



European Commission

Fact Sheet



THE EU RURAL DEVELOPMENT POLICY 2007–2013



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Introduction

With over half of the population in the 25 Member States of the European Union (EU) living in rural areas, which cover 90 % of the territory, rural development is a vitally important policy area. Farming and forestry remain crucial for land use and the management of natural resources in the EU's rural areas, and as a platform for economic diversification in rural communities.

The strengthening of EU rural development policy has become an overall EU priority. The conclusions of the Göteborg European Council of June 2001 made this clear, stating that: "During recent years, European agricultural policy has given less emphasis to market mechanisms and through targeted support measures become more oriented towards satisfying the general public's growing demands regarding food safety, food quality, product differentiation, animal welfare, environmental quality and the conservation of nature and the countryside".

Following the fundamental reform of the first pillar¹ of the common agricultural policy (CAP) in 2003 and 2004, the Agricultural Council adopted in September 2005 a fundamental reform of rural development (RD) policy for the period 2007 to 2013² on the basis of the Commission's proposal of 14 July 2004³.

Reflecting the conclusions of the Salzburg conference on rural development (November 2003) and the strategic orientations of the Lisbon and Göteborg European Councils emphasising the economic, environmental, and social elements of sustainability, the following three major objectives for RD policy have been set for the period 2007–2013:

- Increasing the competitiveness of the agricultural sector;
- Enhancing the environment and countryside through support for land management;
- Enhancing the quality of life in rural areas and promoting diversification of economic activities.

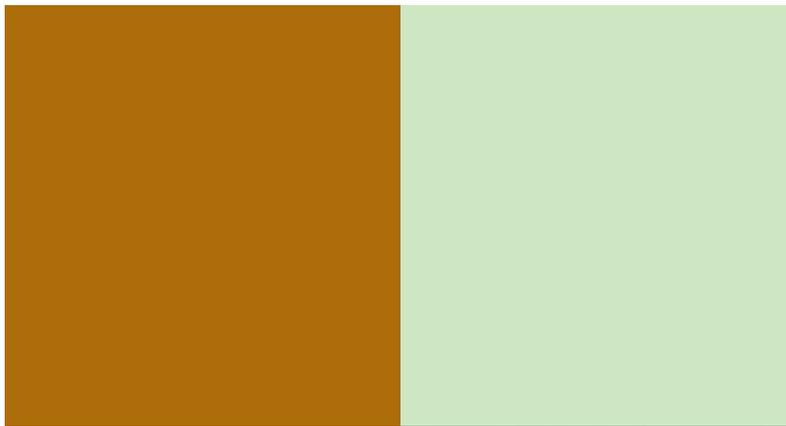
Additionally, the reform integrates the Leader Community Initiative into mainstream RD programmes and also makes an important step in simplification by bringing rural development under a single funding and programming framework.

¹ Covering market-related CAP support systems and direct aids for farmers

² Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development. OJ L-277, 21/10/2005.

³ COM(2004)490 final: Commission proposal for a Council Regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD):14.07.2004.
http://europa.eu.int/eur-lex/en/com/pdf/2004/com2004_0490en01.pdf





1. Evolution of EU rural development measures to the present day

The EU's rural development policy evolved as part of the development of the CAP, from a policy dealing with the structural problems of the farm sector to a policy addressing the multiple roles of farming in society and, in particular, challenges faced in its wider rural context.

a) Earlier evolution

The original focus was on supporting physical capital (investments) on the farm and in the downstream sector. Support for processing and marketing was intended to help the integration of the food chain from production through to marketing and contribute to the further improvement of agricultural structures and of the competitiveness of the primary sector. Gradually attention also turned to human capital in the form of early retirement and vocational training.

A first territorial element was added in the 1970s via the designation of less favoured areas (LFAs) eligible for special measures. The aim was to stop the agricultural and rural exodus, which threatened the survival of certain rural areas and the preservation of the natural environment and landscape. This was later developed into a wider approach integrating LFA measures with other policies aimed at assisting particular regions.

b) 'Agenda 2000'

By the mid-1990s the EU had a range of instruments to meet objectives such as agricultural restructuring, territorial/local development and environmental integration. With the Agenda 2000 reform agreement⁴, these measures have been governed by one main rural development regulation⁵. This offers a 'menu' of 22 measures and Member States choose from this menu those measures that suit the needs of their rural areas best. These are then included in their national or regional programmes. The EU contribution to the financing of measures depends on the measure and the region concerned.

Agenda 2000 established rural development policy as the 2nd pillar of the CAP, to accompany the further reform of market policy (the 1st pillar). The CAP is increasingly aimed at achieving the right balance between the two pillars.

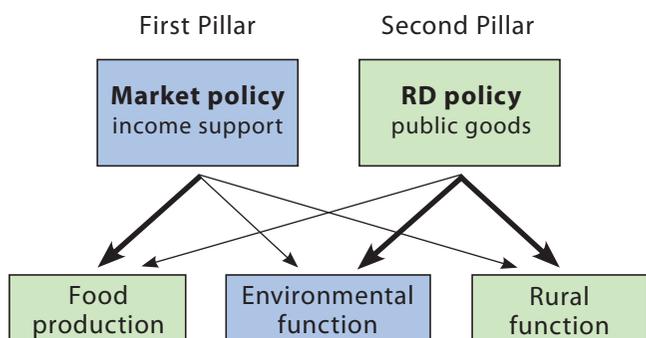
⁴ Set of reforms to EU policies, including in agriculture, agreed at the Summit meeting of EU heads of government in the European Council in Berlin in March 1999, and setting the 'Financial Perspectives' for the EU budget from 2000–2006

⁵ Council Regulation No 1257/1999 of 17 May 1999 (OJ L 160, 26.06.1999)

c) CAP reform – June 2003

The complementarity of the two pillars of the CAP has been accentuated by the recent reform of the CAP, introducing 'decoupling', 'cross-compliance' and 'modulation' (the transfer of funds from the 1st to the 2nd pillar), to be implemented from 2005 onwards. The 1st pillar concentrates on providing a basic income support to farmers, who are free to produce in response to market demand, while the 2nd pillar supports agriculture as a provider of public goods in its environmental and rural functions, and rural areas in their development. The June 2003 agreement leads to a strengthening of rural development policy via the introduction of new measures (to promote quality and animal welfare, and help for farmers to meet new EU standards) and a provision of more EU money for rural development through a reduction in direct payments ('modulation') for bigger farms

Sustainable agriculture and rural areas



d) The Salzburg Conference

The main areas needing consideration in future rural development policy were encapsulated in the conclusions of the Second European Conference on Rural Development, held in Salzburg in November 2003, "Planting seeds for rural futures – building a policy that can deliver our ambitions". These include:

- **agriculture and forestry:** these sectors continue to play an essential role in shaping the rural landscape and in maintaining viable rural communities. There is still strong justification for public support for EU rural development policy to facilitate the on-going process of agricultural restructuring, the sustainable development of rural areas and a balanced relationship between the countryside and urban areas;
- **wider rural world:** the development of rural areas can no longer be based on agriculture alone. Diversification both within and beyond the agricultural sector is indispensable in order to promote viable and sustainable rural communities;
- **food quality and safety:** European citizens attach increasing importance to the safety and quality of their food, to the welfare of farm animals, and to the preservation and enhancement of the rural environment;
- **access to public services:** in many rural areas poor access to public services, the lack of alternative employment and age structure significantly reduce development potential, particularly as regards opportunities for women and young people;

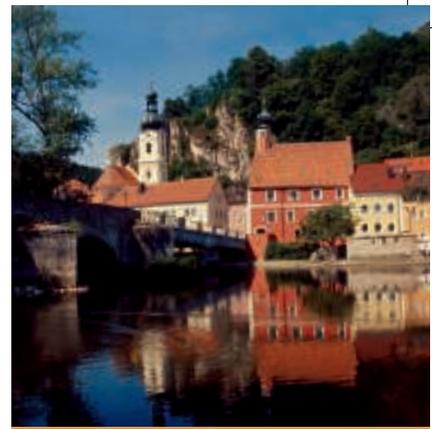
- **covering the EU's territory:** rural development policy must apply in all rural areas of the enlarged EU in order that farmers and other rural actors can meet the challenges of on-going restructuring of the agricultural sector, the effects of CAP reform and changing patterns of agricultural trade;
- **cohesion:** EU rural development policy already makes an important contribution to economic and social cohesion, and this should be reinforced in an enlarged EU;
- **stakeholder participation:** a wide range of stakeholders with an active interest in ensuring the sustainable economic, environmental and social development of Europe's rural areas should participate in devising rural development measures. Future policy should enlist EU support for rural areas through bottom-up local partnerships by building on the lessons learnt from the Leader approach;
- **partnership:** policy should be implemented in partnership between public and private organisations and civil society (in line with the principle of subsidiarity);
- **simplification:** significant simplification of EU rural development policy is necessary and urgent. Delivery must be based on one programming, financing and control system tailored to the needs of rural development.



e) Review of the policy 2007–2013: Proposal for Regulation – Extended Impact Assessment

In the context of the new financial perspectives for the programming period 2007–13, the European Commission conducted a thorough analysis of rural development policy, including an Extended Impact Assessment (EIA) of future RD policy. The EIA set objectives for future RD policy, compared policy options and outlined the results of stakeholder consultation exercises. It drew conclusions for post-2006 rural development policy, and explained its content and delivery mechanisms. The conclusions of the EIA are reflected in the new rural development regulation⁶.

⁶ SEC (2004) 931 Extended Impact assessment accompanying the proposal for a Council Regulation on Support for rural development and and SEC (2005) 914 Update to the Impact assessment report



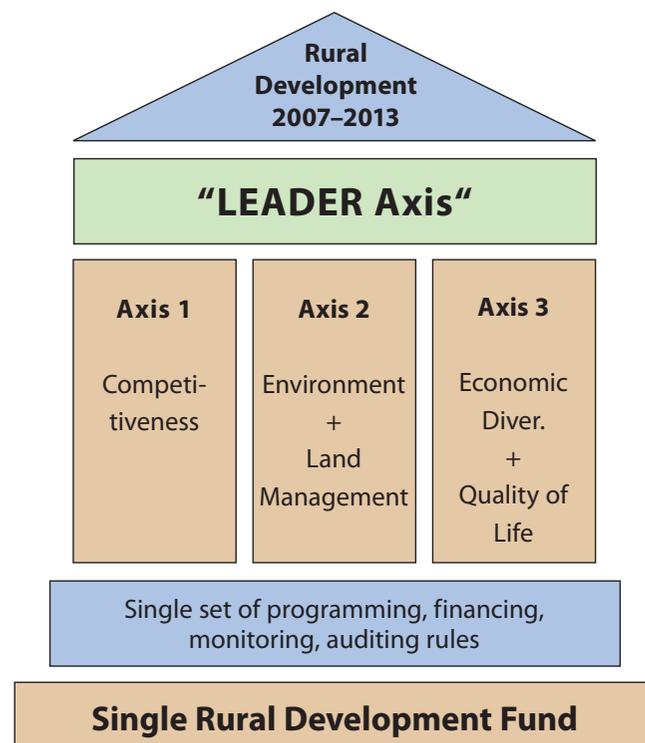
2. The new rural development regulation – the strategic approach

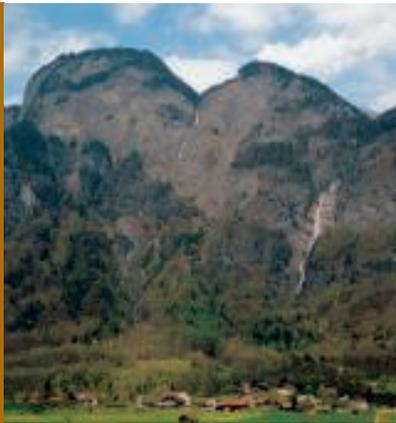
The new RD policy of the EU as described with Council Regulation (EC) No 1698/2005 is characterized by “continuity and change”: It continues to provide a menu of measures from which Member States can choose and for which they receive Community financial support in the context of integrated rural development programs. It changes the way these programs are developed by fostering the strategic content and the sustainable development of rural areas. For that purpose the future RD policy focuses on three commonly agreed core policy objectives:

- improving the competitiveness of agriculture and forestry,
- supporting land management and improving the environment and
- improving the quality of life and encouraging diversification of economic activities.

A thematic axis will correspond to each core objective in the rural development programmes. The three thematic axes are complemented by a « methodological » axis dedicated to the LEADER approach (LEADER axis). A minimum funding for each axis is required to ensure some overall balance in the programme (10% for Axis 1, 25% for Axis 2; 10% for Axis 3 and 5% for the Leader Axis – which will be 2.5% in the new Member States). As building blocks for each thematic axis a range of pre-defined rural development measures is available (see Table 1) from which the Member States can choose those which they believe will create the highest value added taking the EU’s objectives into account.

This approach allows EU co-financing for rural development to focus on commonly agreed EU priorities for the three policy axes, while leaving sufficient flexibility at Member State and regional level to find a balance between the sectoral dimension (agricultural restructuring) and the territorial dimension (land management and socio-economic development of rural areas).





The new regulation represents progress both on policy content and delivery. The different rules on programming, financing, reporting and control (from EAGGF Guidance and Guarantee) during the programming period 2000–2006 have increased the administrative burden for the Member States and the Commission, and decreased

the coherence, transparency and visibility of rural development policy. The existence of a single fund, the European Agriculture Fund for Rural Development (EAFRD) and a single set of programming, financing, reporting and control rules will simplify considerably the delivery of the policy.

Community strategic guidelines

1. Improving the competitiveness of the agricultural and forestry sectors. The resources devoted to Axis 1 should contribute to a strong and dynamic European agrifood sector by focusing on the priorities of knowledge transfer, modernisation, innovation and quality in the food chain, and on priority sectors for investment in physical and human capital.

2. Improving the environment and countryside. To protect and enhance the EU's natural resources and landscapes in rural areas, the resources devoted to Axis 2 should contribute to three EU-level priority areas: biodiversity and the preservation and development of high nature value farming and forestry systems and traditional agricultural landscapes; water; and climate change.

3. Improving the quality of life in rural areas and encouraging diversification. The resources devoted to Axis 3 should contribute to the overarching priority of the creation of employment opportunities and conditions for growth. The range of measures available under Axis 3 should in particular be used to promote capacity building, skills acquisition and organisation for local strategy development and also help to ensure that rural areas remain attractive for future generations. In promoting training, information and entrepreneurship, the particular needs of women, young people and older workers should be considered.

4. Building Local Capacity for Employment and Diversification. The resources devoted to Axis 4 (Leader) should contribute to the priorities of Axes 1 and 2, and in particular of Axis 3, but also play an important role in the horizontal priority of improving governance and mobilising the endogenous potential of rural areas.

5. Translating priorities into programmes. In their national strategies, Member States should ensure that synergies between and within the axes are maximised and potential contradictions avoided. They will also wish to reflect on how to take into account other EU-level strategies, in particular in the field of environment.

6. Complementarity between Community Instruments. The synergy between structural, employment and rural development policies needs to be encouraged. Member States should ensure complementarity and coherence between actions to be financed by the European Regional Development Fund, the Cohesion Fund, the European Social Fund, the European Fisheries Fund and the EAFRD on a given territory and in a given field of activity. The main guiding principles regarding the demarcation line and the coordination mechanisms between actions supported by the different funds should be defined in the national strategic reference framework (national strategic document on cohesion policy) and the national strategy plan on rural development.



a) A new rural development fund

The new fund will operate with rules adapted to multi-annual programming and make use of organisational structures and procedures such as nationally accredited paying agencies and an annual clearance of accounts with which Member States have many years of experience and which have a proven track record. One funding and programming system for rural development will be a major simplification compared to the current situation. The streamlining and simplification of the conditions for rural development measures increases their implementation flexibility, as does the financial programming at axis level (allowing Member States to shift easily between measures within an axis).

b) Community Strategic Guidelines for rural development

The basis for future rural development policy is a strategic approach defining the EU's priorities for rural development. On February 2006 the Council adopted the EU strategic guidelines for rural development⁷. These provide the framework on the basis of six community strategic guidelines, according to which Member States shall prepare their **national strategy plans on rural development** which will help to:

- identify the areas where the use of EU support for rural development creates the most value added at EU level;
- make the link with the main EU priorities (Lisbon, Göteborg);
- ensure consistency with other EU policies, in particular cohesion and environment;
- accompany the implementation of the new market orientated CAP and the necessary restructuring it will entail in the old and new Member States.

To ensure a balanced strategy a minimum funding for each thematic axis will be required. The proposed minimum funding percentages of 10%, 25% and 10% respectively for axis 1, 2 and 3 are a safeguard to ensure that each programme reflects at least the three main policy objectives, but the percentages are set sufficiently low to leave Member States or regions a high margin of flexibility (55% of EU funding) to emphasize the policy axis they wish in function of their situation and needs. For the Leader axis a minimum of 5% (2.5% for the new Member States) of the EU funding for each programme is reserved. The Leader expenditure counts for the three policy axes.

⁷ Council Decision of 20 February 2006 on Community strategic guidelines for rural development (OJ L-55/20 of 25/2/2006)



3. The Rural Development measures

Future policy will be built around the three thematic axes. For each axis a range of measures will be available. In the new Regulation, conditions under which the measures can be implemented have been streamlined and simplified.

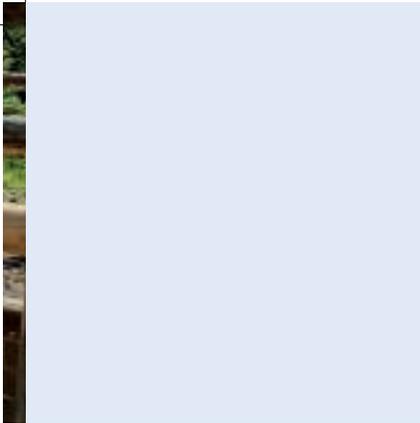
Member States establish, at national or regional level, their rural development programmes choosing those measures that suit the needs of their rural areas best and taking into account the priorities and strategy chosen in the National Strategy Plans on rural development.

3.1 Measures under Axis 1 (Improving the competitiveness of agricultural and forestry sector)

While agriculture is increasingly losing importance as a predominant activity in a growing number of rural areas, it still matters a great deal for the management of the EU territory, for its contribution to rural economies, and for supplying food and public goods and services. At the same time competition in this sector has increased due to the growing liberalisation of agricultural trade. To meet these challenges, efficiency and competitiveness remain key aims while taking into account the diversity of agricultural potential in different rural areas, especially in the new Member States whose rural areas will continue to

undergo far-reaching structural change. Competitiveness requires that a reasonable balance is found between farm viability, environmental protection, and the social dimension of rural development. To enhance competitiveness investment support for physical capital will remain important. At the same time investments in human and social capital will be ever more important to enable agriculture and forestry to remain an innovative and dynamic sector contributing to growth in rural areas.

Pursuing competitiveness means improving the economic performance of agriculture by, for example, reducing production costs, increasing the economic size of holdings, promoting innovation and more orientation towards the market. Increasing competitiveness must also take advantage of the opportunities offered through diversification of economic activities, a focus on food quality and safety, value-added products that consumers demand, including non-food products and biomass production, and on cleaner and more environmentally friendly production techniques.



Under this axis, measures fall into four groups:

- Human resources
- Physical capital
- Food quality
- Transitional measures for the new Member States

• **Human resources: young farmers, early retirement, training and information, farm advisory services**

A series of measures target human resources within and linked to the agriculture and forestry sectors.

Vocational training and information actions are available to all adult persons dealing with agricultural, food and forestry matters in order to provide an appropriate level of technical and economic expertise covering issues under both the agricultural and forestry competitiveness and the land management and environmental objectives.

Support is provided to *young farmers* (under 40 years of age) to facilitate their initial establishment and the structural adjustment of their farms after their initial setting up. With the new Regulation, the setting-up support will be made conditional to the establishment of a business plan which will be an instrument to ensure over time the development of the activities of the new farm.

Early retirement involves offering financial incentives (annual payments) to older farmers and farm workers to leave the farm earlier than planned. The land released may be transferred to another farmer able to improve the economic viability of the holding, or assigned to non-agricultural use.

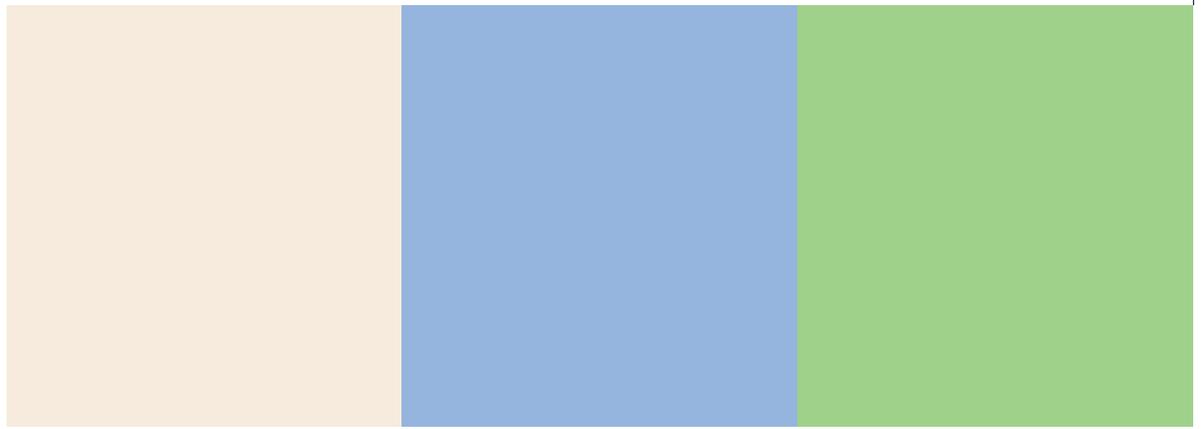
Support can also be granted to help farmers and forest holders to cover costs arising from the *use of advisory services* for the improvement of the overall performance of their holdings. Finally, support will be available for the *setting up of farm management, farm relief and farm advisory systems* as well as for forestry advisory services.

• **Physical capital**

The EU provides support for *modernization of agricultural holdings* aimed at modernizing and improving their overall performance through the introduction of new technologies and innovation, targeting quality, organic products and on/off farm diversification, including non-food sectors and energy crops, as well as improving the environmental, occupational safety, hygiene and animal welfare status. Investments could, for instance, aim to modernize farm machinery and equipment so as to meet one of these objectives. Support is also available for the *improvement of the economic value of forests* through investments.

Improvements in the processing and marketing of primary agricultural and forestry products can also be financed under the measure *Adding value to agricultural and forestry products*. This measure aims to improve efficiency in the processing and marketing sector, promote the processing of agricultural and forestry production for renewable energy, introduce new technologies and innovation, open new market opportunities for agricultural and forestry products, put emphasis on quality, improve environmental protection, occupational safety, hygiene and animal welfare. With the new Regulation, support will be focused on micro, small and medium-sized enterprises⁸ and other enterprises under a certain size (up to 750 workers) as these are better placed to add value to local products and to enhance the local growth potential.

⁸ Within the meaning of Commission Recommendation 2003/361/EC (OJ L-124, 20.5.2003, p.36)



Support will also be available for the *cooperation for development of new products, processes and technologies* between farmers, the food and the raw materials processing industry and other parties to ensure that the agriculture and food sector and the forestry sector can take advantage of market opportunities through widespread innovative approaches in developing new products, processes and technologies.

Finally, support will be also available for *infrastructure related to the development and adaptation of agriculture and forestry* to cover operations related to access to farm and forest land, land consolidation and improvement, energy supply and water management.

• Quality

Under food quality, two measures exist: incentive payments for farmers and information and promotion actions.

Incentive payments will be available for farmers who participate voluntarily in EU or national schemes designed to improve the quality of agricultural products and production processes and which give assurances to consumers on these issues. The following EU quality schemes are eligible for support:

- Protection of geographical indications and designations of origin for agricultural products and foodstuffs⁹
- Certificates of specific character for agricultural products and foodstuffs¹⁰,
- Organic production of agricultural products and indications referring to these¹¹,
- Quality wine produced in specified regions¹².

In addition, Member States may offer aid for other national food quality schemes recognized within their programmes if they respect a set of EU criteria. Participating farmers may receive annual payments for up to five years and up to a maximum of EUR 3000 per holding per year.

Second, support will be possible for producer groups for activities intended to inform consumers about, and promote, the products produced under quality schemes recognized under the first measures above, at up to 70% of eligible project costs.

A *meeting standards* measure will be available to grant temporary and degressive (i.e. reducing over time) support to help farmers adapt to the introduction of demanding EU standards, not yet included in national legislation, concerning the environment, public, animal and plant health, animal welfare and occupational safety.

• Transitional measures for the new member states

Support will be available during the period 2007–2013 for the new Member States via the measures supporting *semi-subsistence farming* and the setting up and operation of *producer groups* in order to ensure a smooth transition for these countries which address their particular challenges.

3.2 Measures under Axis 2 (Improving the environment and the countryside)

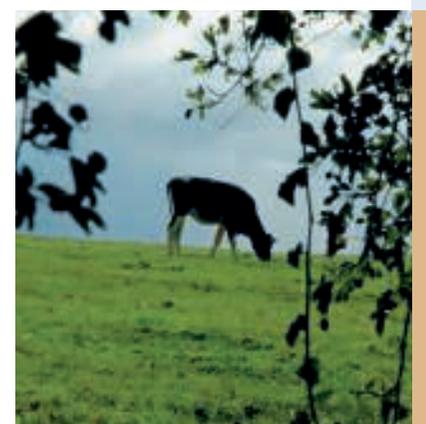
Payments under Axis 2 aim at ensuring the delivery of environmental services by agri-environment measures in rural areas, and preserving land management (including in areas with physical and natural handicaps). These activities contribute to sustainable rural development by encouraging the main actors (farmers, foresters) to keep

⁹ Council Regulation (EC) No 510/2006, OJ L-93/12, 31/3/2006.

¹⁰ Council Regulation (EC) 509/2006, OJ L-92/1, 31/3/2006.

¹¹ Council Regulation (EC) 2092/1991, OJ L-198/1, 22/7/1991.

¹² Council Regulation (EC) 1493/1999, OJ L-197/1, 1/5/2004.



up land management so as to preserve and enhance the natural space and landscape. This means protecting and improving environmental resources, and ensuring the sustainable use of forestry resources. Such measures also help prevent the abandonment of agricultural land use through payments to compensate natural handicaps or handicaps resulting from environmental restrictions. Co-financed activities should clearly target EU priorities such as combating climate change, enhancing biodiversity and water quality, or reducing the risk or impact of natural disasters.

A general condition for the measures under Axis 2 (at beneficiary level) will be respect of the relevant EU and national mandatory requirements (cross-compliance). If these requirements are not complied with, payments in some measures of Axis 2 can be reduced or cancelled.

Measures are in the following groups under Axis 2:

• Sustainable use of agricultural land

Farmers play an essential role in providing environmental services and therefore, payments may be given to farmers who sign up voluntarily to *agri-environmental commitments* for a minimum period of five years. Longer periods may be set for certain types of commitment, depending on their environmental effects. Payments are annual, calculated according to the income loss and additional costs resulting from the commitments made, including the costs for letting the transaction take place. Agri-environmental measures are the only compulsory measure to be included in the rural development programmes.



This illustrates the political priority attached to the measure. *Support for non-productive investments* linked to the achievement of these agri-environmental commitments is also available.

In order to compensate farmers for costs incurred and income foregone resulting from disadvantages in the areas concerned related to the implementation of the *Natura 2000* network¹³, and the implementation of the Water Framework Directive¹⁴ the Regulation has introduced the possibility to grant annual *payments*.

The existing arrangements for *Less favoured areas* will continue until 1 January 2010 when, subject to an act of the Council, the delimitation of the 'intermediate zones' will be redefined. Existing delimitation for the intermediate zones had been partly based on outdated socio-economic data. The new delimitation will be based on a revised set of criteria such as soil productivity and climatic conditions and on the importance of extensive farming activities for land management. For mountain areas and areas with specific handicaps the current criteria will continue to apply.

Animal welfare payments will be also available for farmers who make on a voluntary basis animal welfare commitments going beyond the relevant mandatory standards.

• Sustainable use of forestry land

Forestry is an integral part of rural development and support for sustainable land use should encompass the sustainable management of forests and their multifunctional role. Forests create multiple benefits: they provide raw materials for renewable and environmentally friendly products and play an important role in economic welfare, biological diversity, the global carbon cycle, water balance, erosion control and the prevention of natural hazards, as well as providing social and recreational services.

¹³ Council Directives 79/409/ECC, OJ L-103/1, 25/4/1979, and 92/43/EEC, OJ L-206/7, 22/7/1992.

¹⁴ Council Directive 2000/60/EC, OJ L-327/1, 22/12/2000.

In this context, support will be available for the *first afforestation of agricultural land, first establishment of agroforestry systems on agricultural land, first afforestation of non-agricultural land, Natura 2000 payments* to private forest owners to compensate for costs incurred and income foregone resulting from the implementation of the Natura 2000 network, *forest-environment payments, actions to restore forestry potential and prevention actions and non productive investments linked to forest-environment payments.*

3.3 Measures under Axis 3 (quality of life in rural areas and diversification of the rural economy)

A central objective of Axis 3 is to have a 'living countryside' and to help maintain and improve the social and economic fabric, in particular in the more remote rural areas facing depopulation. Investment in the broader rural economy and rural communities is vital to increase the quality of life in rural areas, via improved access to basic services and infrastructure and a better environment.

Making rural areas more attractive also requires promoting sustainable growth and generating new employment opportunities, particularly for young people and women, as well as facilitating the access to up-to-date information and communication technologies. On-farm diversification towards non-agricultural activities, assistance for off-farm activities, and strengthening the links between agriculture and other sectors of the rural economy play an important role in this.

There are three groups of measures under Axis 3:

- **Diversification of the rural economy**

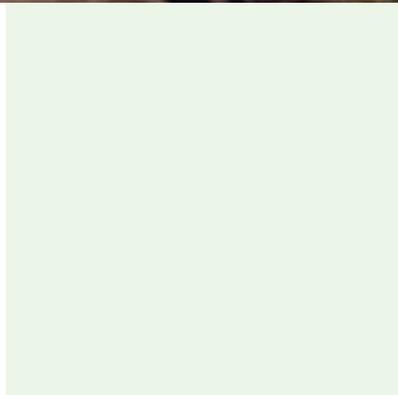
Within this group, three measures will be available: *diversification into non-agricultural activities* which will be available to a member of the farm household, *support for business creation and development*, which will be available only to micro-enterprises, and *encouragement of tourism activities* (support which will cover small scale infrastructure, recreational infrastructure and the development and/or marketing of tourism services relating to rural tourism).

- **Improvement of the quality of life in rural areas**

Within this group, two measures are available: the support for the setting up of *basic services for the economic and rural population* (including cultural and leisure activities) concerning a village or group of villages, and related small scale infrastructure and the *conservation and upgrading of the rural heritage*.

- **Training, skills acquisition and animation**

Training and information actions will be available for the rural population to achieve the objectives of increasing economic diversification and improving the quality of life of rural areas. Also support will be available for *skills acquisition and animation* of rural areas (studies of the areas, measures to provide information about the area, training of staff involved in the preparation and implementation of a local development strategy and promotional events and the training of leaders) and the *implementation of local development strategies* by public-private partnerships different to the Leader local action groups.



3.4 The Leader Axis

The Leader model is to be continued and consolidated at the EU level by integrating what used to be a Community Initiative in the programming period 2000–06 as an obligatory element into the rural development programs to be implemented by the Member States during 2007–2013. Each programme will contain a Leader axis to finance:

- the implementation of the local development strategies of Local Action Groups (LAGs) built on one or more of the three thematic axes,
- the (transnational and interterritorial) cooperation projects between them and
- the operating costs of LAGs, the capacity building necessary for the preparation of local development strategies and the animation of the territory.

The Leader Axis

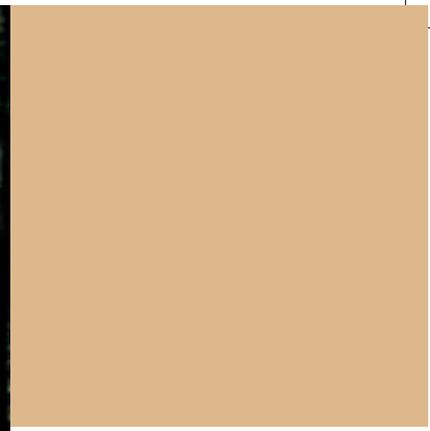
The Leader approach is designed to help rural actors improve the long-term potential of their local areas. It is aimed at encouraging the implementation of integrated, high-quality and original strategies for sustainable development for local areas, drawn up and implemented by broad-based local partnerships, called Local Action Groups (LAGs).

Leader will be in 2007–2013 in its fourth generation after the implementation of Leader I, Leader II and Leader + initiatives. Currently, under Leader +, 893 LAGs operate in the EU-15. In the EU-10, a similar measure has been implemented in six of the new Member States with more than 100 LAGs foreseen. In the EU-15, around 52 million people are covered by the territories where the local action groups are implementing their local development strategies.

Transnational and inter-territorial cooperation between LAGs has been supported during the 2000–2006 programming period giving as a result more than three hundred transnational cooperation projects and around three times more inter-territorial cooperation projects.

Table 1: EU rural development policy 2007–2013

Objective setting		EU strategy National strategy RD programmes
Axis 1 competitiveness	measures	<p>Human resources: Vocational training and information actions Young farmers Early retirement Use of farm advisory services Setting up of farm management, relief and advisory and forestry advisory services</p> <p>Physical capital: Farm/forestry investments Processing/marketing/co-operation for innovation Agricultural/forestry infrastructure Restoring agricultural production potential</p> <p>Quality of agricultural production and products: Meeting standards temporary support Food quality incentive scheme Food quality promotion</p> <p>Transitional measures: Semi-subsistence Setting up producer groups</p>
	funding share	minimum 10%
	EU co-financing rate	max 50/75%*
	territorial application	all rural areas
Axis 2 land management	measures	<p>Sustainable use of agricultural land: Mountain LFA Other areas with handicaps Natura 2000 agricultural areas Agri-environment/animal welfare (compulsory) Support for non-productive investments</p> <p>Sustainable use of forestry land: Afforestation (agricultural/non-agricultural land) Agroforestry Natura 2000 forest areas Forest environment Restoring forestry production potential Support for non-productive investments</p>
	baseline (agriculture)	cross compliance
	funding share	minimum 25%
	EU co-financing rate	max 55/80%*
Axis 3 wider rural development	measures	<p>Quality of life: Basic services for the rural economy and population (setting up and infrastructure) Renovation and development of villages Protection and conservation of the rural heritage</p> <p>Economic diversification: Diversification to non-agricultural activities Support for micro-enterprises Encouragement of tourism activities</p> <p>Training skills acquisition and animation: Training and information Skills acquisition, animation and implementation</p>
	funding share	minimum 10%
	EU co-financing rate	max 50/75%*
	territorial application	all rural areas
Leader axis	implementation	Leader approach for selected territories within the scope of the 3 thematic axes
	funding share	minimum 5% (2.5% in new member states)
	EU co-financing rate	max 55/80%*
	territorial application	all rural areas, selected territories
*The first co-financing rate refers to all regions except Convergence regions, the second co-financing rate is applied in the Convergence regions		



4. Policy delivery

4.1 Monitoring and evaluation

In the programming period 2007–2013, objectives for this policy area of the EU are spelled out more explicitly at the EU and at Member States (within the National Strategy Plans and the rural development programmes). To better judge the extent to which these objectives are being met and to evaluate the efficiency and effectiveness of policy delivery and the part of EU budget spent on rural development, the monitoring and evaluation of the rural development programmes will be reinforced. A common monitoring and evaluation system has been developed, agreed and established between the Commission and the Member States in order to support this objective.

4.2 The EU and national rural development networks

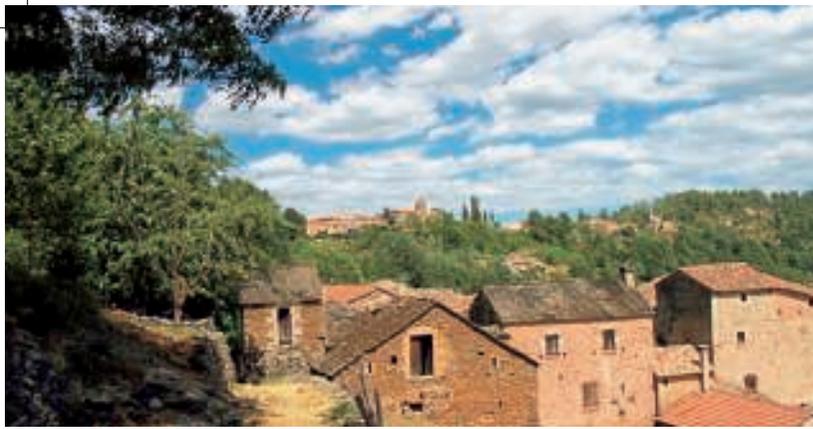
A rural development network will be established at national and EU level to support all aspects of implementation, evaluation and exchange of best practice.

Each Member State will establish a **national rural network** which groups the organisations and administrations involved in rural development. These national networks will:

- Identify and analyse the best practices on rural development, provide information about them and organise the exchanges of experiences and know-how
- Prepare training programmes for local action groups in the process of formation and give technical assistance for inter-territorial and trans-national cooperation between LAGs

The **European network for rural development** will regroup national networks, organisations and administrations active in the field of rural development at Community level. The aims of the Network will be to:

- Collect, analyse and disseminate information on Community rural development measures
- Collect, disseminate and consolidate at Community level good rural development practice
- Provide information on developments in the Community's rural areas and in third countries
- Organise meetings and seminars at Community level for those actively involved in rural development
- Set up and run expert networks with a view to facilitating an exchange of expertise and supporting implementation and evaluation of the rural development policy
- Support the national networks and trans-national cooperation initiatives.



in budget allocations by year and by Member State (see Table 2). To take into account the accession of Bulgaria and Romania, this Decision will be amended to include their respective allocations.

The European Council also decided that Member States, at their discretion, might transfer additional sums from direct payments up to a maximum rate of 20% to allocate them to rural development.

5. EU financial support for rural development

The new rural development fund will operate with rules adapted to multi-annual programming.

a) A new financial instrument

The Regulation on the financing of the Common Agricultural Policy¹⁵ (CAP) provides for the creation of two new funds, in 2007, each financing one of the two pillars of the CAP:

- the European Agricultural Fund for Guarantee (**EAFG**) for Pillar 1
- the European Agricultural Fund for Rural Development (**EAFRD**) – for Pillar 2

EAFRD financing rules will differ to a degree from those offered by the EAFG. Whilst the EAFG finances its part of the CAP on the basis of monthly declarations, financing by the EAFRD is based on 'differentiated appropriations'¹⁶ and includes pre-financing, intermediary payments and final payments.

b) New funds available

The European Council agreed in its meeting of December 2005 the new Financial Perspectives for the period 2007–2013. Within this framework, rural development was allocated 69.75 billion euros. The Commission approved in September 2006 a Decision¹⁷ fixing the total budget for the period 2007–2013 which amounts to a total of 77.66 billion euros as it includes compulsory modulation to first pillar payments (4% in 2007 and 5% onwards) and cotton and tobacco transfers. The Decision includes a subdivision

Table 2: Community support for rural development by Member State 2007–2013

Current prices	07–13 total	of which Convergence total
Belgium	418.610.306	40.744.223
Czech Republic	2.815.506.354	1.635.417.906
Denmark	444.660.796	0
Germany	8.112.517.055	3.174.037.771
Estonia	714.658.855	387.221.654
Greece	3.707.304.424	1.905.697.195
Spain	7.213.917.799	3.178.127.204
France	6.441.965.109	568.263.981
Ireland	2.339.914.590	0
Italy	8.292.009.883	3.341.091.825
Cyprus	162.523.574	0
Latvia	1.041.113.504	327.682.815
Lithuania	1.743.360.093	679.189.192
Luxembourg	90.037.826	0
Hungary	3.805.843.392	2.496.094.593
Malta	76.633.355	18.077.067
Netherlands	486.521.167	0
Austria	3.911.469.992	31.938.190
Poland	13.230.038.156	6.997.976.121
Portugal	3.929.325.028	2.180.735.857
Slovenia	900.266.729	287.815.759
Slovakia	1.969.418.078	1.106.011.592
Finland	2.079.932.907	0
Sweden	1.825.647.954	0
United Kingdom	1.909.574.420	188.337.515
	77.662.771.346	28.544.460.460

¹⁵ Council Regulation (EC) N° 1290/2005 of 21 June 2005 on the financing of the common agricultural policy. OJ L-209, 11/8/2005.

¹⁶ Under a budget commitment appropriation entered in year N payments can be made until the end of year N+2. Payments which do not exhaust the commitment are automatically decommitted once N+2 has expired.

¹⁷ Commission Decision of 12 September 2006 fixing the annual breakdown by Member State of the amount for Community support to rural development for the period from 1 January 2007 to 31 December 2013. OJ L-261/32, 22/9/2006.

c) Financial controls

Member States will have to ensure that the relevant management and control systems have been set up in accordance with the various detailed requirements, *inter alia*:

- clear definition of the functions of the bodies concerned in the management and control and a clear allocation of functions within each body;
- adequate separation of functions between the bodies concerned in the management and control, and within each such body;
- sufficient resources for each body to carry out the functions which have been allocated to it;
- efficient internal control arrangements;
- an effective system of reporting and monitoring;
- arrangements for auditing of the functioning of the systems and procedures to ensure an audit trail;
- reliable accounting, monitoring and financial reporting systems;

Under the new approach, the Commission can reduce or suspend payments for both Funds, whilst the clearance of accounts and the conformity clearance instruments are used to verify the sums spent by the Member States.

The heads of paying agencies will submit accounts covering all reimbursement demands during a year. This will be accompanied by a statement of assurance. The accounts and the statement of assurance will be the mirror, at Member State level, of the statement of assurance given by the Director General of the Commission's Directorate-General for Agriculture and Rural Development.

Annual accounts will be accompanied by an audit opinion and report of an independent audit service. This audit service will work in accordance with International Audit Standards and rules set by the Commission.

These elements should simplify the financial management of the CAP by making the respective roles and responsibilities of the Commission and the Member States clearer and more transparent.

d) Co-financing

EU co-financing rates would be at axis level, with a minimum of 20% and a maximum of 50% (75% in 'convergence regions'¹⁸). For axis 2 and the Leader Axis the maximum rate would be 55% (80% in convergence regions), expressing the EU priority attached to these axes. For the outermost regions and Aegean islands the maximum co-financing rates may be increased to 85%.

6. Useful sources of information

European Commission Directorate-General for Agriculture and Rural Development:

Rural Development

http://ec.europa.eu/comm/agriculture/rur/index_en.htm

Leader +

<http://ec.europa.eu/comm/agriculture/rur/leaderplus/index.htm>

¹⁸ Member States and regions whose per capita GDP is less than 75% of the EU average.

Annex to Council Regulation 1698/2005

Amounts and Rates of Support

Subject	Amount in EUR or rate	
Setting up support (*)	55 000	
Early retirement	18 000	Per transfer or per year
	180 000	Total amount per transfer
	4 000	Per worker per year
	40 000	Total amount per worker
Advisory services	80 %	Of the eligible cost per advisory service
	1 500	Maximum eligible amount
Intensity of aid for the modernisation of agricultural holdings	60 %	Of the amount of eligible investment by young farmers in the areas referred to in Article 36(a)(i), (ii) and (iii)
	50 %	Of the amount of eligible investment by other farmers in the areas referred to in Article 36(a)(i), (ii) and (iii)
	50 %	Of the amount of eligible investment by young farmers in other areas
	40 %	Of the amount of eligible investment by other farmers in other areas
	75 %	Of the amount of eligible investment in the outermost regions and the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93
	75 %	Of the amount of eligible investment in the Member States which acceded to the Community on 1 May 2004, for the implementation of Council Directive 91/676/EEC (1) within a maximum period of four years from the date of Accession pursuant to Articles 3(2) and 5(1) of that Directive
Intensity of aid for the improvement of the economic value of forests	60 % (**)	Of the amount of eligible investment in the areas referred to in Article 36 (a)(i), (ii) and (iii)
	50 %	Of the amount of eligible investment in other areas
	85 % (**)	Of the amount of eligible investment in the outermost regions
Intensity of aid for adding value to agricultural and forestry products	50 %	Of the amount of eligible investment in regions eligible under the Convergence Objective
	40 %	Of the amount of eligible investment in other regions
	75 %	Of the amount of eligible investment in the outermost regions
	65 %	Of the amount of eligible investment in the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93
Maximum amount of support for meeting standards	10 000	Per holding
Maximum amount of support for participation in food quality schemes	3 000	Per holding
Intensity of aid for information and promotion activities	70 %	Of the eligible cost of the action
Maximum amount for semi-subsistence agricultural holdings	1 500	Per agricultural holding per year

Subject	Amount in EUR or rate	
Producer groups: ceiling, as a percentage of marketed production during the first five years following recognition	5 %, 5 %, 4 %, 3 %, and 2 % (***)	For the 1st, 2nd, 3rd, 4th and 5th year respectively for marketed production up to EUR 1 000 000
But not exceeding in respect of each of the first five years the amount of	2,5 %, 2,5 %, 2,0 %, 1,5 % and 1,5 % 100 000 100 000 80 000 60 000 50 000	For the 1st, 2nd, 3rd, 4th and 5th year respectively for marketed production exceeding EUR 1 000 000 For the 1st year For the 2nd year For the 3rd year For the 4th year For the 5th year
Minimum handicap payment	25	Per hectare of UAA
Maximum handicap payment for mountain areas	250	Per hectare of UAA
Maximum payment for areas with other handicaps	150	Per hectare of UAA
Initial maximum Natura 2000 payment for a period not exceeding five years	500 (****)	Per hectare of UAA
Normal maximum Natura 2000 payment	200 (****)	Per hectare of UAA
Annual crops	600 (****)	Per hectare
Specialised perennial crops	900 (****)	Per hectare
Other land uses	450 (****)	Per hectare
Local breeds in danger of being lost to farming	200 (****)	Per livestock unit
Animal welfare	500	Per livestock unit
Maximum annual premium to cover loss of income from afforestation		
– for farmers or associations thereof	700	Per hectare
– for any other natural persons or private-law bodies	150	Per hectare
– Intensity of aid for establishment costs	80 % (**) 70 % 85 % (**)	Of eligible costs in the areas referred to in Article 36(a)(i), (ii) and (iii) Of eligible costs in other areas Of eligible costs in the outermost regions
Natura 2000 and forest-environment annual payment		
– minimum payment	40	Per hectare
– maximum payment	200 (****)	Per hectare

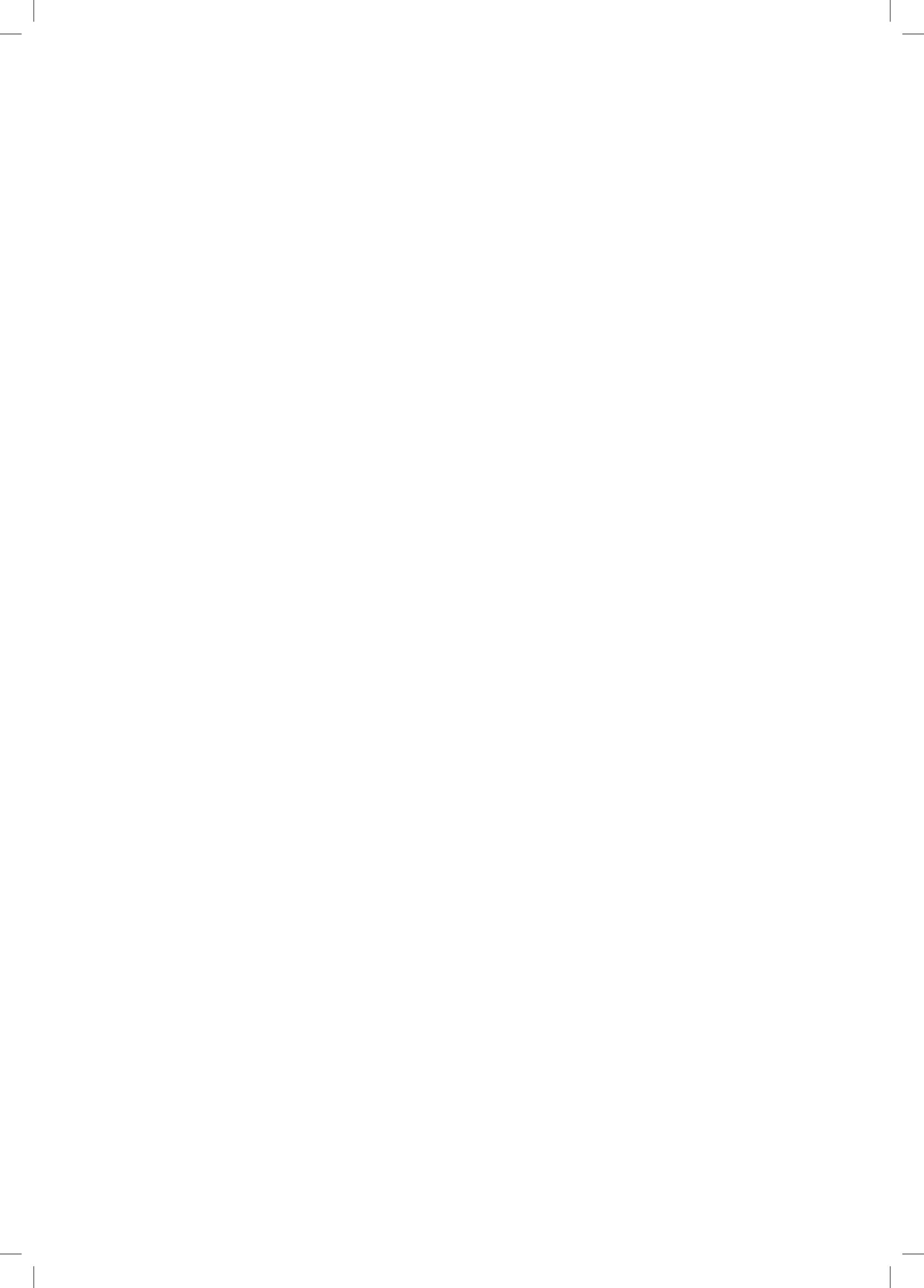
(1) Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

(*) The setting up support may be given in the form of a single premium up to a maximum of EUR 40 000, or in the form of an interest rate subsidy, the capitalised value of which may not exceed EUR 40 000. For both forms of support combined, the maximum may not exceed EUR 55 000.

(**) Not applicable in the case of State owned tropical or subtropical forests and wooded areas of the territories of the Azores, Madeira, the Canary Islands, the smaller Aegean Islands within the meaning of Regulation (EEC) No 2019/93 and the French overseas departments.

(***) In the case of Malta, the Commission may set a minimum amount of aid for sectors of production in which total output is extremely small.

(****) These amounts may be increased in exceptional cases taking account of specific circumstances to be justified in the rural development programmes.





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