giving consideration, in this connection, to the problems of indebtedness of farmers (and more particularly of young farmers) who agree to relate their operations or conversion decisions to regional rural development programmes.

### **Other Community financial assistance**

Financial instruments with structural aims are without doubt of special importance for rural development. They serve to co-finance a whole series of measures aimed explicitly at structural adjustment and development.

However, as was stressed at the outset, the scope for action to enhance the future of rural society available to the Community goes much further than the structural policies alone. The policy of quality combined with aids, certain studies and regulations to protect the natural environment, the inclusion of rural society in certain research programmes, efforts to inform and stimulate public awareness, certain specific measures in favour of SMEs, demonstration projects targeted to requirements and the potential of rural society as regards energy are only a few examples. Some are already financially supported by the Community, in certain cases to a substantial extent. The Commission is of the opinion that such efforts for the future of rural society could and should be further stepped up.

## In the last analysis...

Rural society has been changing rapidly in recent years: agricultural restructuring, economic diversification, social change, rise in population, growing interdependence between the countryside and the town. No Community region is free of these trends, though the changes are not occurring everywhere with the same intensity or at the same speed, and most outlying regions of the Community are lagging behind in terms of structures.

These trends, which are the key to the future of the Community countryside, are now almost certainly irreversible. Some developments can be spurred on, others delayed, accompanying action can help to cushion economic and structural effects liable to cause excessive hardship, and those developments which are felt to be advantageous can be stimulated and reinforced.

This communication, and the proposals and suggestions it contains, reflects the Commission's concern to avoid serious economic and social disruption and to preserve a European rural development model based on the promotion of family farms and on balanced regional planning. The Community's approach is a development approach, which means changes in structure which the Community must support.

Exploitation of the indigenous development potential of rural regions will play a key role in this context. The promotion of indigenous development by no means precludes contributions from outside, but these contributions will be in support of and not in place of indigenous potential. Increasing regional value added also entails the formation of econ-

omic clusters grouping together branches of production and the services they require, and also in many cases it implies strengthening the role of the intermediate regional centres and their exchanges with the countryside.

The Commission is convinced that there is scope in many regions for further diversification of rural economies. This must be encouraged by means of coordinated and coherent action based on dialogue and partnership between all the levels of public administration concerned: local, regional, national and Community. The Community contribution must at the same time be complementary, selective and properly publicized. The Community has many financial instruments it can use as well as policies covering all aspects of rural society. Such instruments and policies have been in existence for many years already, but it must be recognized that they were sometimes badly adapted, badly coordinated and not always mutually consistent.

Learning from this past experience, the Commission has resolutely set about modernizing these instruments and common policies. The adjustment of the CAP, the reform of the structural Funds, the reinforcement of other common policies (e.g. the environmental policy) and the introduction of other mechanisms to support initiatives (e.g. financial engineering) are all aspects of an approach involving innovation in many directions, but under schemes which are all mutually consistent.

The development of rural society offers an opportunity to implement this new overall approach, with the dialogue and partnership it entails.

European Communities — Commission

**The future of rural society**

Supplement 4/88 Bull. EC

Luxembourg: Office for Official Publications of the European Communities

1988 — 67 pp. — 17.6 x 25.0 cm

ES, DA, DE, GR, EN, FR, IT, NL, PT

ISBN 92-825-9073-9

Catalogue number: CB-NF-88-004-EN-C

Price (excluding VAT) in Luxembourg: ECU 3.50

Rural society is now undergoing far-reaching change, and the equilibrium between its various functions is much less secure. Balanced rural development is fundamental to the Community's future. In response to this need, the Commission sent the Council and Parliament a paper on the future of rural society on 29 July. This outlines a comprehensive Community approach to the specific difficulties besetting rural society.