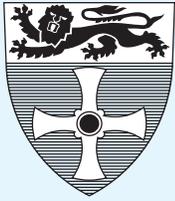


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**REGIONAL POLICY, CAP REFORM AND RURAL
DEVELOPMENT IN BRITAIN:
THE CHALLENGE FOR NEW LABOUR**

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**REGIONAL POLICY, CAP REFORM AND
RURAL DEVELOPMENT IN BRITAIN:
THE CHALLENGE FOR NEW LABOUR**

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Abstract

December 1997 saw the Government publish its proposals for the establishment of Regional Development Agencies in England which, inter alia, will incorporate the rural regeneration work of the Rural Development Commission. These institutional changes come at a crucial time for rural policy with reform of the Common Agricultural Policy and European Structural Funds also on the agenda. This paper critically examines the prospects for an invigorated relationship between rural policy and regional development and makes a number of suggestions for further institutional reforms to improve the co-ordination of public policy for rural areas at the regional, national and European levels.

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1. Introduction: The Recent Political Context

Rural policy is at a crossroads. Over the past two decades, public priorities for rural areas have been transformed. In agriculture, the imperative to expand production has been replaced by requirements to curb over-production, to move towards world market prices and to integrate environmental protection into farm supports. At the same time, many rural areas have experienced profound changes as a result of net immigration of population.

These changes have drawn rural areas into regional patterns of growth and social change. The weakening social and economic significance of agriculture and the growth of environmental and leisure demands have encouraged interest in the notion of a more diversified countryside in farming, conservation and rural development circles (see Commission of the European Communities, 1988; Centre for Rural Economy, 1993; 1995; Marsden *et al.*, 1993). Post-war agricultural policy and land use planning both worked with the idea that rural areas were to play a national role primarily for increased food production. Rurality was equated with agriculture and the countryside was the setting for the 'national farm'. Eventually, however, surpluses, budgetary pressures and the recognition that an efficient agriculture may be environmentally damaging brought this national agricultural policy into crisis during the 1980s.

Part of the response to the crisis was a desire to wean farmers off undue reliance on public subsidies. Diversification became a key policy goal, and not just for the farming sector. Rural development interests have sought to encourage the diversification of local economies away from

their former dependence on primary production. Experience has shown, however, that the opportunities for diversification are regionally and locally distinct. Thus in the shifting functions of rural areas — reflected in changes in agricultural and planning policy and differing regional social and economic structures — we can see an increasingly *differentiated* countryside.

This paper takes as its starting point two current political processes recasting public policy for rural areas. The *first* of these is the next round of reforms of the Common Agricultural Policy (CAP). The 1992 ('MacSharry') reforms initiated a series of changes which the Heads of State recognised in 1995 needed to be carried further forward. There is less agreement, though, on the detailed shape that the next round of reforms should take.

The *second* process is the emergence of a new regional agenda following the election in May 1997 of a Labour Government. This new regional agenda is set to reshape rural-urban relationships. Under the newly proposed Regional Development Agencies in the English regions, we are more likely to be thinking about 'regional countrysides' rather than 'the countryside' as a national unitary space.

These two processes raise fundamental questions concerning, first, the place of agriculture in the rural economy and, second, the place of the rural economy in regional economies. The following sections examine these processes and questions in turn, starting first with CAP reform and some of its implications for the future role of agriculture, followed by the new regional agenda and the opportunities and challenges it poses for rural economies in regions. Finally, Section 6 sets out some

suggestions for institutional reform to help ensure effective integration of 'the rural' into 'the regional', as the basis of a policy of sustainable rural development.

2. From the Common Agricultural Policy to an Integrated Rural Policy?

The commitment to enlarging the European Union (EU) to Central and Eastern Europe and the next round of the World Trade Organisation negotiations mean that the CAP is economically and politically unsustainable in its current form. In July 1997 the European Commission published proposals in its 'Agenda 2000' document to move the CAP away from an emphasis on production support and towards a more 'Integrated Rural Development Policy' combining subsidies to farmers, decoupled from production, with rural environmental management and economic diversification measures (CEC, 1997). With approximately £4 billion a year of public support spent under the CAP in the UK (MAFF and the Intervention Board, 1997), reform will have significant implications for the economic prospects of British agriculture and its ancillary industries (House of Commons Agriculture Committee, 1998).

The Agenda 2000 document sets out the Commission's proposals for reform of the CAP and the Structural Funds. Substantial reorganisation of funding mechanisms are proposed, including changes to the dairy, arable and beef regimes. Agenda 2000 seeks to continue the reforms initiated in 1992 by reducing price support and increasing direct compensation payments to farmers. Measures for rural development are proposed to continue in a similar way as at present in those regions currently designated as Objective 1 (*i.e.* regions most lagging behind) under the Structural Funds. However, the geographical extent of Objective 1 is likely to be reduced. In addition, the current Objective 5b programmes (in more peripheral or agriculturally dependent rural

regions) underway for the 1994 to 1999 period are proposed to be phased out. Some support for poorer rural regions will continue although this support will also be concentrated into a reduced geographical coverage.

Agenda 2000 proposes that after 1999 the Structural Funds should include new Objective 2 areas which will include both urban and rural localities suffering structural economic problems. This would effectively mean that the current Objective 2 and 5b funding programmes would be combined and applied to a smaller proportion of the EU's population. In rural areas that qualify, support will continue to be directed at economic diversification, including support for small businesses, investment in training, environmental protection and better links between local towns and their rural hinterlands. The post-1999 arrangements are also likely to include a new Community Initiative on rural development. The Commission proposes that this Initiative, unlike the current LEADER II scheme, should not be limited to those rural areas already eligible for Structural Fund support.

Significant changes are also proposed for the funding of rural development schemes outside the new Objective 1 and Objective 2 regions under a new system of regional programmes which are commonly referred to as 'Objective 0'. These programmes, it is proposed, will bring together the so-called accompanying measures which include agri-environment Regulation 2078/92, the existing Objective 5a measures such as Less Favoured Areas support, and new rural development measures similar to those currently financed under Objective 5b programmes.

Agenda 2000 also proposes that agri-environmental instruments be given greater priority and, since its publication, the Commission has confirmed that it is planning to reinforce Regulation 2078/92 and increase the budget for agri-environment payments. The livestock extensification scheme is to be reviewed and one suggestion is that it be developed as an explicit measure for extensive livestock systems and the management of low intensity pasture. Greater resources are also likely to be given over to encourage farmers to maintain semi-natural habitats or convert to organic farming.

How far do these proposed reforms go towards an Integrated Rural Policy? Under such a policy, we would argue, the following arrangements would prevail.

First, markets would largely determine the income that farmers receive from growing crops and raising livestock (with a basic level of support retained for emergency or unusual conditions).

Second, farmers would receive sufficient support for the environmental management functions of agriculture.

Third, rural development would be given greater promotion, to assist in the economic adjustment of rural areas and to help improve rural incomes and employment.

Agenda 2000 represents a step in this direction, albeit a tentative and limited one.

3. Agriculture in the Rural Economy: Opportunities and Challenges

This partial movement from a sectoral policy for agriculture towards a territorial policy for rural development provides new possibilities for the re-integration of agriculture into the rural economy. The current system of agricultural support is the legacy of the post-war preoccupation with constructing a protected economic sector. This preoccupation prevailed in pre-EEC Britain as well as among the founding members of the EEC. The current moves to reform agricultural policy are in part driven by a recognition of the changed political and economic context for European agriculture, and also a desire to open up the agricultural sector to international competition. As far as British agriculture and the rural economy are concerned, these moves raise two issues. *First* is the question of how best to equip sectors of the British farming industry for international competition and to ensure that they have fair access to global markets. *Second* is the issue of ensuring that local rural economies are robust enough and based on sufficiently diverse income sources to allow farm businesses and households to adapt to changing economic circumstances.

On this latter issue, it is important to dispel the increasingly outdated notion of the ‘full-time farm business’ — with the household wholly dependent upon agricultural income — which has tended to serve as the dominant model for the agricultural sector. Multiple income sources for farm households are now a widespread feature of British and European agriculture (see CEC, 1992). A survey covering some 7,000 farm households in 24 different study areas in 12 European countries revealed that half of all active farm households were no longer exclusively

dependent upon agricultural production for their incomes (CEC, 1992, p.17). The same study also showed that income sources from off the farm were of much greater significance than non-agricultural income generated on the farm (through activities such as farm tourism, for example). The implication is that to diversify farm household incomes, the most appropriate strategy is to stimulate diversification and economic growth in the rural economy. (Such a strategy has the additional benefit of assisting non-farmers too). Farm households are able to manage even when income from farming is being squeezed, providing that the surrounding rural economy is buoyant and provides opportunities for alternative or additional income for farm household members. Thus the most pressing problems lie with those localities where the rural economy is too narrowly dependent upon agricultural production (as is the case in many of the areas currently designated as Objective 5b, for example (see McNicholas and Ward, 1997)).

The extent of multiple-income sourcing amongst farm households suggests that the view of agriculture as separate from the rest of the rural economy is misplaced. Instead, the farming community is integrated in a myriad of ways into the wider rural economy. For public policy to encourage the further re-integration of the farming community into the rural economy, various steps should be taken:

- local farming groups need to be more market and customer oriented;
- the role of agriculture in environmental protection and management needs to be fully recognised and reimbursed;

- the role of farming needs to be recognised in the creation of distinctive places and products, in an increasingly homogenised world;
- the green credentials of farming need greater emphasis in product and place marketing.

As the process of CAP and Structural Fund reforms unfolds, we are likely to be faced with an increasingly dualistic structure of farming, with elements of a globalised agriculture (*e.g.* large-scale arable farming) competing in world markets, but also an agricultural sector that is more oriented towards local and regional markets and production networks. Such locally supported farming systems undermine the established notion of agriculture as a separate national economic sector (with its own political institutions). In this way, the artificial divide between agriculture and rural development is broken down and farmers should come to be seen and valued as ‘rural business people’ and ‘local environmental managers’ as well as for their role as food producers.

With the prosperity of farm families increasingly dependant on the rural economy, and with the rural economy in turn less and less dependent on the performance of an agricultural sector increasingly integrated into global markets, then it follows that *the focus of intervention to promote rural development and employment should be the rural and regional economy and not the agricultural sector.*

4. The New Regional Agenda: Forging New Rural - Urban Relationships?

The election of the new Labour Government in May 1997 brought about a significant deepening and broadening of regionalism within the UK. The proposals for a Scottish Parliament and a Welsh Assembly introduced a strong component of political devolution, while the proposals for Regional Development Agencies spread the notion of regional decentralisation to England.

In December 1997 the Government published its plans to establish 9 Regional Development Agencies (RDAs) in the English regions, drawing staff and resources from English Partnerships, the Rural Development Commission and the Government Offices. The RDAs in England will be absorbing the rural regeneration work currently undertaken by the Rural Development Commission.

The White Paper, which spells out the Government's proposals for the new RDAs, contains details of a set of rural safeguards (DETR, 1997). Each RDA will be responsible for developing a strategy for the economic development of its region, encompassing "physical and social regeneration in urban and rural areas" (p.22). Moreover, the RDAs "will aim to spread the benefits of economic development across and within regions and through all social groups they will bring together programmes and expertise on physical and social regeneration in urban and rural areas and combine these with their wider work on training and business support and on enhancing the natural and built environment" (p.22). The White Paper explains that:

The Government are committed to promoting the interests of rural areas. Rural needs and institutions may be different, but many of the same concerns — on skills, and access to training and to childcare, and on ways to foster new businesses — are common across each region. We need to understand the particular needs of rural areas, but to address them within an overall framework for the region as a whole (1997, p.24).

It is therefore proposed that the RDAs will “have a specific remit to serve the rural areas of their regions” (p.24), and each RDA Board will include at least one member “who can contribute a strong rural perspective” (p.24).

Finally, the White Paper specifies that “RDAs will design rural development programmes targeted on their most deprived rural area, and will monitor, consult and report on rural problems and how the agency is tackling them” (p.25).

These proposals on the role and functions of rural areas in regional development come at a time when Britain has seen considerable popular and media debate about the relations between ‘town’ and ‘country’. This debate has been prompted not least by the second ‘Countryside March’ in London on 1st March 1998. The march was organised by the pro-hunting Countryside Alliance to coincide with the Committee Stage in Parliament of a Private Members Bill to outlaw hunting wild mammals with hounds. Of course, the hunting debate is not really one between places, but between different social groups wedded to different lifestyles and social values.

It is important to recognise that questions of rural development will not be resolved by emphasising division and intolerance. The reality in the modern age is one of complex and multiple links between town and county. Stereotyped images such as ‘ignorant townies’ or ‘feckless rustics’ serve no useful purpose. They instead set up artificial barriers when what is needed is mature reflection on changing interdependencies between urban and rural areas. Rural communities are inextricably part of the wider society. Policies for, or affecting, rural areas inevitably reflect that relationship and depend ultimately upon the wider society’s interest in and sensitivity towards them. Rural policy must therefore share society’s broad objectives.

5. The Rural Economy in the Regional Economy: Opportunities and Challenges

The understanding of rural issues in policy and plan-making has tended to be very simplistic and unnuanced. The category of ‘rural’ has often been treated as a residual category in physical and economic planning — the ‘white spaces on the map’ left over after the urban areas and their scope for development have been defined. Rural policy has also suffered from a lack of sensitivity to the *differentiated* countryside. National agricultural policies (and concerns for the output of the ‘national farm’) have cast ‘the countryside’ as a national, unitary space, yet rural areas are on divergent socio-economic development trajectories crucially shaped by their regional contexts. Current rural policy, indeed, tends to project onto a national stage a particular southern England model and agenda — largely to do with protecting the countryside from urban pressures. In consequence, uniform policies are applied that do not acknowledge regional differences — a current example is the central prescription of the proportion of greenfield development to brownfield redevelopment (DETR, 1998).

The proposals for the new RDAs offer a window of opportunity to root rural development in regional economic realities, but only provided sufficient weight is given to rural issues. In this respect, rural policy has two main strands: the small-scale and the strategic. In the past, through such outlets as the Rural Development Commission and the Rural White Paper (DoE & MAFF, 1995), the emphasis has been on the small-scale (*i.e.* village regeneration / community development / etc.) but has been weak at the strategic (regional / national / EU) level.

Analysis of the place of rural areas in international restructuring helps to specify what exactly diversification might mean for particular regions. Although there seems to be consensus about diversification as the strategy for rural areas, the concept can be defined in quite different ways, making agreement over what it means at a local level very difficult to achieve. For some, the basis of the definition is the word 'diversity'; hence the aim is broadly to ensure that the rural economy has a range of activities; that farm families have multiple income sources; that school leavers have a choice of jobs. Such an approach follows from the view that the past over-dependence of rural areas on a single sector narrowed the options and concentrated the risks too much. For others, the definition has more to do with transformation and the development of new and distinctive economic functions as rural areas redefine their comparative advantage in a changing world (Lowe, 1996).

The crucial questions to be resolved are: What is our long term goal for rural areas: are we aiming for a permanent state of hedging our bets, or is it a temporary transition from one form of specialization to another? Is diversification something that can be left entirely to local decision making and incentives, or should we be planning at a larger scale?

The approach to rural development in some other European countries has tended to be based on a less piecemeal approach than ours, and has focused on local specialization rather than diversity. The German approach, for example, concentrates on diversity *between* areas of 'indigenous potential', encouraging local specialization where a group of villages or a town has a natural advantage. For the Germans, diversification is thus based on a systematic exploration of the possibilities for 'decentralized concentrations' of services and functions,

aiming to distribute these between local areas. Such an approach makes the concept of diversification much more useful as a tool for rural development, and reduces the risk of local economies in rural areas becoming fragmented by small scale diversification. However, it also suggests a more planned approach at the regional level than has traditionally been the norm in Britain. Without such an approach it is difficult to allocate public resources sensibly for such things as training programmes, infrastructural development, business advice and support, or regional economic promotion and marketing. *Efforts to diversify the rural economy in a systematic fashion must, therefore, be carefully devised in the context of regional economic policy.*

6. Integrating the Rural into the Regional: Institutional and Political Issues

A progressive agenda for reform calls for certain institutional and political developments at the European, national and regional levels.

The European Level

There is a risk of stalemate in moving to an Integrated Rural Policy if debate over CAP reform becomes polarised between free-market and protectionist positions. A new consensus is needed which would accept removal of production subsidies and openness towards world markets but would recognise that many rural areas and producers require alternative supports for environmental or social reasons. If the winding down of commodity supports could proceed hand-in-hand with an increase in environmental and rural development supports, this could satisfy a broad range of national and rural interests and could reconcile the different perspectives of Member States (particularly Northern and Southern European perspectives). With the UK taking a more constructive approach to the development of the EU, there is a major opportunity for the UK Government to take a lead in building a progressive coalition with other Member States for CAP reform.

Much of the present conservatism in the system stems from the narrowness of agricultural establishments (Lowe and Ward, 1998). National agricultural ministries are highly centralised and sectoralised and do not engage with the range of rural interests: yet it is these structures that we are requiring to promote decentralised and integrated programmes. Objective 5b and Regulation 2078/92 (on agri-

environment measures) have been useful antidotes where these have given agricultural ministries a more territorial focus. This experience should be built upon to help catalyse a change in the structure and culture of agricultural ministries. It would mark a significant advance if the potential recipients support from the European Agricultural Guidance and Guarantee Fund could be broadened beyond farmers to include other small rural producers and not-for-profit organisations. In this way, agricultural ministries could become promoters of *the rural economy* and not just *farm* diversification and could build up a broader clientele beyond the agricultural lobby.

Mechanisms to ensure a gradual transference of funds from agricultural production supports towards environmental and rural development initiatives are required. To achieve this, decoupled subsidies should steadily be transformed from compensatory measures to payments for social and environmental services and incentives for a more diverse rural enterprise mix. It must be accepted that prosperous rural areas do not require rural development funds and therefore geographical selectivity in EU co-funding is unavoidable.

As a counterweight to the agricultural lobby, there is a need to encourage the nascent rural lobby and to broaden the basis of agricultural decision making. A stronger emphasis on institutional and capacity building at the regional and sub-regional levels (producer and marketing networks, marketing initiatives, community development, training and R&D facilities) in disadvantaged rural regions is also required. The LEADER Programme has proved an effective mechanism in promoting community participation in rural development and the lessons learnt from it should

be selectively incorporated into the design of larger rural development programmes.

The National Level

In the UK, further institutional reforms will be required. Within the current departmental structures of the Department of Environment, Transport and the Regions (DETR) and the Ministry of Agriculture, Fisheries and Food (MAFF), changes will be necessary to reflect the changing agenda for agricultural and rural policy.

DETR, as the main territorial department within Government, will remain crucial in furthering progress towards sustainable development in the countryside. Its range of responsibilities puts it in a unique position to broker partnerships in order to develop and achieve cross-cutting policy objectives in areas such as land use planning, transport, housing and local government. Rural policy, however, does not tend to be one of its central preoccupations.

MAFF is the only ministry with a specifically rural focus and the loss of its food regulatory functions to the new Food Standards Agency does necessitate the renewal of its purposes and an overhaul of its organisation (House of Commons Agriculture Committee, 1997). However, the producer-oriented structure of the CAP makes it difficult for MAFF to become a wholly different creature. Considerable efforts will have to be made alongside CAP reform to effect both cultural and organisational change within MAFF so that it has both the mission and competencies to act as an effective partner in furthering sustainable rural development. In preparation, MAFF will be required to re-examine its

priorities and to establish a new departmental mission. This should involve a fundamental reappraisal and strengthening of MAFF's competencies on rural development and the rural environment, to enable it to reposition itself as a Ministry of Rural Affairs.

Co-ordination between the MAFF and DETR at a strategic level could be assisted by the formation of a new '*Sustainable Rural Development Agency*' comprising the work of the current Countryside Commission and those functions of the Rural Development Commission not planned for transfer to the RDAs. This new body would need to establish a direct relationship with MAFF. It could monitor the rural performance of local and regional agencies, and guide the evolution of MAFF into a Ministry of Rural Affairs, and of the CAP into an Integrated Rural Policy.

The Regional Level

A specific issue at the regional level in England concerns the detachment of MAFF's regional structure from that of the Government Regional Offices. The departments included are the Department of the Environment, Transport and the Regions, the Department of Trade and Industry, and the Department of Education and Employment. While it is obviously necessary for MAFF to retain its rural offices to service its client base, there does seem a persuasive case for incorporating the Ministry's regional hierarchy into the Government Offices for the following reasons:

- to help overcome the urban bias in the Government Offices;
- to foster a more holistic and strategic approach to rural affairs within their regional contexts

- to encourage the reintegration of the agricultural sector into its local and regional contexts
- to establish an appropriate framework for the implementation of horizontal (or cross-sectoral) policies, such as agri-environmental and rural diversification.

In establishing the new Regional Development Agencies it is important that sufficient weight be given to rural issues — in their membership, their responsibilities and their organisation. The directions that Ministers give to the new RDAs should reflect the commitments made in the White Paper on RDAs (DETR, 1997), particularly that the agencies should have a specific remit to serve their rural areas, should design rural development programmes and should monitor, consult and report on rural problems and how the agencies are tackling them.

Under the new regional agenda, each UK region will require an effective rural voice as well as good information and analysis on its rural economy to represent these concerns to various local, regional, national and EU agencies. The priority of integrating rural concerns into regional development strategies raises the following challenges:

- To demonstrate the importance of the rural economy in the regional economy (*e.g.* the food sector, tourism, place marketing etc.).
- To foster a healthy symbiosis between urban renewal and the development of rural areas.
- To consider how rural development and conservation can contribute to the sustainable development of whole regions

- To promote an *inclusive* regional policy that would involve not only the geographical inclusion of rural areas but also a functional concern with the rural community and rural businesses (*i.e.* one that is sensitive to issues of both scale and remoteness).

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