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The Rural under the Common Agricultural Policy of the European Union: Sustainable Rural Development aspects of Pillar II in Finland and Estonia

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Abstract. National ministries of agriculture and competent EU authorities currently have the reforms of the EU's Common Agricultural Policy (CAP) high on their agendas in terms of planning and designing the upcoming programmatic period. Also subjected to this debate are the allocation of the budget to each pillar and their territorial impact.

The interest of this article lies with two interrelated aspects. The first comprises an overview of the Pillar II budget and how this is allocated within EU member states. The second considers how these measures relate and contribute to the improvement of the socio-economic situation and the state of the environment in rural areas of the EU in general, and in Estonia and Finland in particular. Seemingly, the way funding has been allocated thus far, with a heavy focus on agriculture and directly related activities, is not appropriately suited to facilitate a holistic improvement of the state of rural areas of the EU, while it does not reflect the contemporary economic transition processes in these areas. In terms of protection of the agri-environment, Finland exhibits an unprecedented coverage of areas under environmental support measures, as a Pillar II component, while implementation of the same policy in Estonia results currently in the coverage of less than half of the potential areas. The imbalances in the two countries in terms of actual financial support per hectare are also considerable.

To facilitate sustainable development in such areas as a whole, policy streaming should not be broken down into objectives to be reached via broad actions that address particular sectors, and it should not attend to the satisfaction of sectoral interests. Rural areas and their economies, in terms of sustainable development, should be approached in an integrated manner, enabling this process to

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advance in a holistic and territorial fashion, taking into account all the necessary dimensions of sustainability.

Introduction

It has been more than two decades since the Brundland Report (WCED, 1987) paved the way to the 1992 Rio Summit, defining sustainable development (SD) as development that can meet the needs of the present without compromising the ability of future generations to meet their own needs. Undoubtedly, agriculture as a 'generator' of food and income and a 'manager' of natural resources is connected to all three (economic, environmental and social) pillars of SD. Agriculture was put centre stage for the United Nations Conference on Sustainable Development (UNCSD) in 2012 or Rio+20. Agriculture, in years of famine and rising global food prices became a dominant concern in terms of SD. As argued by Rio+20 coordinator Brice Lalond it is impossible to work on agriculture in isolation. According to Lalonde, work on agriculture should be done in conjunction with other goals: land use, biodiversity, water and women's empowerment, among others, in the context of SD (Goldenberg, 2011).

For Europe, agriculture has meant common and fruitful development for the better half of the last century through its Common Agricultural Policy (CAP), and reforming exercises have been common between what we now call 'programmatic periods' of a six-year cycle. Starting with the cautious mainstreaming of environmental concerns during the 1980s[1] into the CAP, its 'green' reformations and redesigning continue to be high on the agenda of national agricultural ministries and discussed in various EU institutions. The case of the reform for the upcoming programmatic period (2014–2020) is no different than the forethought proposals to make the CAP a more effective policy for more sustainable agriculture and vibrant rural areas.

Nevertheless, alignment with processes elevating business-as-usual rural development to sustainable rural development is moving slowly, since former Agricultural Commissioner Fischer Boel once more rejected the idea of integrating RDP into Regional Policy in 2009 – as this would endanger the 'truly rural focus' of Pillar II (Agra Europe, 2009). A strong counterargument has been made in the much-cited Barca Report. Barca (2009) is in favour of bringing 'the RD actions of the EAFRD [European Agricultural Fund for Rural Development], the territorial actions of the Fisheries Fund and any other Commission interventions to support territorial development under the umbrella policy heading of cohesion policy, as Structural Funds.'

Among the various issues on the reform menu, the ratio of the budget allocation under the CAP as well as the budget allocations within each pillar will be reviewed.[2] There are different scenarios that made it into the reform discourse:

- preserving the current structures;
- (re)integration of measures meant to enhance the quality of life in rural areas and to diversify the rural economy into cohesion policy and the Structural Funds (Committee of the Regions, 2010);
- a three-pillared CAP focusing on the viability of rural areas and on welfare and inhabitants in a holistic way (European Rural Alliance, 2010);
- including a new pillar on 'public goods' (Zahrnt, 2009);
- greening the CAP (Baldock and Hart, 2013; Hart and Menadue, 2013).

This article is meant to contribute to the reform debate. It sheds light on how public spending is targeted at socio-economic and environmental challenges in rural areas

during the funding period 2007–2013. The CAP measures in place and their socio-economic and environmental impacts are approached through a discussion of the changing meaning of agriculture in the EU. This is important for our understanding of the links between socio-economic trends in rural areas and the priorities set in rural policy, materialized in financial support provided for specific groups and measures. Furthermore, we analyse rural trends, the socio-economic situation in the EU's rural areas as well as in Estonia and Finland.

The first two sections of this article are meant to contextualize our empirical findings outlined in Sections 3 and 4.

The first section provides a synthesis of theoretical reflections on rural development policy (RDP), in particular as far as the territorial impact of RDP is concerned. We also discuss the changing meaning of agriculture in the EU and contrast this with central perceptions and expectations linked to the new rural paradigm.

In Section 2 we provide a short overview of the anatomy of the CAP and its pillar structure in the funding period 2007–2013 and show how RD funding was reduced over the past years.

In the third section we examine the funding streams that are meant to improve the socio-economic and environmental situation in rural Europe and decided upon by national authorities to be approved by the European Commission. Furthermore, we consider how the allocation of rural development funds reflects the socio-economic developments analysed in the fourth section and how these funds meet the needs of the rural population and rural enterprises. We have studied the budget allocation in the rural development (RD) pillar in all 27 EU member states and thus how the CAP in the funding period 2007–2013 was meant to contribute to RD in Europe's rural areas. We also discuss approaches meant to improve the state of the environment in Estonia and Finland.

In the fourth section we analyse and discuss rural trends and the socio-economic situation in the rural areas of the EU and the Organization for Economic Cooperation and Development (OECD) in general, and in Estonia and Finland in particular.

Overall, in this article, we analyse the changing meaning of agriculture and the socio-economic development in rural areas over the past two decades linked to the question of whether these developments are in line with the priorities set in rural policy/overall SD context and materialized in financial support provided for specific groups and measures under the rural development pillar of the CAP.

Our findings suggest that from a place-based perspective looking beyond sectoral borders, the current allocation of funds, heavily focused on agriculture, is ill-suited to boost SD in rural Europe. A move from 'agricultural' RD to a more holistic set of policies focusing on places and cohesion, such as suggested by researchers and practitioners favouring a new rural paradigm, has not taken place. Our argument is that the current design of the CAP fails to improve the socio-economic situation and environmental challenges in rural Europe. Our findings are also in line with earlier research by Dwyer et al. (2007) and their findings that the CAP is implemented in fairly conservative institutional structures.[3] The space given for multiple levels of government and various local stakeholders as envisaged under the new rural paradigm is restricted through marginal funding available to be implemented via new governance structures that emerged under the LEADER initiatives. Instead of targeting various sectors of rural economies at times when jobs are lost in the primary sector and outmigration continues, a considerable share of policy measures under

the CAP, lacking a social dimension, continues to be addressed at agriculture with a few recipients receiving the lion's share of funds.[4]

Our research data for Sections 3 and 4 stem from statistics made available by the European Commission's Directorate General for Agriculture and Rural Development (DG Agri), by Eurostat, by national and regional RD plans and public authorities, as well as by the OECD.

The first section is a synthesis of primary and secondary sources on RD, specifically on territorial and cohesive effects of funding measures. The new rural paradigm is part of the focus of our theoretical discussion too, particularly its link to the changing meaning of agriculture and the related ideational change in the objectives of agricultural policy, its key target sector, the main tools selected and the key actors in policymaking.

Theorizing Change in Rural Europe

Territory and Cohesion: The Neglected Dimensions in Rural Development

The amount of economic analyses of the CAP and its implications on the implementation of or integration with wider SD concerns is considerable. As far as qualitative reviews of RD measures are concerned, many elements are available in the impact assessments of the European Commission and the member states. Broad comparative studies of the impacts of the RD measures in several member states have also been developed (e.g. Dwyer et al., 2002), focusing on budgetary studies, analyses of RD programmes and including interviews with policymakers and experts. The same methods have been implemented for the analysis of targeting of RD measures in the programmatic period 2007–2013 (e.g. Critica, 2007). Moreover, transnational views have been exchanged on RD policies for the programmatic period 2007–2013 and even beyond 2013 (Land Use Policy Group and Bundesamt fur Naturschutz, 2007). A number of budget- and statistics-oriented reviews of RD measures try to understand geographical distribution and economic levers (e.g. Shucksmith et al., 2005).

Since the early 2000s, there has been a growing interest in the territorial or regional impacts of the CAP, such as in regional and distributional issues (Anders et al., 2004). Yet there are only a few studies on the territorial effects of the CAP. Theoretical and empirical evidence on regional redistributive effects of the CAP is still limited (Anders et al., 2004; Shucksmith et al., 2005). Whilst earlier analyses rarely focused on more than farming, some of the latest studies have approached the subject from a non-sectoral, territorial perspective.[5]

Several studies focusing on the CAP's impacts on cohesion have shown that Pillar I counteracts a balanced territorial development across the EU. This is mainly due to the fact that its distribution is inconsistent with the economic and social cohesion objectives of the EU. Whilst Pillar II measures are more suitable to contributing to territorial cohesion, its potentials are not fully utilized (Shucksmith et al., 2005). The major problem with the CAP is that most of the policy and support measures are restricted to farms and farmers only, while the proportion of rural inhabitants engaged in farming is decreasing in all member states (see below). This has led to a policy framework where the poor and the vulnerable are not really considered.

If it comes to the spatial allocation of agricultural and RD support, the most extensive study on the EU has been conducted by the European Spatial Observation Planning Observation Network (e.g. the 2004 ESPON Project 2.1.3; Shucksmith et al., 2005). Shucksmith et al. (2005) looked at the allocation of support provided by the

CAP at the regional level (NUTS 3) across the EU. The project was primarily focused on economic and social cohesion but also on competitiveness and, to a lesser degree, on SD.[6] The main conclusion of the ESPON project was that, in sum, the CAP has worked against the objectives of balanced territorial development and has not supported the objectives of economic and social cohesion.

Moreover, in terms of poly-centricity at the EU level, Pillar I favours core areas over Europe's periphery. At the local level, the CAP favours areas that are more easily accessible. According to the ESPON project, some of the recent CAP reforms have ameliorated these conflicts of objectives. Direct income payments, for instance, are distributed in a more consistent and cohesive way. This was not the case as far as market-price support is concerned. Furthermore, higher levels of Pillar II payments are associated with more peripheral regions than is the case with Pillar I support. According to Shucksmith et al. (2005) there is the scope to amend Pillar II to foster cohesion, but the potential is not sufficiently realized.

Whilst the CAP has extended its objectives beyond a sectoral policy to become increasingly concerned with spatial development, most of the subsidies are farm based. Regions have only limited power to affect the implementation of these policy measures. One reason and explanation for this is the nature of policy implementation, institutional legacies and path dependencies. Traditionally, agricultural policy has been exogenous development. One of the main elements of exogenous development is that RD is considered to be externally determined and implanted into particular regions (Terluin, 2003).

Endogenous development, in contrast, can be understood as local development, largely based on local resources and mainly triggered and propelled by local impulses. Many regional and RD studies concluded that policy measures focusing on endogenous development are more effective than exogenous development measures (Terluin, 2001, 2003). This goes hand in hand with the notion that SD should utilize endogenous knowledge (Ostrom et al., 1994).

In spite of notable socio-economic differences between regions within EU member countries, the weights of the separate CAP measures can be remarkably in the same direction between these regions. In addition, the regional differences between the relative weights of the measures cannot necessarily be explained by the differences between regional characteristics or by the regional differences between the needs for regional development (Terluin, 2003; Dwyer et al., 2007; Tietz and Grajewski, 2009).

While modelling the impacts of the CAP Pillar I and Pillar II measures on local economies in Europe, Psaltopoulos et al. (2011) showed that local economy linkages play a major role in the economic impacts of the CAP. These results are comparable with the study by Uthes et al. (2011), who analysed regional impacts of abolishing direct payments of the CAP. By combining participatory methods and farm-level modelling in four European regions, located in Germany, Denmark, Italy and Poland, they found that the initial characteristics of the regions, such as the historical farm structure and regional site conditions, have strong impacts on direct support elimination and cause regionally different development trends. Uthes et al. (2011) argue that an explicitly regional focus is crucial for future policy analysis.

The Changing Role of Agriculture in the EU and the New Rural Paradigm

Agriculture, apart from its environmental meaning, has various socio-economic meanings, also linked to the type of rural area one looks at. Agriculture also has dif-

ferent meanings and allows for different interpretations if it comes to its function in the realm of RD. One important framework for structuring the relationships between agriculture and RD is the concept of the 'new rural paradigm' by Van der Ploeg and Marsden (2008). Those accepting the emergence and manifestation of this paradigm perceive RD as a largely autonomous, self-driven process. Agriculture will continue to play a key role in RD, although its role may well change. (Knickel and Renting, 2000; Van der Ploeg and Marsden, 2008). Whilst, according to this view, RD is, in many ways, based on agriculture, it is also perceived as being part of agricultural development. According to some, different levels of RD can be identified: farm, farm household, regional and global levels (Knickel and Renting, 2000). This is, however, a somewhat oversimplified view, especially as far as the multilevelled structures of policymaking are concerned. Village associations, local action groups, municipalities, and, last but not least, different actors from various EU institutions are becoming increasingly important. However, according to some research, particular sectoral interest groups enjoy easier access to the national and EU decision-making centres.[7] Concerning Finland, Uusitalo (2009) zooms in on politicians and civil servants and demonstrates how skilful social entrepreneurs can succeed in policy practice, but also how a few individuals or representatives of partial interest (e.g. food industry) were able to have a clear impact on, if not to dominate, fundamental decisions as to the overall policy framework.

Van der Ploeg and Marsden (2008) claim that the spatial role of agriculture in connection with social aspects and changing meanings of agricultural production is crucial in the development of rural areas. Thus, in their view, 'a new theory of RD that integrates social and spatial approaches; a theory that enables scholars, policymakers and practitioners to fully appreciate the rich and manifold expressions of differentiated RD' is needed (Van der Ploeg and Marsden, 2008).

Compared to Van der Ploeg and Marsden's paradigm, the new rural paradigm conceptualized by the OECD has its emphasis on non-agricultural activities, this means on the various sectors of rural economies (OECD, 2006, Table 1).

According to the new rural paradigm as visualized above, rural areas should be perceived and analysed in a holistic way, with agriculture being an 'equal' part. Whilst farm income and competitiveness are objectives of the 'old approach', the competitiveness of rural areas, the valorization of local assets and the exploitation of unused resources are the key objectives of the new approach, at least in theory.

Table 1. The new rural paradigm.

	Old approach	New approach
Objectives	Equalization, farm income, farm competitiveness	Competitiveness of rural areas, valorization of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (rural tourism, manufacturing, ICT industry)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supranational, national, regional and local), various local stakeholders (public, private, NGOs)

Source: OECD, 2006.

Before we link socio-economic development, including the changing meaning of agriculture (Section 4), to the current funding streams and thus the priority of policy (Section 3), we show that already at the EU level, reduced funds for RD at the expense of more funding, made available for agriculture as a key targeted sector, do not speak for a favourable policy environment for the new rural paradigm to unfold. Especially not in the context of the Europe 2020 Strategy, which is advertised to offer a 'response to the new economic, social, environmental, climate-related and technological challenges facing our society', with a 'CAP that can contribute more to developing intelligent, sustainable and inclusive growth'.

The Common Agricultural Policy in the Funding Period 2007–2013

The original objectives of the CAP were laid down in Article 39 of the Treaty of Rome. The objectives of Article 39, having been subject of reinterpretation thereafter, are:

1. increasing agricultural productivity;
2. ensuring a fair standard of living for farmers;
3. stabilizing markets;
4. guaranteeing food security; and
5. ensuring reasonable prices for consumers.

Environmental, territorial or regional (or for that matter integrated SD) aspects were not included in these original objectives. The CAP underwent a number of notable reforms or modifications, such as the 1992 MacSharry reform, Agenda 2000, the 2002–2003 Mid-Term Review,and the 2008 Health Check. This has also meant a cautious shift towards territorial considerations. The original ideational context that the initiatives for reorientation stem from stretches well beyond the discourse community in charge of CAP reforms. Overall, territorial considerations have also been strengthened in the wider EU policy environment during the last two decades. Since the turn of the millennium, several of the EU's public policies have essentially been dealing with three overarching objectives: economic competitiveness promoted by the Lisbon Strategy and the EU 2020 agenda, SD supported by the Gothenburg Strategy, and territorial cohesion.

CAP reforms and reviews put in place during the past two decades triggered restructurings of both the institutional and the budgetary anatomy of the CAP. The CAP in 2007–2013 is built on two pillars. Pillar I is concerned with the management and payment of direct aids and decoupled payments to farmers, subsidizes exports and provides market support. Pillar I continues to consume the lion's share of the CAP budget.[8] Pillar II, the RD pillar, is meant to enhance the quality of life in rural areas and boost the rural economies, to improve the state of the environment as well as to improve the competitiveness of the agricultural and forestry sector. Six strategic guidelines for RD were formulated to form the foundation of RD actions in 2007–2013:

1. improving the competitiveness of the agricultural and forestry sectors;
2. improving the environment and countryside;
3. improving the quality of life in rural areas and encouraging diversification;
4. building local capacity for employment and diversification;
5. translating priorities into programmes;

6. complementarity between community instruments.

Pillar II measures are implemented through national and regional RD programmes. To realize the objectives of the CAP's second pillar and to implement RD funds, four axes have been set up (Figure 1). Axis 1 is to improve the competitiveness of the agricultural and forestry sector. Axis 2 is to improve the environment and the countryside. Activities under Axis 3 are meant to enhance the quality of life in rural areas and to diversify the rural economy. In addition to these three thematic axes, the horizontal LEADER axis (Axis 4) is to contribute to the accomplishment of objectives under all previous axes, often focused on enhancing the quality of life in rural areas and the diversification of the rural economy. The basic rationale of the LEADER axis is area-based local development strategies to be implemented in a bottom-up fashion by local public–private partnerships, the so-called Local Action Groups (LAGs).

Overall, the ratio of budget allocation under the CAP has been changed from 9:1 in favour of Pillar I about 10 years ago to 3:1 in the current programmatic period. Nonetheless, during the last few years, spending on RD was reduced, albeit not as drastically as suggested by some of the member states such as the UK (Figure 2).

How Much 'Sustainability' Is Included in Rural Development: Is Structural Change in Agriculture Reflected in Policymaking?

The overarching question we are going to deal with in this section is whether the funding streams decided upon by national authorities and approved by the European Commission meet the needs of the rural populations and rural enterprises. We analyse the budget proportions within all national and regional Pillar II programmes and in all 27 member states. Furthermore, we look at agri-environmental support (Axis 2) in Estonia and Finland. These analyses reveal important differences between the member states and also within them.

While the financial structure of the CAP (and the complementary national support) – i.e. the share of each policy measure in the budget – varies a great deal between EU countries, these variations do not necessarily correspond consistently to recognizable patterns of variability in economic, social and environmental factors. Rather, the differences can reflect a more complex combination of economic and political drivers within each country (see also Dwyer et al., 2007).

Funding the Rural Development Pillar of the CAP

EU member states are able to formulate and set their own priorities for RD. Yet, Article 17 of the Council Regulation (EC) No. 1698/2005 (*OJ* L 277, 21 October 2005, pp. 1–40) laid down that at least 10% of the budget proportions paid by the EAFRD must be used for improving the competitiveness of agriculture and forestry (Axis 1), at least 25% to improve the environment and the countryside (Axis 2) and at least 10% to diversify the rural economy (Axis 3). All member states must spend at least 5% of the EAFRD share on LEADER-type activities (Axis 4).

Throughout the EU different areas chose different priorities. While the share of total public funding[9] for Axis 3 ranges from 3% on the Åland islands (Finland) to 42% in Mecklenburg-Vorpommern (Germany), the share of EAFRD funds dedicated to Axis 2 ranges from over 80% in Finland and Ireland to 24.4% in Bulgaria.

AXIS 1 - Improving the **competitiveness of the agricultural and forestry sector** (e.g. vocational training, modernisation of agricultural holdings, adding value to agricultural and forestry products)

AXIS 2 - Improving the **environment and the countryside** (LFA, agri-environmental schemes)

AXIS 3 - Enhancing the **quality of life in rural areas** and **diversifying the rural economy** (Village renewal, rural heritage, micro-enterprises, tourism, basic services)

AXIS 4, the so-called **LEADER**-axis, finances **rural development projects** that are **locally designed and implemented by local public-private partnerships**.

Figure 1. Pillar II and its axes.

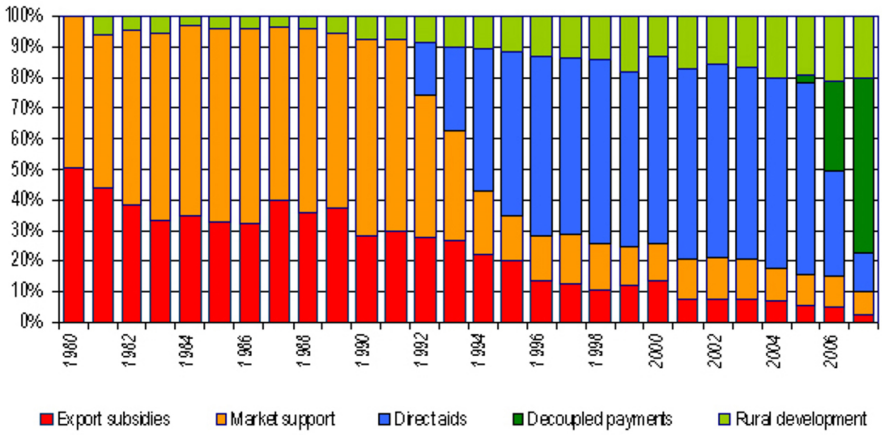

Figure 2. The development of CAP spending.
Source: <http://ec.europa.eu/agriculture/external/dev/foodaid/index_en.htm>, accessed 1 August 2012.

In general terms, there is a clear preferential treatment of agriculture (Axis 1) and environment measures (Axis 2). Only two regions in the EU, Sachsen and Sachsen-Anhalt in Germany, seek to improve the economic situation in their rural areas through the diversification of the rural economy (Axis 3) without only focusing on the agricultural and forestry sectors. Our analysis of national and regional RD plans reveals that 24 out of 86 programmes failed to earmark at least 5% of total public funding for Axis 4. Figure 3 is meant to visualize the spending across axes. This overview of how Pillar II funds are allocated throughout the EU is also meant to visualize this 'agricultural' RD approach (Bryden, 2010).

This allocation of funds is noticeable if one considers the minimum requirements set by the EU and how the member states realized them. Table 2 visualizes and contrasts money earmarked by all 27 member states for all axes under Pillar II with the minimum requirements set by the EU.

Whilst the member states invested only slightly more money than was set as the minimum requirements into measures not solely focusing on agriculture (Axes 3 and 4), they chose to invest more than three times more money for improving the

Figure 3. Allocation of Pillar II Funds in the EU 27.
Source: adapted from European Commission, 2009a.

Table 2. Pillar II and its axes 2007–2013: money earmarked and minimum requirements set by the EU (EU-27 level and in %).

Axis	Earmarked by member states*	Minimum requirement by EU
1	34%	10%
2	44%	25%
3	14%	10%
4	6%	5%

Note: * 2% are earmarked for technical assistance.
Source: adapted from European Commission, 2009a.

competitiveness of the agricultural and forestry sector and almost twice as much into environmental measures than was required by the EU.

In the case of Estonia and Finland the Table 3 shows that the selected financial structures of support payments between these axes are quite different in the 2007–2013 programmatic period.[10] In Finland, the heavy focus on Axis 2, known from previous programmatic periods, continues. Estonia chose to invest more than double the amount of funds into Axis 4 measures than Finland and also considerably more into measures under Axis 1 and Axis 3.

According to the Rural Development Programme for Mainland Finland (MMM, 2012) and as far as the regional rural development measures included in the pro-

Table 3. Distribution of axes under the CAP Pillar II (Rural Development Programmes) in the programming period 2007–2013, according to financial frameworks of the programmes in Estonia and Finland

Axis	Estonia	Finland
1	39.2%	7.8% (10.4%)
2	37.3%	81.7% (80.1%)
3	14.0%	8.9% (8.3%)
4	9.6%	3.7% (3.3%)
Total	100%	100% (100%)

Source: European Commission, 2009a.

gramme are considered, 'the primary regional allocation criterion' for these funds 'was the population of sparsely populated rural areas and rural heartland areas, as well as 5% of the population of urban-adjacent rural areas'.[11] In the allocation of the funds, the major region of Eastern Finland was to receive at least 23% of the available funds.[12]

The former Employment and Economic Centres (TE-Keskus)[13] developed regional rural development plans with the aim of targeting specific local needs and in order to channel the funds accordingly. The Employment and Economic Centres were also asked to develop financial projections on their needs. Regional estimations were made of how much money was to be spent regionally and into which measures the money would flow. In other words, the regional priorities served as the basis for the Finnish national RDP. Pillar II is implemented by national and regional rural development programmes. Although Finland has regional rural development programmes, the regional authorities have rather modest input in the financing of RDP. In the programming period 2000–2006 as well as in the programming period 2007–2013, the share of 'regional money' (including the money admitted to local action groups) as part of total RDP support) was slightly over 10%.[14]

Estonia has a single RD programme for the entire country. The breakdown of funds between axes was based on a number of considerations. The minimum funding rates for all Axes 1–4 (10%, 25%, 10%, 5% respectively) was taken into account, as was the breakdown of resources during the 2004–2006 programming period (RDP and National Development Plan measures).

According to the Ministry of Agriculture, analyses of the socio-economic development and the state of the environment were of relevance, as well. Comparisons with similar areas in the EU and the chosen objectives were considered, too. For the fund contribution the maximum ceilings for EAFRD contribution as provided in Article 70 of Council Regulation (EC) No 1698/2005 (*OJ* L 277, 21 October 2005, pp. 1–40) were used.

As to the institutions to decide on the allocation of funds between the four axes, a Steering Committee for preparing the Estonian RDP 2007–2013 was consulted, which was also the basis for the Monitoring Committee set up later. In addition to several national ministries[15] this Monitoring Committee includes representatives from the national paying agency (ARIB), associations of agricultural producers and farmers, food quality and different associations and organizations based on the agricultural-production sector, associations of forest owners, educational and training institutions (agricultural sector), environmental protection organizations, associations of

rural tourism entrepreneurs, the village movement, youth and women associations and associations active in the field of social inclusion.

The government of Estonia was to finally approve both the National Strategy Plan and the Rural Development Plan. According to an official of the Estonian Ministry of Agriculture,[16] there still is potential in tackling the observed socio-economic and environmental challenges that rural areas are facing more strongly through the different axes of Pillar II. Agriculture, according to the official, remains an important part of rural development also in the future, but it,

> 'cannot guarantee sustainability of rural areas on its own. There is a need for diversifying rural enterprises and to make rural areas more attractive as a working and living environment. Rural enterprises have to compensate for the jobs lost in agriculture due to structural adjustments of agriculture. In addition, there is a need to find a solution for out-migration of people and services from rural areas. As rural enterprises and quality of life are very strongly linked to agriculture, we think that these issues should remain as a part of CAP' (Interviewee, Estonian Ministry of Agriculture, 28 December 2009).

The official storyline and reasoning for how the funds for RDP are supposed to be used is in some contrast to how the money is in fact used. Whilst according to information provided by the EU, funds might be used for 'a potential extension of broadband coverage, helping small businesses, helping the food processing industry or extending childcare so that more mothers living in rural areas can return to work' (<http://ec.europa.eu/agriculture/faq/rurdev/index_en.htm>), in reality all those activities play only a relatively marginal role when it comes to the national implementation of funds. In addition to funding provided under Pillar I, a considerable amount of policy measures under Pillar II are – in some contrast to the new rural paradigm – used as farm income subsidies instead of fostering the various sectors of rural economies (rural tourism, manufacturing, ICT industry) through investments. Involving all levels of government in addition to various local stakeholders remains fairly marginal if looking at funding provided under Axis 4. Most member states chose to tackle socio-economic and environmental challenges in rural areas by improving the situation in the agricultural sector instead of using a balanced and holistic approach considering all three dimensions of SD.

The Disparity in Agri-environmental Support

Within the framework of the CAP, and from a Finnish perspective, agri-environmental support is a very relevant area to look at. This is because approximately 80% of Pillar II support is allocated to environmental support and to support of less-favoured areas. Adding Estonia to the analysis, we are able to identify a disparity in support.

When one compares Finland and Estonia in an overall EU-27 context the first thing that probably comes to attention is size, as Finland is almost 30 times larger. Interestingly enough, however, as Finland is mainly a forest and lake country (with a significant land range around the Arctic Circle), in terms of UAA it is only about two times larger than Estonia. Looking more closely into the state of affairs of the agri-environmental scheme (AES) agreement there are several noteworthy issues.

Finland has been an EU member state since 1995 and through its whole country approach (and a holistic agri-environmental policy programme) has managed to include 87% (57 490) of its farms into payments for agri-environment, which accounts for 93% of the country's UAA (2 203 226 ha) according to 2011 data. In terms of funds, looking more closely into the central years of the current programmatic period, such as 2009–2010, we can see that Finland has managed to mobilize national and European resources reaching up to approx. €335 million annually, which were channelled to Finnish farms (Table 4).

Neighbouring Estonia was successfully brought to EU accession in 2004 in the framework of the enlargement, when it found itself in the middle of the previous (2000–2006) programmatic period. In terms of AES, immediately after becoming a new member state, Estonia developed a small agri-environmental programme, which is considered as a prelude to its current set of agri-environmental policy and AES. Interestingly, Estonia with a comprehensive set of AES, is, as of 2010, much more successful – in terms of policy uptake than what other EU counterparts were able to achieve in their respective first five years of membership – with 20% (4,492) of its farms under an AES regime, accounting for 46% of its UAA (1 180 100 ha). Nevertheless, the amount of financing that was channelled to Estonian farms for the protection of the agri-environment could not exceed five million Euros.

The comparison of the aspect of AES funding reaching Finnish and Estonian farms if disaggregated at the level of hectare results in a quite noteworthy figure. Per hectare, a Finnish farm seems to be receiving as much as 19 times more financial support under AES (approx. €163) than the respective unit of land on an Estonian farm (€9). This unexpected distortion for two national-level realities of the CAP is further deliberated upon in the discussion section.

Analysing Change in Rural Europe

Rural Trends

The reduced funding for rural development identified above is not in line with the socio-economic situation and the state of the environment in rural areas in the EU.

Table 4. Agri-environmental support (AES) regimes of Finland and Estonia in numbers.

	Estonia	% of total	Finland	% of total
Number of holdings under AES regime	4,492	19	57 490	87
Number of eligible holdings for AES contract	23 336	100	66 080	100
Total utilized agricultural area (UAA) (ha)	1 180 100	100	2 203 226	100
UAA under AES (ha)	545 371	46	2 049 000	93
Total support per AES (€)	4 866 543		335 000 000	
Ratio: UAA under AES	1.00		1.90	
Ratio: sums channelled to AES	1.00		18.30	
AES Payments (in €/ha)	8.92		163.49	

Source: Finland data adapted from Tike, 2011; Estonia data adapted from Estonian Ministry of Agriculture.

When it comes to the economic importance of agriculture in the regions, the socio-economic role of agriculture has diminished in all developed countries (Diakossavvas, 2006; OECD, 2008b). Table 5 demonstrates that in all OECD countries, on average, the share of agricultural employment during the period 1995–2005 decreased from 14.6% to 11% in predominantly rural areas and from 8.8% to 7% in intermediate rural areas. As far as Finland is concerned, the contribution of agriculture to employment in predominantly rural areas was 12.1% in 1995 and dropped to 8.3% in 2005. In Estonia, the contribution of agriculture to employment was 13% in predominantly rural areas and 4.8% at the national level in 2005.

Table 6 presents the declining socio-economic role of the primary sector and the increasing role of secondary and tertiary sectors at the EU27 level.

Bollman (2006) argues in this regard that the historically tight overlap between the 'rural' and 'agriculture' no longer exists, at least as far as demographic changes and labour-market transformations are concerned. Diakossavvas (2006) comes to the same conclusion, arguing that the importance of agriculture in terms of employment and income effects has decreased in all OECD countries. In addition, a notable part of primary production is situated in urban or adjacent rural areas. Agriculture is one but not the only economic activity in rural areas. The rural has changed from a sort of 'national rural space', based on agriculture as the central place in both spatial and political terms, to a 'differentiated set of regional formations', based on a range of functions and potentials, either within or outside the agricultural sector (Breman et al., 2010). Terluin (2003) claims that the image of rural Europe – the scene of losses of

Table 5. Contribution of agriculture to employment by type of region, 1995 and 2005.

	Predominantly rural		Intermediate		Predominantly urban		National	
	1995	2005	1995	2005	1995	2005	1995	2005
EU 19	18.1	12.9	8.7	5.9	1.9	1.5	6.7	4.6
OECD	14.6	11.0	8.8	7.0	2.9	1.9	7.6	5.7
Estonia*		13		4		1		4.8**
Finland	12.1	8.3	7.1	4.2	1.0	0.6	7.9	5.1

Notes: *rough estimates based on calculations adapted from European Commission, 2009b; ** 2006 data.
Source: OECD, 2008b; European Commission, 2009b.

Table 6. The socio-economic situation and development.

	Share of employment in 2006, % total employment	Share of GVA in 2006, % total GVA	Average annual growth rate of employment in 2000–2006 % per year	Average annual growth rate of GVA in 2000–2006 % per year
EU27 – primary sector (incl. agriculture and forestry)	5.9	1,7	–2.2	–0.1
EU27 – secondary and tertiary sector	94.0	98.2	1.0	2.1

Source: European Commission, 2009b.

population and jobs, largely associated with the idea of a rapid decline of employment in a supposedly dominant agricultural sector – needs to be rethought.

In this sense, new analyses highlighting the different connections between agriculture and RD and related policies and their implementation are needed (Diakossavvas, 2006; Van der Ploeg and Marsden, 2008). Breman et al. (2010), for instance, answer to this call by focusing on the relationship between agricultural and RD through the concept of marginalization. According to Breman et al. (2010), at times the EU's Lisbon strategy travels further into the rural, aspects of cohesion are given both growing importance and more awareness. Reform debates on the CAP, too, renew the concern with processes of marginalization in the more peripheral regions of Europe. It is being recognized gradually that these marginalization processes are multidimensional in nature, not only affecting the sphere of agriculture but also rural communities in the wider sense. Breman et al. (2010) conclude that 'the concern for marginalisation processes does not only relate to the future of agriculture itself in its production function but also to a much wider range of related issues such as the socio-economic dynamics of an area, the loss or simplification of cultural landscapes'. Similarly, as studies on Portugal and Finland have shown, the developments of agriculture and socio-economic development of other rural activities do not always interrelate (Breman and Pinto Correia, 2003; Vihinen et al., 2005; Voutilainen et al., 2009; Voutilainen, 2012).

As the socio-economic characteristics differ significantly both within the EU and, importantly, also within each member state, zooming in on a higher level of aggregation in order to look at the specific situation in rural regions is sensible.

Socio-Economic Development and Structural Change in Agriculture in Estonian and Finnish Rural Areas

Agriculture in both Finland and Estonia has witnessed notable structural changes during the last few decades. Productivity has grown. At the same time, the number of agricultural jobs and the number of farms have decreased rapidly. The share of primary production in many rural areas has become marginal.

The structural change of agriculture in Estonia took place later than in Finland. During the past decades there was one major abrupt structural transformation in Estonian agriculture. This occurred right after the collapse of the Soviet Union with the re-establishment of private property in Estonia. Large collective farms ceased to exist and were replaced by a large number of very small farms trying to produce goods for self-consumption and also for selling. After this abrupt change, we have been witnessing a contrary process that is scattered over a wider temporal period, with the total number of agricultural holdings decreasing. At the same time, the number of bigger agricultural holdings is rising, as is the utilized agricultural area (UAA). This process was also propelled by Estonia joining the EU (Table 7).

In Finland, the development in terms of annual change after joining the EU was not as dramatic and quick as in the case of Estonia. Looking at the change in the number of farms during the period 2003 to 2005 in Finland, the number of farms decreased from 74 950 to 68 230. According to Statistics Finland, approximately half of the Finnish farms are situated in core rural municipalities.[17] In addition, compared to the average, the farms are larger in core rural municipalities.

In 2007, 3% of all jobs in Finland were in agriculture. Whilst the share of the primary sector in all jobs was similar in Estonia and Finland at national average and in

Table 7. Structural transformation in Estonian Agriculture 2001–2010.

Year	Number of holdings	Agricultural land, ha	Standard gross margin, ESU*
2001	55748	871213	138856
2003	36859	795640	134713
2005	27747	828926	135381
2007	23336	906833	178297
2010	19460	940930	

Note: * European size unit (ESU) is equal to the value of the standard gross margin of 1,200 euros (18768 kroons).
Source: Statistics Estonia.

predominantly rural areas, the countries differ as to intermediate rural areas. What is more, the significance of agriculture as a source of employment continues to diminish in all rural areas in both countries (Table 8).

The number of jobs in primary production has proportionally decreased in all Finnish rural areas and in Estonia as a whole. A major part of the farm household income comes from other sources than agriculture. In 2007, the share of agricultural holders with other gainful activity in Estonia was 44% (Eurostat; OECD, 2008b). In Finland, the share of agricultural holders with other gainful activity increased from 21% to 28% in 2000–2007.

In 2008, the average share of farm income of the total income of farms was 41%. At the same time, the service sector became the most important economic sector in all rural types. Job losses in the primary sector have been compensated by new jobs in the refinement sector[18] and especially in the service sector (Table 9).

Regional divisions of labour lead to strong diversification and polarization of areas as a whole as well as between different types of rural areas. Some studies (Katajamäki, 1991; Kuhmonen, 1996, 1998; Pyykkönen, 2001) have shown that the structural development of agriculture differs between regions and can have notable different regional effects depending on the type of the region. The most challenging situation seems to be in remote rural regions, where the role of agriculture as an employer, for instance, can still be crucial.

Overall, the structural changes in agriculture as discussed above had considerable impacts on the socio-economic situation and development in Finnish and Estonian rural areas (Table 10). In 2009, more than 40% of the Finnish population lived in predominantly rural areas, but the number was on the decline between 1995 and 2009 (–1.2% mean annual change). The figures in Estonia are even more dramatic with a mean annual population change of –10.4% in predominantly rural areas. Outmigration occurs into intermediate rural areas (Finland +3.2% annually; Estonia +1.3% annually) as well as into urban areas. In Finland, the mean annual change in these areas was about 11% between 1995 and 2009.

In Finland, socio-economic challenges are obviously the greatest in sparsely populated rural areas (Table 11). Urban–rural areas are more similar to urban areas than to core rural areas or sparsely populated rural areas.[19]

The differences in the trends between these areas are very clear, and the gap seems to be growing still. This means that the population of the core rural areas and sparsely populated rural areas will continue to decrease as, especially, young and working-age people move to population centres. The share of urban-adjacent and sparsely populated rural municipalities has grown, while the share of core rural municipali-

Table 8. Situation and development in Estonian and Finnish agriculture by type of region.

	Estonia				Finland			
	PU	IR	PR	Total	PU	IR	PR	Total
Share of primary sector in all jobs in 2007, %* (agricultural jobs in brackets)		1.4	9.0	4.6	0.6 (0.4)	4.5 (3.3)	8.6 (5.3)	4.9 (3.1)
Mean annual change in the number of jobs in the primary sector in % (EST 2004–2010, FIN 1995–2007)**				–5.7	–2.1	–3.1	–2.9	–2.9
Number of farms (in 2007; share of all farms in brackets)*		2,208 (9.5)	21 128 (90.5)	23 336 (100)	2,781 (4.2)	20 949 (31.3)	43 208 (63.4)	66 938 (100)
Change in the number of farms in % (EST 2003–2007, FIN 1995–2009) **		–45.9	–35.5	–36.7	–33.0	–33.1	–36.0	–35.8
Change in economic size of farms between 2003 and 2007, %*				108.8				56

Notes: PU = predominantly urban, IR = intermediate, PR = predominantly rural.
Source: * adapted from European Commission, 2009b; Statistics Estonia; ** raw data adapted from Estonian national data, Statistics Estonia and Statistics Finland.

Table 9. Economic structure in 2007 according to Finnish rural typology (in 1995 in brackets), based on the number of jobs (Statistics Finland).

Type of municipality	Primary production	Refinement	Public services	Private services	Unknown	Total
Urban municipalities	1.2 (2.2)	23.4 (26.0)	32.5 (32.3)	42.1 (37.5)	0.9 (2.1)	100 (100)
Urban-adjacent rural municipalities	5.5 (9.5)	32.9 (33.2)	30.3 (29.3)	29.7 (24.9)	1.5 (3.1)	100 (100)
Core rural municipalities	12.9 (19.8)	30.8 (28.0)	30.0 (27.4)	24.9 (22.0)	1.3 (2.8)	100 (100)
Sparsely populated rural municipalities	16.5 (23.1)	23.5 (20.6)	31.8 (30.0)	26.6 (22.9)	1.7 (3.4)	100 (100)
Whole country	3.9 (6.9)	25.1 (26.5)	32.0 (31.2)	37.9 (33.1)	1.0 (2.4)	100 (100)

ties has decreased (Malinen et al., 2006). Because of net migration, many rural areas continue to lose population whilst the growth centres experience population growth in Finland. Urban-adjacent rural areas have mastered the challenges of structural change most successfully.

Finland and Estonia are countries that are remarkably rural. Agriculture plays different roles depending on the type of rural area. From the viewpoint of rural development, there is a need of differentiation in policy focus that should consider the differences between different rural types and the development trajectories in these areas. If the starting point of the policy is to decrease regional differences and

Table 10. Socio-economic situation and development in Estonia and Finland by type of region.

	Estonia				Finland			
	PU	IR	PR	Total	PU	IR	PR	Total
Population (EST 2007, FIN 2009; share of whole country, %, in brackets)*		703 264 (53.0)	624 220 (47.0)	1 327 484 (100)	1 415 798 (26.5)	1 636 028 (30.6)	2 287 045 (42.8)	5 338 871 (100)
Mean annual population change (FIN between 1995 and 2009, EST between 2004 and 2007 per mille*		1.3	–10.4	–4.2	10.9	3.2	–1.2	3.2
Employed persons, share of primary sector in the region in 2007, %**		1.4	9.0	4.6	0.6	4.5	8.6	4.9
Employed persons, share of tertiary sector in the region in 2007, %**		64.6	56.2	61.0	80.4	65.1	63.6	69.3

Notes: PU = predominantly urban, IR = intermediate, PR = predominantly rural.
Source: * adapted from the raw data: Estonian national data and Statistics Finland; ** European Commission, 2009b.

to improve the socio-economic situation, the emphasis and focus of the CAP and its support measures should be on weaker regions. However, the problems with policy measures under the CAP regime already observed and discussed by Schmidt-Thomé and Vihinen (2006, p. 50) in their analysis of the previous programmatic period seems to continue. According to these scholars, these policy measures are used as farm income subsidies irrespective of their original purpose. Reflecting on these missed opportunities for reform, adjusting the balance between different types of support measures should be in the focus of reforms for the upcoming programmatic period 2014–2020.

Concluding Remarks and Discussion

This article has tried to show the changing meaning of agriculture and that there is some evidence for agriculture playing different roles in different regions (see also Van der Ploeg and Marsden, 2008; Breman et al., 2010). If we understand Breman et al. (2010) correctly, the future of rural areas should be seen through post-productivist functions, no longer based on the production of agriculture. At the same time, agriculture has to be addressed in the context of SD, integrating what is necessary to the function of its three pillars. However, there are some regional variations as to how

Table 11. Socio-economic development of different rural types in Finland (based on municipal classification in 2010).

	Urban municipalities	Urban-adjacent rural municipalities	Core rural municipalities	Sparsely populated rural municipalities	Whole Finland
Population in 2009 (1995 in brackets), share of whole Finland, %	63.9 (61.4)	13.7 (12.6)	13.1 (14.4)	9.3 (11.7)	100 (100)
Mean annual population change 1995–2007, %	0.58	0.98	–0.39	–1.33	0.29
Population density, inhabitants per km2 (land surface) in 2005 (1995 in brackets)	74.6 (70.5)	28.2 (25.7)	13.3 (13.9)	2.9 (3.3)	17.3 (16.8)
Unemployment rate in 2007 (1995 in brackets), %*	8.5 (19.6)	6.5 (17.9)	7.4 (18.2)	12.8 (25.4)	8.5 (19.8)
Mean annual change of the number of jobs between 1995 and 2007, %*	2.1	1.7	0.7	–0.3	1.7
Mean annual change of employees' aggregate income 1995–2007 in %, based on annual face values	5.0	5.8	4.2	3.2	4.8
Mean annual change of value added in the region 1995–2007 in %, based on annual current prices	5.7	5.1	4.6	3.8	5.4

Notes: *Finland faced a severe economic depression in the early 1990s, which caused a strong decrease in jobs and an exceptionally high unemployment rate all over the country. This also partly explains the notable strong total development in the number of jobs in Finland between 1995 and 2007. ** For a further discussion, see Voutilainen, 2012.

these functions and potentials materialize and are exploited, with rural territories developing along diversifying trajectories.

Very few studies claim that the CAP has limited but positive cohesion effects. The general view is that the CAP is not an effective tool to promote SD through territorial cohesion. As, according to the Lisbon Treaty and the EU 2020 strategy, 'territorial cohesion' is one of the guiding principles of EU policy – in addition to economic and social cohesion – a reformed CAP must take the territorial dimension better into account. It is also important to consider different contextual starting conditions in the regions that should be approached through the utilization of endogenous knowledge. What is more, the CAP has been affecting Europe's regions in many and different ways.

Looking at the different stages of policymaking is essential for the understanding of how the European Commission, above all DG Agri, perceives rural areas as a recipient for CAP funding. At the policy-programming level, the thinking, dominated by agriculture – characterized by extensive land use and scarce and scattered human and economic activity – and regional notions based on regional economic development, have coexisted side by side. Yet, most of the concrete policy actions directed at the countryside originated from (reformulations of) agricultural policy. As a result, farming aspects are still looming large. Whilst the terminology rural regions or countryside is used more frequently by different EU institutions, the criteria, political foundations and money flows continue to be primarily linked to agriculture (see also Voutilainen, 2012). This does not mean that this space is uncontested or that

rural areas are becoming more vibrant, with sustainable and inclusive growth as per the announcements of the reformed CAP for the upcoming programmatic period.

On the EU political level, agricultural policy is to an increasing extent connected to other common policies and to the prioritized political projects of the EU. Pressure to define EU agricultural policy in decreasingly sectoral but increasingly territorial terms is growing, and its contribution to the competitiveness of the EU, as well as to its economic and social cohesion, facilitating SD, is among the emerging political issues (Lowe et al., 2010). The promotion of equal opportunities, improvement of incomes, support for diversification and the creation of new jobs (sustainable and inclusive growth) through area-based and local initiatives such as LEADER, are goals that are shared by the CAP and the EU 2020 strategy.

On the more practical policy level, EU budget constraints, the need to improve the efficiency and effectiveness of public policies and stronger accountability requirements all indicate that the future CAP policy design will consist of more targeted policy measures with specific objectives.

Currently and unlike in the EU on average, most of the subsidies paid in Finland are paid via Pillar II of the CAP. They are legitimized by their contribution to the viability of rural areas. However, a great majority of support, approximately 80% of the Pillar II support, is allocated to environmental aid and support for less-favoured areas, which are both farm-based subsidies and paid to nearly all active farms in the country. Pillar II support comprises the essential part of the Finnish farmers' income. Hence, it can be said that in Finland, environmental aid and support for less-favoured areas are one type of income support, too (Voutilainen, 2012).[20] According to Linden et al. (2008, pp. 30–31), the dominant role of Pillar II has led to a shrunken difference between Pillar I and Pillar II in Finland. This is because in Finland, LFA support is paid to every active farm and agri-environmental support is paid to a majority of farms. Furthermore, agri-environmental support is paid practically on the basis of surface area (ibid.). According to a study by the OECD (2008a, p. 138), 'the political priority in Finland appears to be to support farmers with subsidies rather than to produce public goods or to invest for the future'. Compared to earlier, subsidies now have to be couched in terms of 'green box', ecology, landscape and biodiversity (ibid.). Schmidt-Thomé and Vihinen (2006, p. 50) argue that the relative allocation of resources to agri-environmental support is highest in some of the countries with the least severe environmental problems, such as Finland.

In terms of AES payments, a difference in absolute values is expected throughout EU member states as the variations between farming systems, climatic conditions, environmental problems and socio-economic realities pose tremendous challenges. The comparison between financial supports for the agri-environment, reaching a Finnish hectare vs. an Estonian hectare, was expected to show a strong difference in absolute values. Nevertheless in an EU-27 context, although Finland and Estonia have a lot of socio-economic differences to exhibit, it would be rational to argue that the two countries are not very different when it comes to farming systems, agri-environment and overall climatic conditions (especially when compared to the European South). Moreover, it is understandable that the calculations made to estimate different parameters in the economic reality of Finnish and Estonian farms (e.g. income forgone, transaction costs, etc.) that serve as the baseline for the calculation of agri-environmental payments, must have been quite diverse, as action-oriented and not result-based approaches (Groth, 2009). Finland's exemplary and Estonia's considerable success during the first years of EU membership in terms of AES uptake

could also be considered an administration-organizational similarity that indicates towards the direction of the above argument. What is, however, not understandable here is the size of the difference, which is 19:1 (€163/ha vs. €9/ha) in favour of the Finnish farm hectare[21] and how this difference would be able to facilitate the promotion of equal opportunities as part of CAP's and Europe 2020 visions for responding to the current economic, social, environmental and climate-related challenges facing our society.

It seems that the CAP needs better means to realize its contribution to the SD of the EU's rural areas. SD of RD should be seen as a holistic, territorial process not as a goal to be achieved through actions addressed at specific sectors and to satisfy sectoral interests. Rural communities in the changing climatic conditions should be supported by policies that take into account SD as a whole. Addressing socio-economic affairs such as direct support income and the gender aspects of agriculture have been addressed to a certain extent by the CAP in different sub-manifestations (or some territories as discussed above). Mainstreaming environmental concerns in previous programmatic periods and the 'greening' of Pillar I for the next one (2012–2014), provide evidence that the CAP is moving, albeit slowly, into the right direction. However, that is at the local level. Aggregating these issues and transposing them as territorial concerns needs something beyond 'local', at least in terms of the environmental dimension of SD. Environmental impacts on water, soil, biodiversity, landscape do not recognize borders. The situation is similar when it comes to climate change from which vulnerable rural communities will, no doubt, suffer. The need to have a common European stand that aims at a territorial approach in climate mitigation and climate adaptation, which would facilitate equal opportunities for the rural populations, is factual and timely. One of the challenges here is monitoring the emissions, as the agricultural sector has been included in the international climate negotiations under the United Nations Framework Convention on Climate Change only in 2012. It was only that late that the EC has made a proposal to harmonize accounting rules for emissions from agriculture across the EU (<http://ec.europa.eu/clima/policies/forests/lulucf/index_en.htm>). A case in point is climate adaptation, where the territorial approach is imperative and the need is for cooperation between countries rather than sectors.

The current discussions concerning the CAP include the introduction of bringing an agri-environmental dimension to Pillar I, through (among others) better targeted income support, green payments for preserving long-term productivity and further encouragement of agri-environmental initiatives.

The questions that remain are 1. how will the CAP in the new programmatic period address climate issues to the benefit of the rural communities without current information and appropriate tools for accounting/monitoring, and 2. how can it facilitate rural areas' SD without enriching environmental mainstreaming with an equitable territorial approach.

Perhaps SD in the European countryside can start from examining the exact reasons behind such extreme distortions and focus on the equal and inclusive empowerment opportunities for the rural European citizenry in these times of declining trust to the EU as an institution.

Notes

1. The start was Council Regulation (EEC) No 797/85 of 12 March 1985 on improving the efficiency of agricultural structures, which encouraged environmentally friendly farming practices.

2. The CAP in 2007–2013 is built on two pillars. Pillar I provides direct aid and payments to farmers, provides market support, and subsidizes exports. Pillar II is meant to enhance the quality of life and to improve the state of the environment in rural areas. See Section 2.
3. Analysing the design and implementation of RDP over the 2000–2006 period, Dwyer et al. (2007) observed that these two phases of the policy cycle fell into a context of deep-seated conservatism throughout the EU. This, according to Dwyer et al. (2007), can be observed both at national and sub-national levels, with those individuals being in charge not giving much room for innovative policies but maintaining strong clientelist links to producers.
4. According to Zahrnt (2009, p. 6) one reason why the single farm payments (SFP) do not make sense as a social policy is that poor households benefit little when 20% of recipients reap roughly 80% of the SFP. Top recipient of the CAP is the Royal FrieslandCampina N.V., which has received €1 615 262 722 in payments from the EU since 1997. See <http://www.farmsubsidies.org>.
5. Regarding the spatial scale of these studies (usually conducted at the NUTS 2 or NUTS 3 levels), results of the SASSPO project (Agriculture for Sustainable Development: A Dialogue on Societal Demand, Pressures and Options for Policy) conclude that not enough data from the regional/sub-regional level are available on spatial allocation of the CAP. This made it difficult to carry out comparative research among the EU countries.
6. The analysis was based on the premise that the scope of the CAP and RDP are 'taken to be the interventions in farming and farming-related activities undertaken by the DG Agri, for the purposes of pursuing Community objectives as set out in the various EU Treaties'. The CAP/RDP support flows were reflected in the light of the socio-economic performance of respective NUTS 3 regions. Register data of the support and several statistic data were analysed with various statistical and GIS (geographic information system) methods.
7. On the mechanisms determining access to decision-making centres, see Kauppi (2002).
8. Concretely, Pillar I comprises the following elements and aims: 1. commodity market support regimes with intervention buying or private storage aids; 2. 'lightweight' regimes with emergency buying and producer group support; 3. direct payments, often with quotas and/or reference yields and area ceilings to limit expenditure; 4. supply management tools such as quotas on milk supplies, maximum stocking densities and compulsory arable set-aside; 5. other elements such as environmental or animal welfare requirements, 'outgoer' (e.g. dairy) schemes and grubbing-up aid. There is no spatial dimension linked to these policies.
9. EU and national contributions combined. EU contributions are paid through the EAFRD.
10. The figures in brackets in Finland refer to the previous period 2000–2006. As the Pillar II axes were only established for the current programmatic period, we refer here to the measures that already existed in 2000–2006 and compare them to the current pillar structure.
11. For Lapland, however, the exceptionally sparse population of the area will be taken into consideration, so that the allocation criterion will be 25% of the population of urban-adjacent rural areas.
12. Measures concerned are 111, 123, 124, 311, 312, 313, 321 (except for the broadband infrastructure as separate regional quotas), 322, 323 and 331 without the financing for Leader action groups. See MMM, 2012, p. 81.
13. The 15 Employment and Economic Development Centres, created in 1997, were joint institutions set up by the ministries of trade and industry, agriculture and forestry, and labour. Besides their function in the fields of labour policy they were in a central position in the field of rural policy such as in the promotion of farming, fisheries and rural enterprises.
14. The figures are based on information from the Ministry of Agriculture and Forestry.
15. Ministries concerned were the Ministry of Finance, the Ministry of the Environment, the Ministry of Internal Affairs, and the Ministry of Economic Affairs and Communications.
16. As the interviewee stressed 'this is a preliminary position possibly subject to change' (28 December 2009).
17. The municipal-based typology of rural areas is used as an important tool of Finnish rural policy. It distinguishes between sparsely populated areas, core rural areas and urban-adjacent rural areas. See Malinen et al. (2006).
18. Here, the refinement sector includes mining and quarrying; manufacturing; electricity, gas and water supply, and construction.
19. Unfortunately, there is no such data available regarding Estonia.
20. For a further discussion see also Schmidt-Thomé and Vihinen (2006, p. 50) and OECD (2008a, p. 138).
21. This difference looks even more extreme if the fact the Finland and Estonia are currently both members of the Eurozone is taken into account. The standard of living and the cost of commodities in these two countries cannot justify a 19:1 difference.

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