The Common Agricultural Policy
of the European Union –
the present and the future

EU Member States
point of view
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5. Going beyond the Rural Development Programme:  
a Master Plan for Austria’s rural areas  
in the framework of the CAP  

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Abstract  
In each of the CAP periods the Austrian Rural Development Programmes have acquired a more integrative character. Starting with measures concerning farms, they have been enlarged with soil, biodiversity and water protection measures, then included also local developments, diversification beyond the agricultural sector and more general quality of life measures and in the recent period putting the focus on knowledge transfer, innovation and climate change. In continuation of this approach the Austrian Ministry of Agriculture has been the driver to create the Master Plan for Rural Areas, which was elaborated on the basis of a broad participation process and seeks to integrate economics, environment, administration, social life and responsibility, infrastructure, mobility and digitisation. Of course, there are many challenges in implementation, as for example the integrative character of objectives and measures faces governance structures based on conventional sectoral divisions. The concepts behind the CAP measures and strategies are discussed on the basis of regional science criteria.  

Keywords: rural development, integrative development, agricultural policy, master plan  

JEL codes: Q18, Q19, R58  

5.1. Introduction  

Since Austria’s accession to the European Union (EU) it has used most of the possibilities provided by the Common Agricultural Policy (CAP) guidelines. In each of the CAP periods, the Austrian Rural Development Programmes have acquired a more integrative character. Starting almost only with measures concerning agricultural enterprises, the programmes have been extended with soil, biodiversity and water protection measures, including local developments, diversification beyond the agricultural sector, more general quality of life measures and, in the recent period, they have put the focus on knowledge transfer, innovation and climate change. In continuation of this approach and as an input to ideas and strategies for the next programming period,
the Austrian Ministry of Agriculture has called for development of the Master Plan for Rural Areas, with a wider, more holistic and complex view of rural development.

5.2. Objective and method

The objective of this paper is to give a short overview of the CAP and especially rural development in the recent periods as background information and to understand the further step – the Master Plan for Rural Areas, which will be explained in a comprehensive form. In addition, the whole CAP approach will be questioned and discussed by means of regional science concepts – for example in Tripl et al. [2015] or Bökemann [1999] – which ask different questions than the evaluation of effects, impacts and efficiency in figures. This view shows possible polarities and conflicts of objectives, concepts or strategies.

5.3. Recent CAP implementation in Austria

From the beginning of the CAP in Austria in 1995, more funds were dedicated to the second pillar (rural development) than to the first pillar (direct payments, market organisation) – in contrast to the EU average payments. In the current 2014-2020 period, too, around two thirds of the budget is dedicated to the second pillar, with a huge rural development programme, while in the EU all the second pillar makes up only a quarter of the total CAP budget. Of the 140 400 farms in the official Austrian statistics for 2013, 114 000 received CAP payments in 2016 and are registered in the IACS [BMLFUW, 2017a]. All the farms received EUR 1.59 billion in 2016, an average payment of EUR 14 000 per farm. The most important measures are direct payments, agri-environment-climate payments (with 19 sub-measures), payments for areas facing natural or other specific constraints, followed by investments in physical assets, organic farming as well as basic services and village renewal.

Table 1. Most important CAP payments in Austria, 2016

<table>
<thead>
<tr>
<th>Measure</th>
<th>Subsidy cases, number</th>
<th>Average payment per subsidy case, EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct payments (1\textsuperscript{st} pillar)</td>
<td>108 567</td>
<td>6361</td>
</tr>
<tr>
<td>Agri-environment-climate payments (2\textsuperscript{nd} pillar, M10)</td>
<td>91 942</td>
<td>4425</td>
</tr>
<tr>
<td>Areas facing natural or other specific constraints (2\textsuperscript{nd} pillar, M13)</td>
<td>83 234</td>
<td>3130</td>
</tr>
</tbody>
</table>

5.4. The Master Plan for Austria’s rural areas

At the beginning of 2017, the Austrian Minister for Agriculture, Forestry, Environment and Water Management initiated the formulation of a Master Plan for the Rural Area. The background was the still unsatisfactory situation in rural regions. Despite many years of support for rural areas with a diverse set of measures, the general development lags behind urban or central regions. Austria’s demographic development is characterised by strong growth in urban centres, while the population in rural areas is declining. In terms of education and career opportunities, moving to central hubs that are home to companies and educational institutions is appealing. But two thirds of Austrians still live in rural regions, and more than 50% of the population live in municipalities with less than 10 000 inhabitants [BMLFUW, 2017b]. The importance and the potential of the rural areas is evident.

The process for the development of this Master Plan, as a strategic paper for development, involved 200 experts, 2000 citizens and comprised more than 2000 ideas and concepts [BMLFUW, 2017b]. The interministerial strategy intends to overcome sectoral and bureaucratic boundaries and serve systematic improvement of economic and living conditions for safeguarding the future of rural areas. Twenty fields of action were identified and listed – not in a hierarchical or priority order, sometimes overlapping and probably not all with the same importance. But in the view of those participating, they are seen as crucial for rural development:

- Decentralisation (shifting public administration, reduction of bureaucracy, e-government);
- Joint projects across municipalities (competence centres, inter-municipal financial compensation and tax splitting);
- Digitisation (adapted telecommunication, certified digital municipalities, competences, education);
- Resources (circular economy, renewable energy, innovation, bio-economy);
- Land use (regional planning, re-use, modernisation);
- Mobility (novel concepts for private and public transport, adapted settlement developments, adaptation of the tax system, network of providers);
- Healthcare (sector-integrating planning, family practices, e-health, prevention, cooperation between health professions);
- Taking care of the elderly (innovative models, flexible forms);
- Energy (energy saving, reduction of bureaucracy, renewable energy, harmonised policy, efficient climate protection);
- Economic activity (regional chains, new rural entrepreneurs, multifunctional local supply, regional added-value, regional banks, cooperatives);
- Voluntary work (motivation, information);
- Social services (green-care services, social innovations);
- Women (incentives for qualified workplaces, compatibility of family and work-life, female business creation, online education);
- Education (lifelong learning, support in career decisions, better networking);
- Rural exodus (modern infrastructure, business creation, services for returning people, social networks, affordable housing);
- Tourism (reduction of bureaucracy, regional brands, culinary profiles, Alpine health and wellness, farm-based products);
- Childcare (improvement of childcare services for various ages);
- Regional strategies (tailor-made strategies, cross-sectoral priority topics, efficiency and efficacy in cooperation);
- Catering (Austrian culinary network, umbrella brand);
- Culture (regional strategies, incentives for creativity).

The implementation of such a strategy is a great challenge because the competences of various sectors and ministries, various political backgrounds and regional interests have to be coordinated, adapted and compromises have to be found. As the government and all of the ministers changed after the 2017 Austrian general election, there is the risk that the Master Plan and its efforts will become stuck in its initial phase. Nevertheless, it is a good basis for discussion about the design of the next period’s CAP.

5.5. **CAP in the system of the EU policy objectives and in the view of regional science concepts**

For the current period of the EU structural policy, the Commission sought to create a consistent system of objectives, strategies and measures to generate synergies and greater efficiency. Contradictory objectives and activities were to be avoided. Smart, sustainable and integrative growth is, therefore, the overall priority in the Europe 2020 strategy. Below this level, more concrete objectives of employment, innovation, knowledge, social integration and climate/energy have been formulated. At a further subsidiary level, the common strategic framework comprises 11 thematic objectives and structures of the budget for the policy fields. This is the link to national strategic plans. Concerning agriculture and rural development, 3 objectives, 6 priorities and 18 focus areas at the EU level provide the framework for the national implementation of the CAP. This complexity and the vertical and horizontal links between objectives look good in
theory, but are difficult to follow as regards implementation, and evaluation of the CAP measures and it is even more difficult to prove that each individual measure serves all the various objectives.

Conflicts in systems of strategies and objectives can occur on various levels. In principle, already on a very abstract level it has to be decided how to influence regional development. There are various approaches in regional science, which are subject to certain developments and contemporary trends. Neoclassical theories rely on balanced markets and seek to influence only to avoid certain disadvantages and disparities, in order to enable a “regionally justified” development [Eltges, 2013]. But the marginal utility of invested capital in this case, is not optimal [Bökemann, 1999]. Focus and hope rely on sum effects and long-term balanced developments. On the other hand, growth-pole theories [Gabler, 2015] count on efficient investment of limited budgets in e.g. “lighthouse” projects and hope for cumulative and spreading effects with the risk of increasing the regional disparities. The recent trends in regional development promise endogenous development approaches, regional circular economies, bottom-up initiatives, creating networks and providing incentives to foster knowledge transfer and innovation.

These considerations and the related regional development criteria have led to the following rough qualitative assessment of the CAP measures on the part of regional science criteria with the purpose of showing the great variety and diversity of strategies and measures. For example, the CAP comprises measures to preserve small farms and, on the other hand, measures to preserve big farms and to increase farm sizes. It includes measures to strengthen competitiveness, but at the same time it preserves uncompetitive structures through direct payments and small-farm supports. The CAP has objectives concerning social aspects, environmental aspects and economic aspects, but often they cannot be combined, if we think of terms like labour productivity or other efficiency criteria, in contrast to social measures. But objectives can also contradict each other within one of these sectors. For example, the positively rated renunciation of pesticides leads to increasing mechanical processes, which, unfortunately, cause additional greenhouse-gas emissions and may increase the risk of soil erosion. Specifically targeted measures, but also broad all-around measures exist. Some examples of regional science concepts and their related CAP measures are listed here:

- Balancing development strategy versus growth-pole-oriented strategy: market organisation payments have a balancing effect while the support for quality schemes seems to follow growth-pole theory.
- Concerning the path-development (continuing, renewal, new creation of paths): the first pillar measures clearly support the continuation of historic
paths, while measures supporting knowledge transfer or investments stand for the renewal or creation of new paths.

- In case of sustainable development considerations, all three aspects (economics, ecology, social aspects) are in focus. But per definition they cannot always steer in the same direction. There are environmental payments, and, on the other hand, market organisation payments and support for investment that focus directly on economic benchmarks. And in contrast – local development subsidies often foster social aspects.

- Most of the CAP measures seem top-down driven (e.g. direct payments, investment support), only a few follow a bottom-up approach (community-led local development or partly the European innovation partnership).

- The payments to areas facing natural constraints support regional convergence, while for example environmental payments can lead to greater divergence.

- Direct payments or market organisation payments, payments to areas facing natural constraints have a clear structure-preserving effect, while the support for knowledge transfer or farm and business development may have structure-changing effects.

- Some measures take effect in the direction of agricultural monostructures (mostly pillar-one measures) others have diversification as an explicit objective (e.g. Natura 2000 and the Water Framework Directive payments).

- Many of the measures can be used to strengthen the market power of farmers, but there are also some with no or negative influence on the market power of farmers in relation to the food processing industry or food trading companies.

5.6. Summary and conclusions

There is no clear evidence whether or not the one or other theoretical basis leads to success in regional development. The above list is not intended as classification of good or bad. It should raise the awareness that among so many objectives and measures in such a wide variety of theoretical approaches the risk of conflicts or contradictory impacts is very high. Specific societal objectives are *per se* divergent, and compromises have to be found. Sometimes a specific regional situation or a current political issue acts as a trigger for measures that do not fit into a given theoretical concept. For example, the objective of a regional circular economy is to strengthen autonomy and resilience and minimise transport and CO₂ balances. But it can also be seen that if it seems economically promising, exports to most distant regions are also supported. Conflicts of objec-
atives are also addressed in Commission papers [European Commission, 2013]: while payments for market organisation hinder the development of competitiveness, other measures explicitly support the competitiveness of farm enterprises. In reality the CAP is a large system of historically developed and grown strategies and measures that do not pursue just one objective or theory. It is relatively easy (assuming no budget constraints) to introduce new measures but enormously difficult to drop measures against the will of lobbies. There is the risk of prolonging existing payments with new justifications, as is discussed by Tangermann [2014] using the example of direct payments. In every case the strategies and measures have to be very well adapted to specific regional situations, bearing in mind not only the effects on farmers and rural areas but also the effects on potential shifts of regional competitiveness and rankings. The notion of “agricultural” policy can be misleading when analysing all the objectives and measures. In reality it comprises general economic, environmental and social policy. Probably it would be more transparent to change the title of this policy.

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