



InWent Seminar:

Accession to European Union in the Field of
Agricultural and Rural Policies

Mokra gora, June 7-10, 2010

EU Rural Development policy - introduction



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Outline

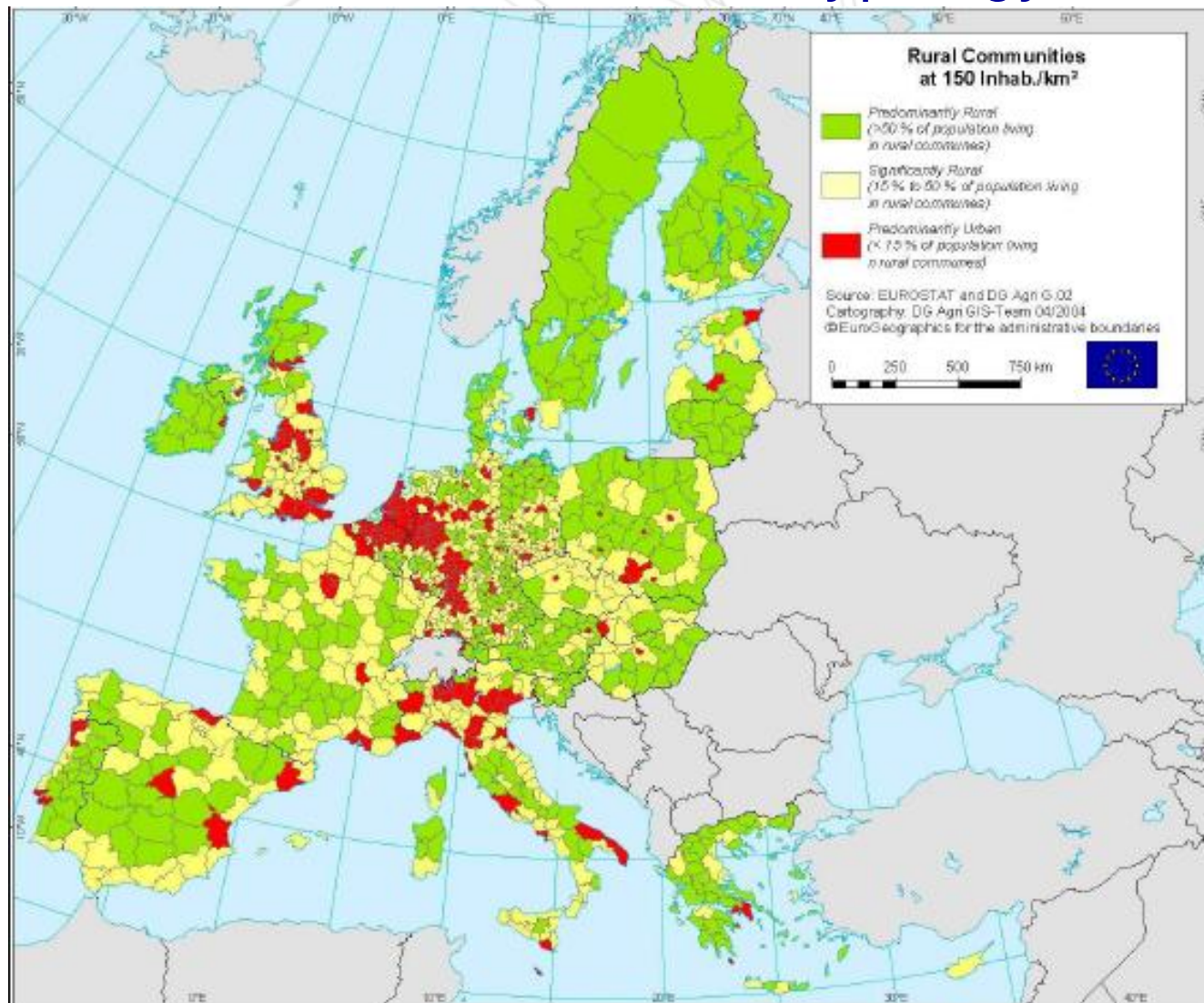
- Rural development policy: motives, objectives and measures
- The EU Rural development policy – main principles, past performance
- The EU Rural Development policy 2007-2013: legal and administrative setup



Rural development policy: motives, objectives and measures



Illustration: Rural areas in EU according to the OECD rural typology



EU 27:

92% of total area

57% of total
population

45% of total GVA

54% of total
employment

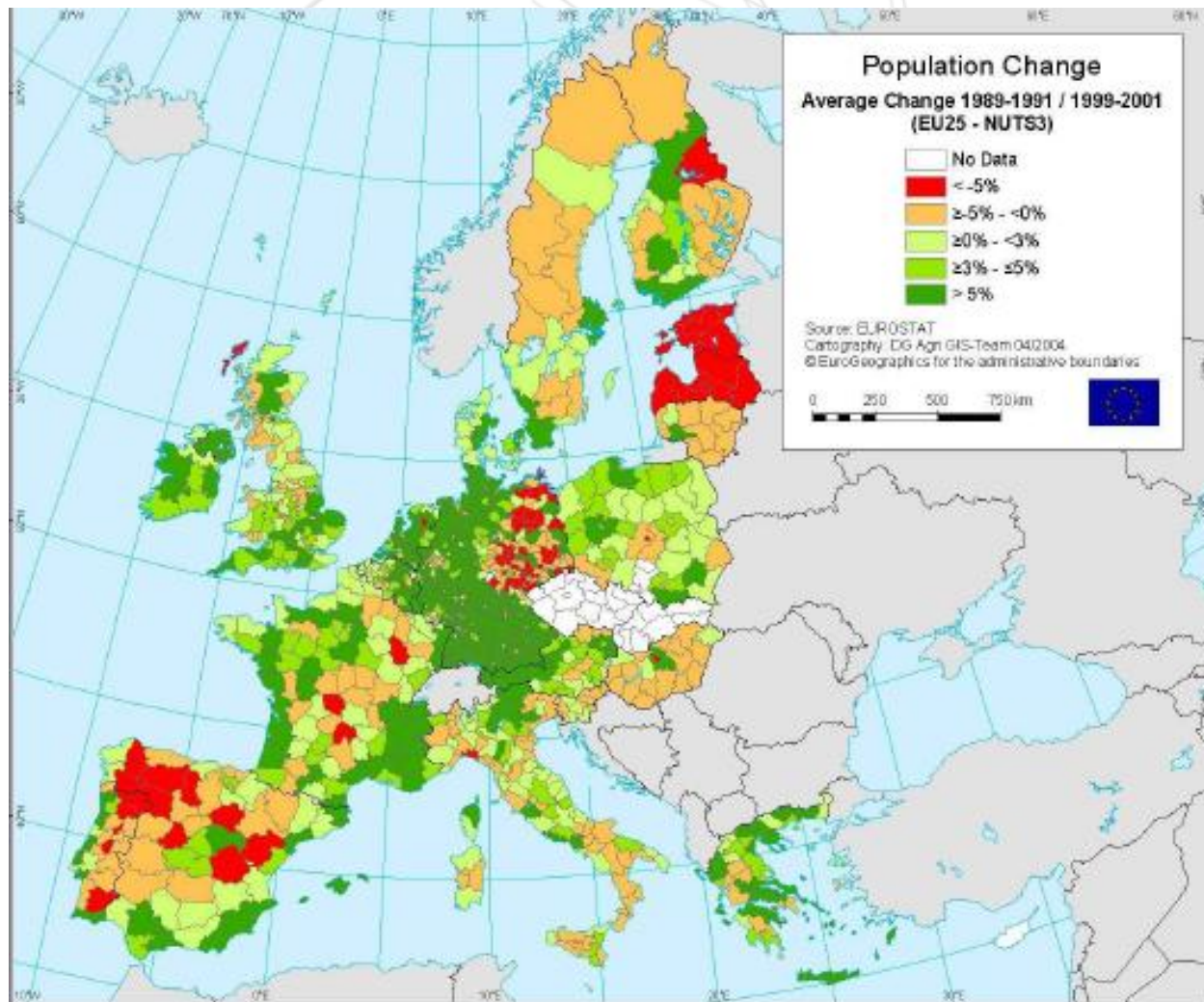
eg. Croatia:

92% of total area

48% of total
population



Illustration: negative demographic changes, EU 25



Demographic trends

EU 15 (1995-2003):

Predominantly rural
areas: +0.2%

Significantly rural
areas: +0.4%

Predominantly urban
areas: +0.3%

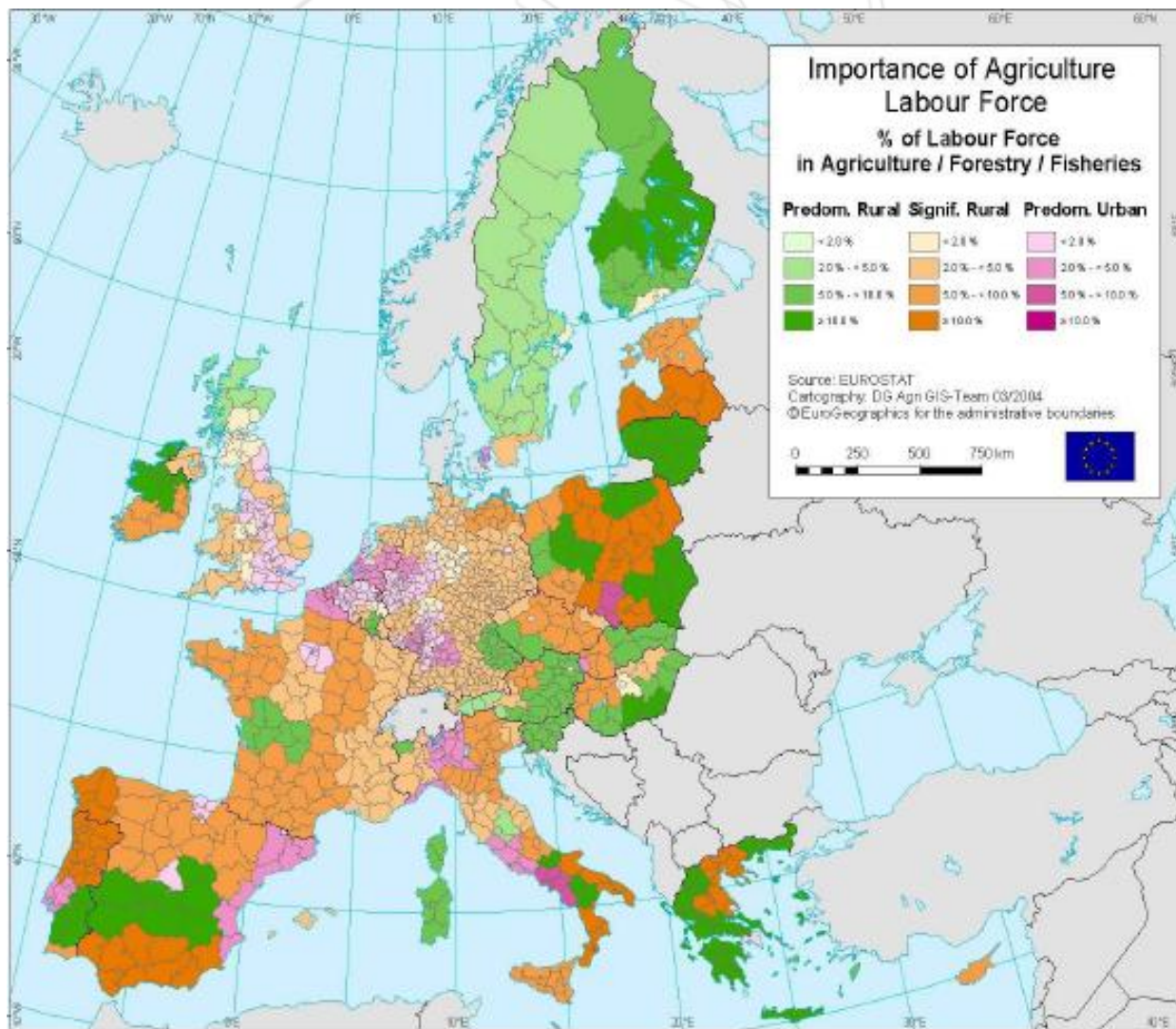
EU 10 (1998-2003)

Predominantly rural
areas: -0.6%

Significantly rural
areas: +0.2%

Predominantly urban
areas: -0.2%

Illustration: labour market conditions, EU 25



- Rural areas and high agricultural employment positively correlated
- What can we infer from high agricultural employment of a region?



Rural development policy - motives

Development disparities:

- ...often take part on the relation rural - urban

Motives for policy action:

- Regions lagging in development
- Affected social groups (ageing/depopulation, long-term unemployment)
- Poor linkages between economic actors within the region (low regional multipliers)

• Policy mechanisms:

- social policy
- regional policy (national level); 'cohesion' policy (EU level)
- sectoral policies: (inter alia) agricultural structural policy (EU: Rural Development Policy)



Agriculture and rural development

- **Connectedness and mutual dependence**
 - correlation between agricultural employment and general economic performance of an area (see the previous maps)
 - in general: significance of agriculture in macroeconomic terms is decreasing
- **But:**
 - importance of agriculture in economically vulnerable areas (social buffer)
 - important spatial and environmental roles (manages about 80% of the EU 27 area → increasing importance in developed economies)



Agriculture and rural development

- **Irreversible structural changes in agriculture influenced by:**
 - **Internal pressures** (technological progress, economies of scale, potential for supplementary activities)
 - **External pressures** (increasing market competition, changing consumers' preferences, taxpayers' expectations)
- **Policy action: motives**
 - 1) Characteristics of agricultural markets, market failures**
 - **Unfavourable long-term market trends, volatility**
 - **Non-competitive structures along the agri-food chain**
 - **Externalities, public goods**
 - 2) Public preferences/expectations**
 - **Public demands/expectations vary between areas, evolve through time**
 - **Early stages:** food security, market stability
 - **Consumer-oriented:** food quality, food safety
 - **Environmentally sensitive:** concern over the environment, cultural landscape, animal welfare
 - **Economic growth-stimulating:** competitiveness, diversification and connectedness of rural economies



Rural development policy – conceptualising

- **Problem – objective(s) – measure(s)**
 - A simple, but effective logic
 - Enables judging of every public intervention
- **Some cases:**

Problem	Objective	Measure
Unfavourable age structure of farm holders	To increase share of young farmers taking over the farms; to stimulate farm transfers to younger generation	Financial aids for young farmers; early retirement scheme
Crumbled land parcels	To improve land ownership structure	Support for reparcelling of agricultural land
Low competitiveness of agri-food sector	To improve productivity, to increase competitiveness	Investment support in production and processing of agricultural products
Market niches for supplementary activities not fully utilised	To increase the scope of supplementary activities on farms	Investment support for on-farm economic diversification
Non-efficient organisation of suppliers of agricultural commodities	To improve market efficiency of agricultural market structures on the supply-side	Support for establishment of producer groups



Main objectives of rural development policy

Objectives:

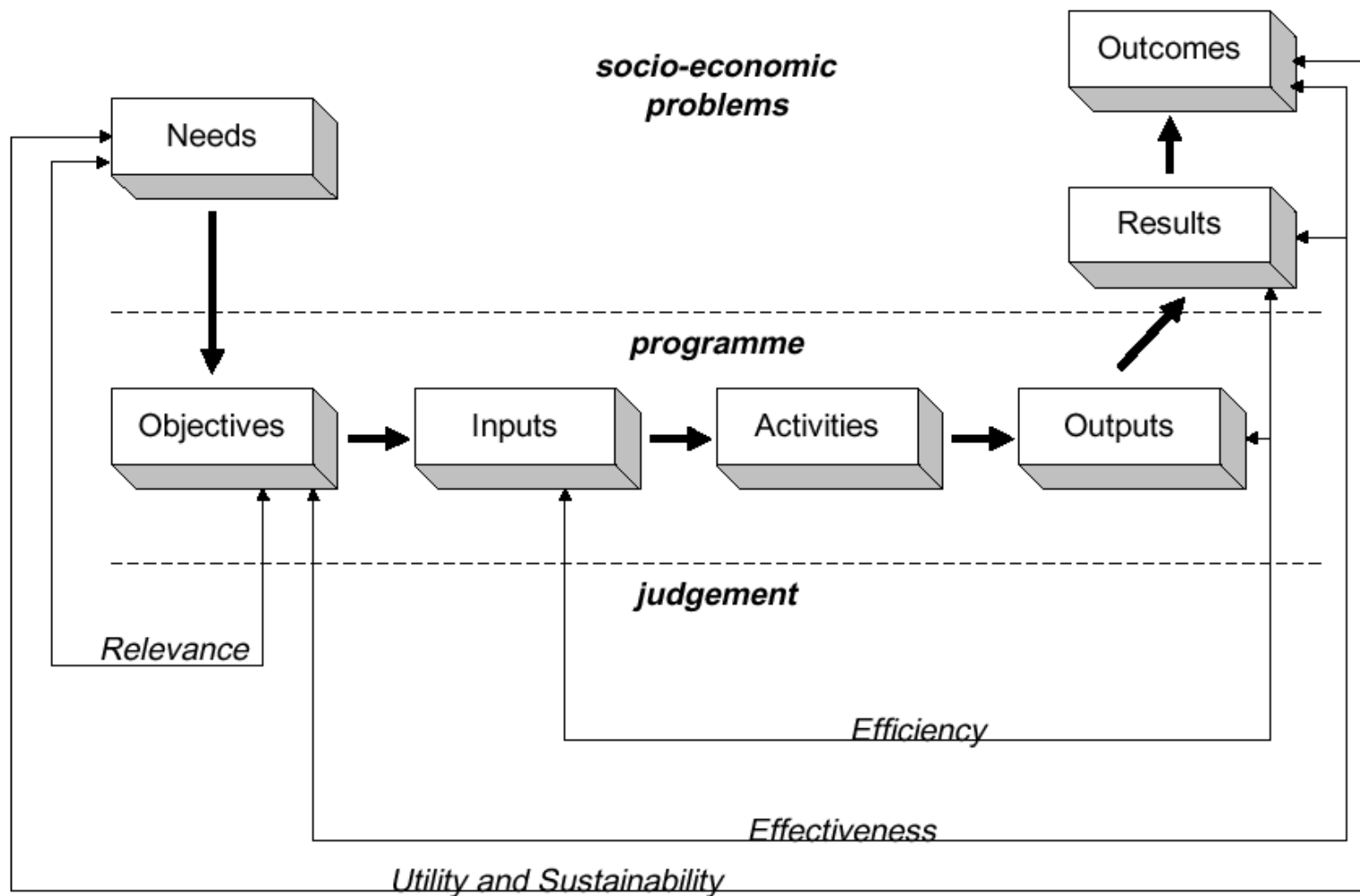
- 1) Improvement of **efficiency and competitiveness**
- 2) **Improvement of** size, socio-economic and production **structure** in agriculture
- 3) Introduction and stimulation of **sustainable agricultural practices** (environment and countryside), managing risks (eg. **climate change**)
- 4) **Economic diversification** of rural areas, quality of life, **livelihood of rural communities**, preservation of cultural and natural heritage

Cases of measures:

- 1) Investment support, producer groups, marketing actions
- 2) Land measures (reparcelling), urbanistic improvements, early retirement of farmers, support for young farmers
- 3) Agri-environmental measures, eg. Compensatory allowances (LFA), support for organic production
- 4) Development of supplementary / alternative activities (processing, crafts, tourism), village renewal, rural infrastructure

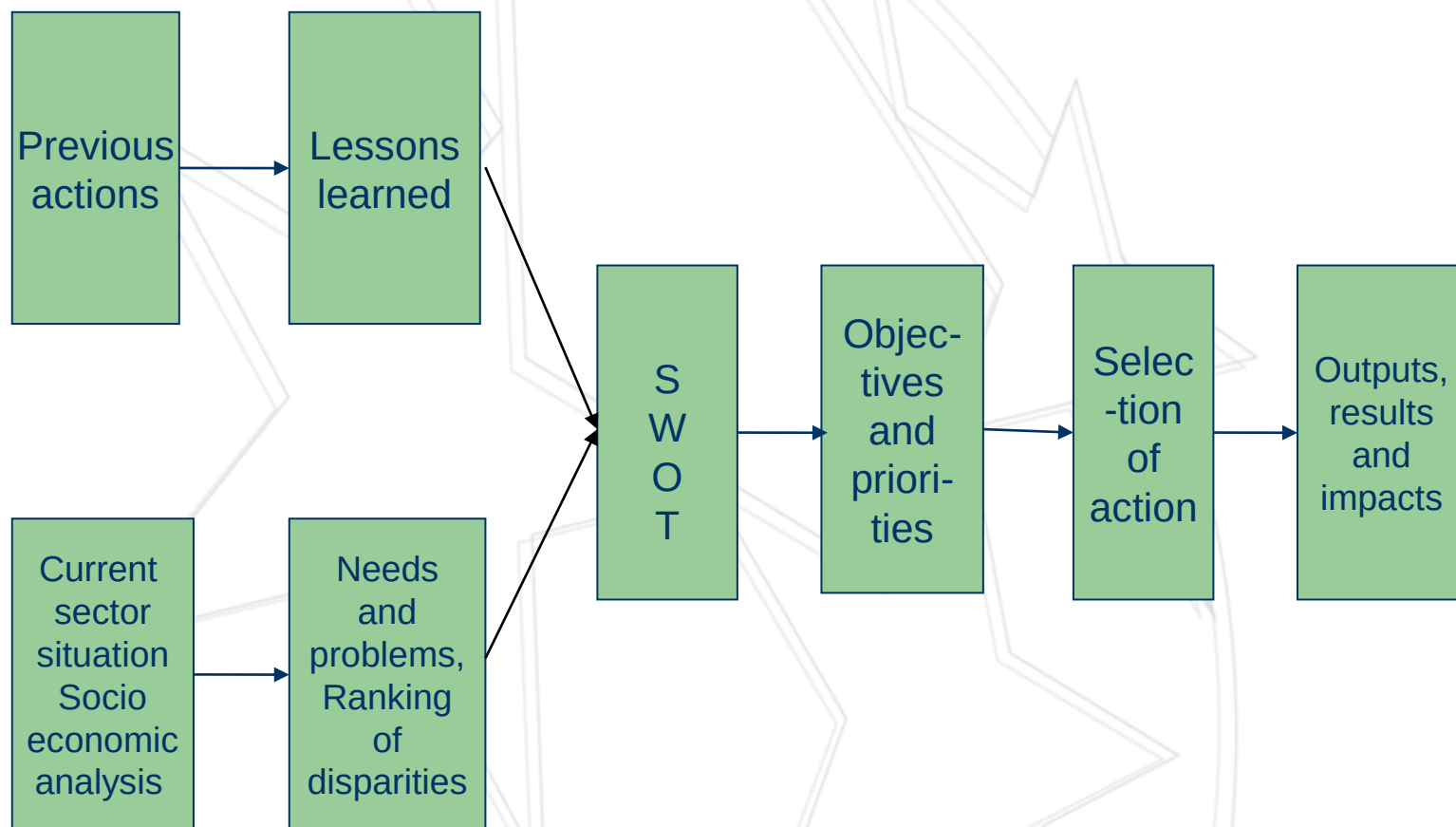


Intervention logic





Programming logic





The EU Rural development policy – main principles, past performance



Common agricultural policy of the EU (CAP) – Main objectives

...as defined by the Treaty of Rome

- Improved productivity / food security
- Adequate living standard of farming community
- Stable market conditions
- Acceptable price level for consumers

... objectives and measures evolve over time

- Food safety (quality, traceability),
- Competitiveness of agri-food sector
- Preservation of environment, animal welfare
- Viable rural communities
- Integration with other economic activities in rural areas
- Combating climate change

The European Model of Agriculture

- commonly recognised multifunctional (economic, environmental, social) roles of agriculture
- Common values, common objectives → common policies



Common Agricultural Policy (CAP)

Legal setup:

‘Pillar I’: Common Market organisations (CMO) for main agricultural commodities (22).

‘Pillar II’: Rural development policy

Horizontal arrangements (budget, external trade, state aids)

Budget:

Pillar I: European Agricultural Guarantee Fund (EAGF): 80%

Pillar II: European Agricultural Fund for Rural Development (EAFRD) : 20%

(financial intermediation: accredited paying agencies)

Management:

Sovereignty to a large extent transferred to Brussels

...more competencies retained by the rural development policy

19/10/2010 and general services



CAP and rural development: a brief chronological overview (I)

Period	Milestone	Problems	Typical measures	Consequences
1958-1973	Stresa	-Securing of food supply -Low productivity /efficiency in agriculture	- Measures at national level	-Accelerated growth, concentration of agricultural production
1973-1992	Mansholt (+ accession of GB)	-Low competitiveness of agriculture -Degradation of LFAs	-Farm investment support -‘LFA compensatory allowances’	-Effects limited to individual sectors / regions -Environmental problems
1992-1999	MacSharry	-Environmental problems -(Arbitrary) distribution of public funds	-Agri-environmental measures -Innovative RD measures (LEADER)	- Attempted widening of scope of RD policy - not successful



CAP and rural development: chronological overview (II)

Period	Milestone	Problems	Typical measures	Consequences
2000-2006	Agenda 2000, MTR, EU growth	-Non-transparent legislature -Administrational complexity	-RD policy under one single regulation -Programming and evaluation -‘transitional’ measures for NMS	-Growing differences in selected RD measures (net payers Vs. Net beneficiaries?) -Low financial volume within CAP
2007-2013	‘New’ financial perspective of the EU	-Accent to food safety and quality -Growing diversity of farm structures (‘European model of agriculture persisting?’) -Increase of RD funding through modulation (channelling of funds from CAP P.I to CAP P.II) -New	-Support towards production of quality food -Increased scope of RD policy -‘New challenges’ (CAP Health check 2008): combating climate change, risk management) -Financial balance between the axes	-Economic argumentation of RD policy loses in importance (only temporarily?) -‘Identity crisis’: only an instrument for redistribution of public funds or a genuine economic policy?



The EU Rural Development policy 2007-2013: legal and administrative setup



A view from outside: rural development policy in financial perspective 2007-2013

EU Financial Perspectives 2007-2013

Presidency conclusions of 19 December 2005: Financial Table

COMMITMENT APPROPRIATIONS BY HEADING	<i>In billion of EUR, at 2004 prices</i>	<i>In %</i>
1a. Competitiveness for growth and employment	72.1	8,4%
1b. Cohesion for growth and employment	307.6	35,7%
2. Preservation and management of natural resources	371.2	43,1%
<i>of which market-related expenditure</i>	<i>293.1</i>	<i>34,0%</i>
3. Citizenship, freedom, security and justice (excl. EUSF)	10.3	1,2%
4. The EU as a global partner (excl. EDF)	50.0	5,8%
5. Total administrative expenditure	50.3	5,8%
6. Compensations BG/RO	0.8	0,1%
Total commitments	862.4	
In % of EU-27 GNI	1.045%	



Cf: RD expenditure as a tool for balancing revenues from the EU budget (Case: 2006 commitments for RDP from EU budget)

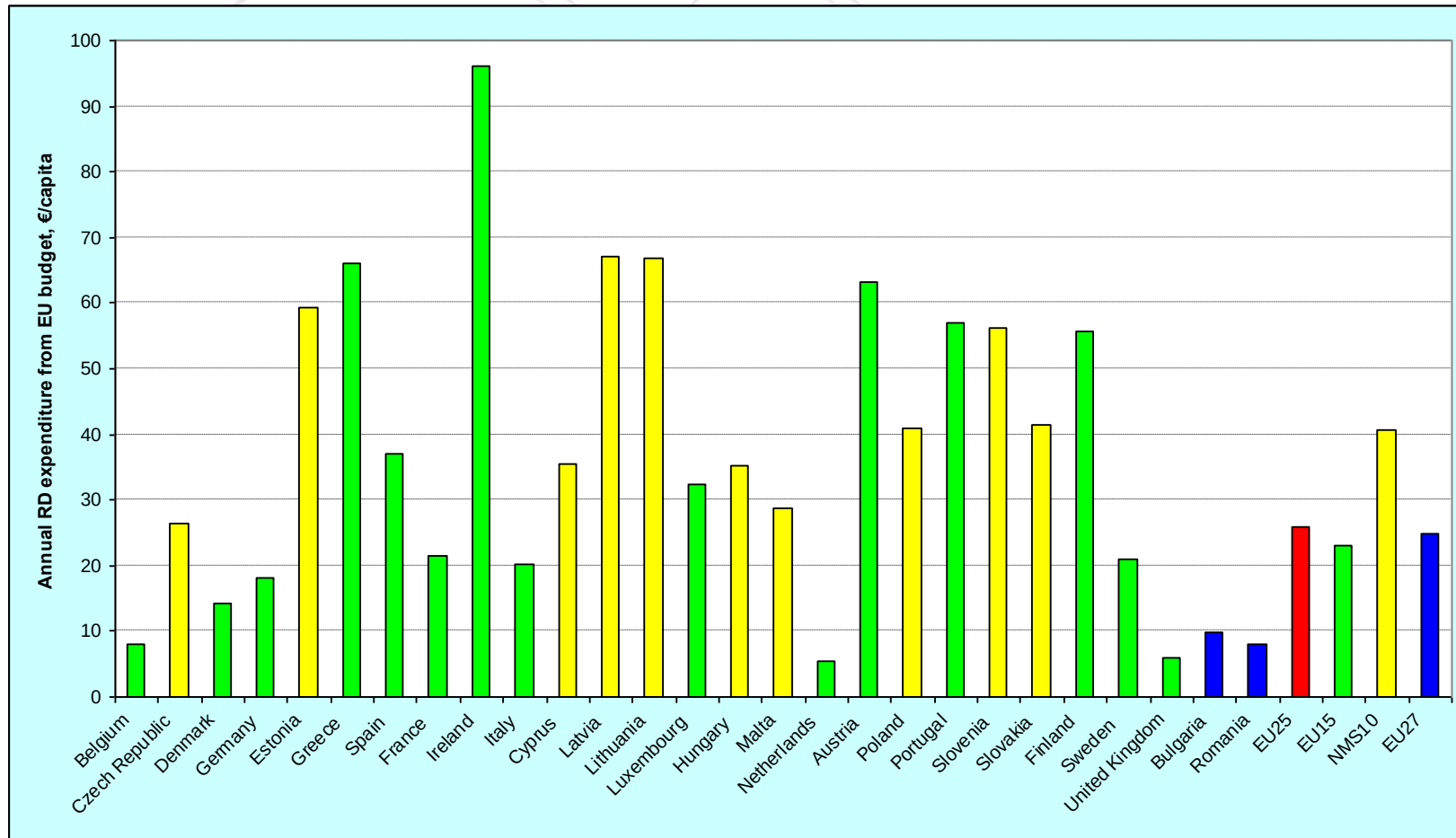
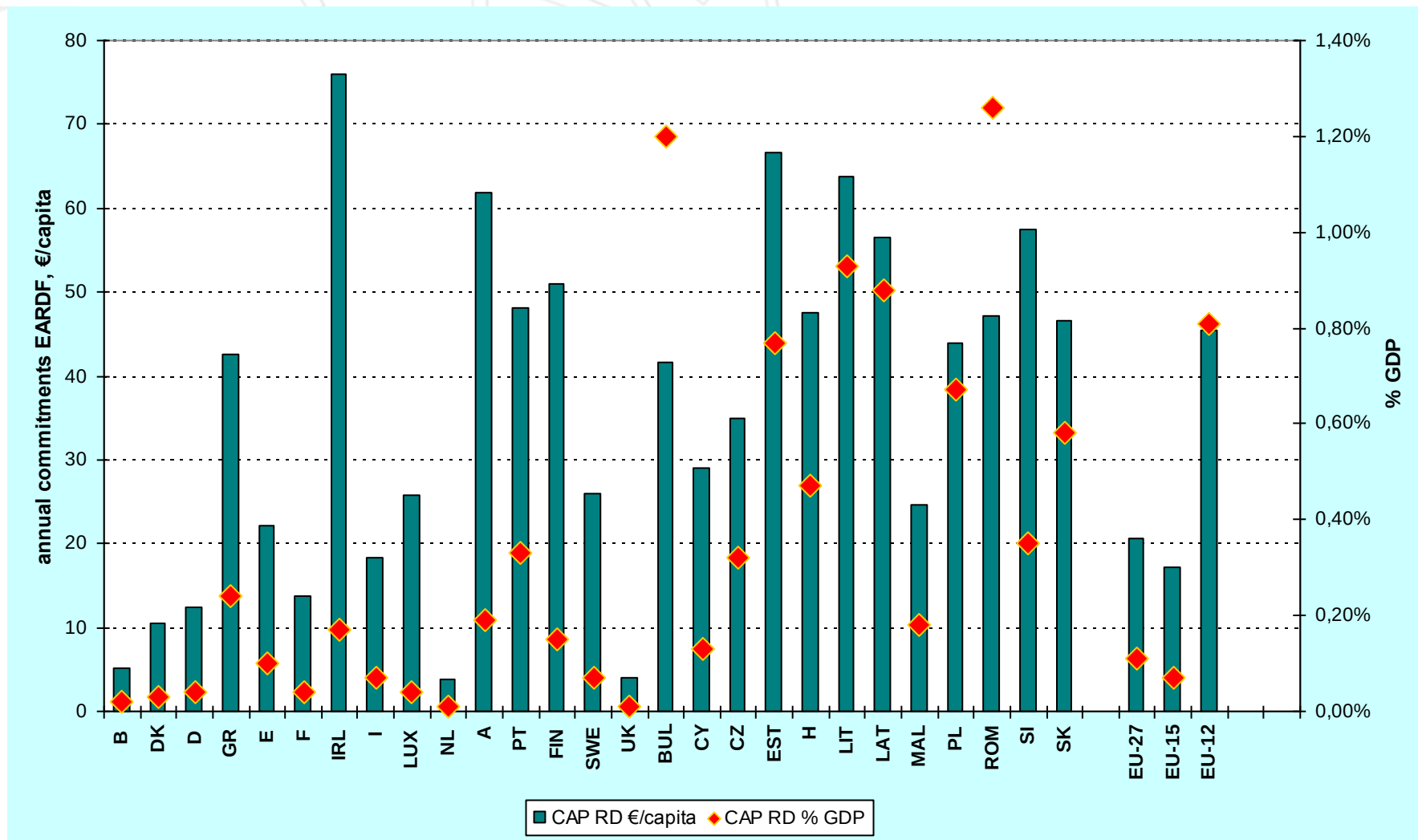


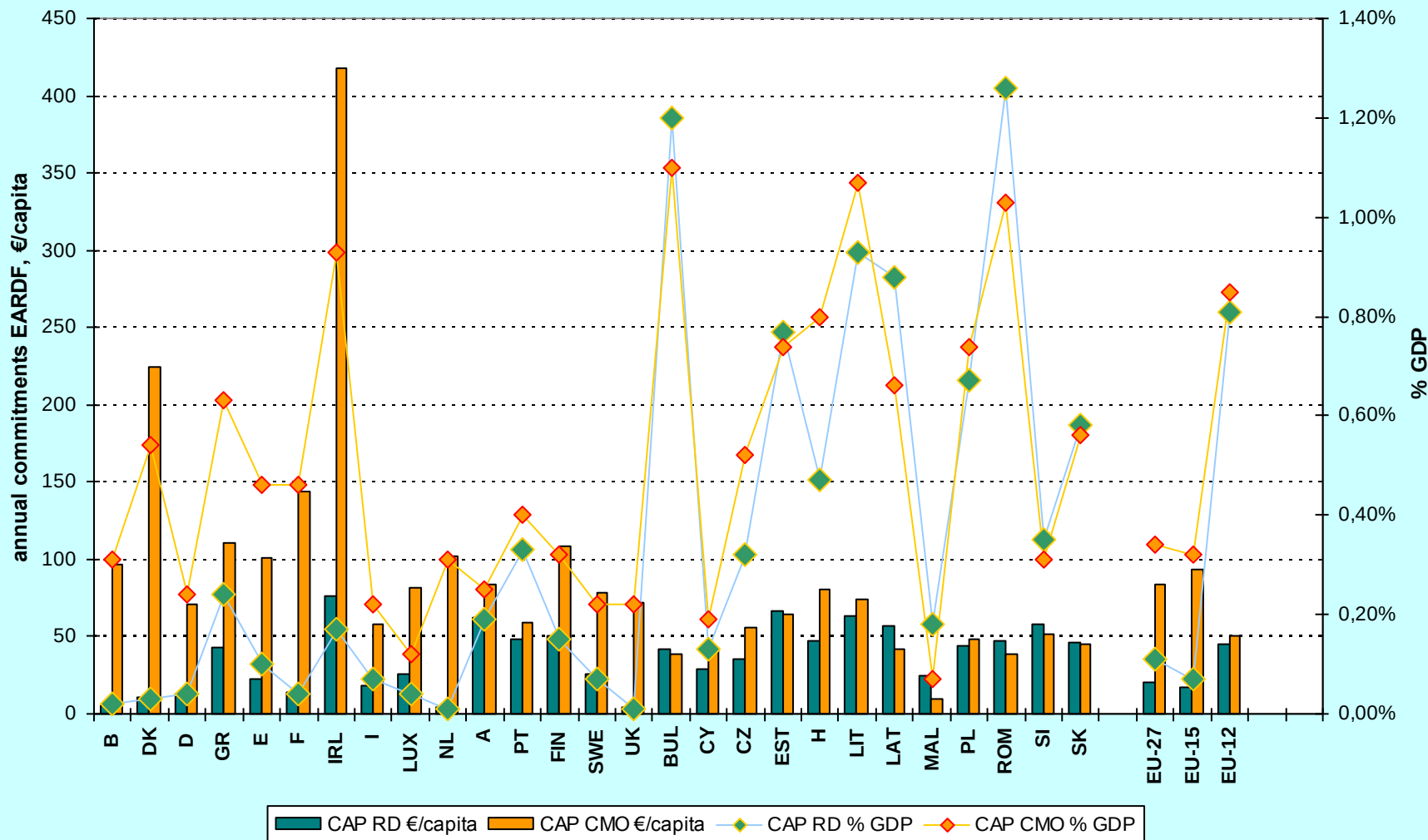


Illustration: RD policy – Allocation of EU funds (annuities per capita) by Member States



Key criteria: Convergence status and (partially) past performance (room for opportunism?)

Illustration: Prospects of the CAP expenditure 2007-2013



RD funds substantial also with respect to total CAP expenditure (particularly for the NMS)



Financing of RD policy – lessons of 2005 and 2008 for 2014?

- 'Fatal' connection with the negotiation on total contributions to the EU budget
- December 2005 EU budget deal: RD policy victim of the NFP agreement
 - From initial proposal (June '04) 88.7 mrd € (EU budget at 1.14% BND) to final agreement (Dec '05) 78.5 mrd € (EU budget at 1.06% BND)
 - Rhetoric Vs. Realpolitik (question of credibility)
- **Stagnating importance in relative terms** (21.5% of CAP expenditure in 2006, 21.6% in 2007-2013)
 - More rural development (see RD Regulation) for the same money (NFP agreement)?



Financing of RD policy – lessons of 2005 and 2008 for 2014?

- CAP Health Check 2008:

- increase of RD funding due to increased modulation for financing of the 'new challenges', package for economic recovery
- 80% of funds saved from modulation remains within the national borders – virtually no new RD funds for NMS?

- Allocation between MS

- Loose allocation criteria
 - **Status of 'convergence region'**
 - **Past performance (including financial volume), including pre-accession instruments**
 - Specific needs and circumstances
- ...but due to scarce funds, virtually no room for negotiation!

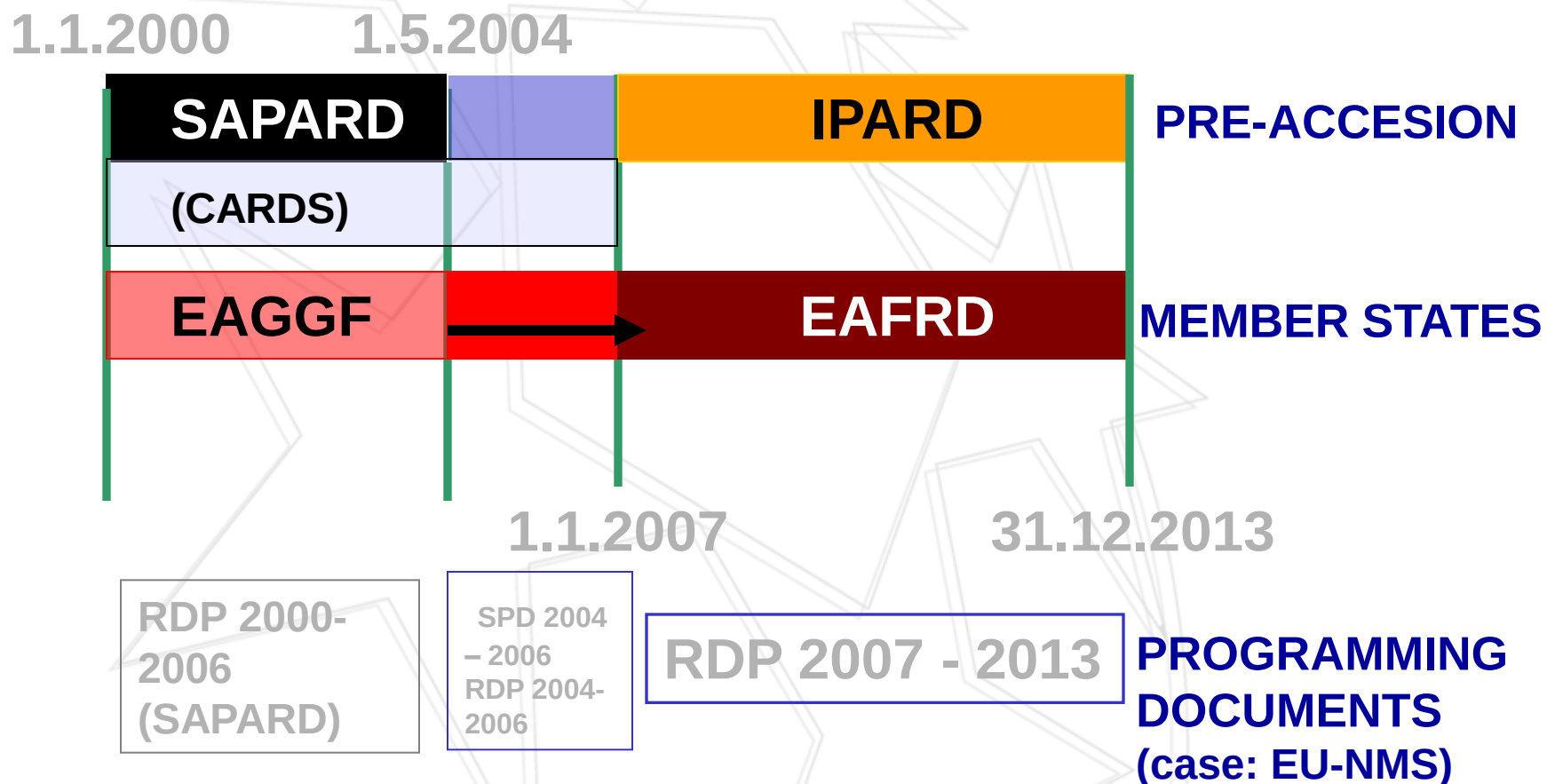


Legal background

- **Rural development policy:**
 - 2006/144/EC: Council Decision of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013)
 - Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
 - Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
- **Pre-accession support:**
 - Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)
 - the "rural development" component is concerned with preparation for the Common Agricultural Policy and related policies and for the European Agricultural Fund for Rural Development **(EAFRD)**.



Programming of rural development policy in EU





A view from the top: Rural development policy in the EU system of strategic policy planning 2007-2013

European Council

Common strategic guidelines for promotion of growth & employment (The Lisbon strategy)

European Commission

Council

Cohesion policy

Community
strategic
guidelines
(cohesion)

CAP / rural development

Community strategic
guidelines (Rural
development)

Fisheries

Community strategic
guidelines (fishery &
littoral areas)

Member States

(National
development
programme)

National Strategic
Plan (cohesion)

Operational
programs (CF, ESF,
ERDF)

National Strategic
Plan (rur. dev.)

The Rural
Development
Programme 2007-13

National Strategic
Plan (fisheries)

Operational
program (FIFG)



CAP rural development policy: key principles

- **Common legal setup and strategic guidelines**
 - **Partnership / subsidiarity**
 - **Multiannual development planning**
 - **Additionality (co-financing)**
-
- **(Common monitoring and evaluation framework)**



EU RD policy 2007-2013: main elements

- Autonomy of RD policy (exemption from Structural Funds!)
- Simplification of programming, implementing and financing procedures (EARDF)
- Increased No. (from 26 to 36) and (partially) scope of measures (new: forestry, animal welfare, Natura 2000)
- Measures classified into 3 'priority axes'
 - 1: Support for competitiveness of agri-food sector and forestry
 - (min 10 % of public financing)
 - 2: Promotion of sustainable use of natural resources and landscape
 - (min. 25% of public financing)
 - 3: Economic diversification and quality of life in rural areas
 - (min. 10 % of public financing)
- Integration of the LEADER development approach (bottom-up, community-based)
 - min. 5% (new MS min. 2.5%) of public financing



EU RD policy 2007-2013: elements in small print

- **Still primarily “the 2nd Pillar of CAP”**
- **Some new emphases (Natura 2000, animal welfare, forestry), but the range of policy remains the same**
 - Increased No. of measures – more due to deepening of the existing activities, less due to new policy fields)
 - ‘transitional’ measures for NMS remain valid at least until 2013 (support for s/s farms: more social than structural character)
- **The additionality principle remains**
 - Binding levels of co-financing from the national budget remain the same
- **Administrative demands: no essential simplifications**
 - Simplified: uniform procedures of programming, financing, reporting at the programme level
 - Aggravated: RD programming and implementation at the local level (Leader areas), M&E, reporting at the farm level



Measures à la carte 2007-2013(I)

Axis 1: Competitiveness in agriculture and forestry

a) Human resources	vocational training and information actions
	setting up of young farmers;
	early retirement of farmers and farm workers
	advisory services to farmers and forest holders
	setting up of farm management, farm relief and farm advisory services
b) Restructuring, developing physical potential and promoting innovation	modernisation of agricultural holdings
	improving the economic value of forests
	adding value to agricultural and forestry products
	development of new products, processes and technologies
	developing infrastructure related to agriculture and forestry
	restoring agricultural production potential damaged by natural disasters
c) improving the quality of agricultural production and products	helping farmers to adapt to Community standards (quality, hygiene, safety)
	supporting farmers who participate in food quality schemes
	producer groups for information and promotion activities for food quality schemes
d) Transitional measures	supporting semi-subsistence agricultural holdings
	supporting setting up of producer groups.



Measures à la carte 2007-2013(II)

Axis 2: Improving the environment and the countryside

a) sustainable use of agricultural land	natural handicap payments to farmers in mountain areas
	payments to farmers in areas with other handicaps
	Natura 2000 payments
	agri-environmental payments
	support for non-productive investments
b) sustainable use of forest resources	first afforestation of agricultural land
	Natura 2000 payments
	Forest environmental payments
	restoring forestry potential and prevention actions
	agroforestry systems on agricultural land
	first afforestation of non-agricultural land
	support for non-productive investments in forestry



Measures à la carte 2007-2013(III)

Axis 3: quality of life in rural areas and diversification of the rural economy

a) Economic diversification	diversification into non-agricultural activities
	creation and development of microenterprises in rural areas
	encouragement of tourism activities
b) Quality of life in rural areas	basic services for the economy and rural population
	village renewal and development
	conservation and upgrading of the rural heritage
	Vocational training and information actions
	skills-acquisition and animation (preparation and implementation of local development strategies)



Measures à la carte 2007-2013 (IV)

Axis 4: Leader

a) Implementation of local development strategies	One or more measures defined under axes 1 – 3 (by the own selection of LAG)
b) Networking and cooperation between (LAG)	Networking and cooperation on national level
	Networking and cooperation on international level
c) General costs incurred by activities of LAGs	running the local action group, acquiring skills and animating the territory

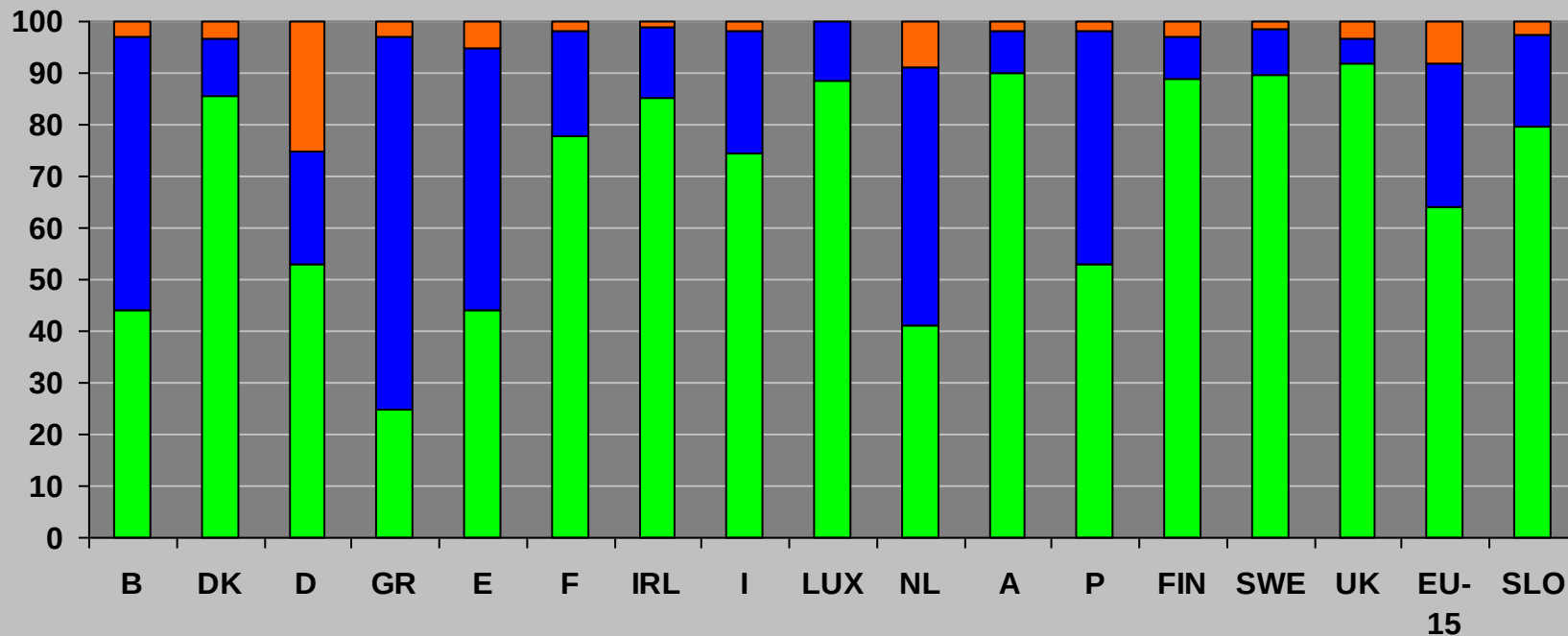


Variations in Emphasis between Different Types of Intervention



Cf: RD expenditure as a reflection of different preferences/needs?

Case: EU-15 (2000-03); Slovenia (2004-06)



- Economic diversification, quality of life in rural areas
- Restructuring/competitiveness of agri-food sector
- Payments for environmental and spatial services





Profiles of RD expenditure by MS and by types of expenditure (only budgetary expenses)

	% of Total RDP Budget 2007-13				
MS	A: Primary Sector Competitiveness PSC	B: Agri-Environment and Forestry AEF	C: Human Capital Local Capacity HCLC	D: Wider Rural Development WRD	Type
AT	11.5	72.4	10.2	5.9	BCAD
BE	42.3	26.2	23.3	8.1	ACDB
BG	30.7	29.8	12.5	27.1	DACB
CY	33.8	43.4	13.9	8.8	ABCD
CZ	19.8	53.8	9.2	17.2	BDAC
DE	27.2	41.7	8.6	22.5	DABC
DK	18.3	61.7	14.5	5.5	BCAD
EE	35.6	36.2	15.4	12.9	ABCD
ES	36.0	36.6	23.7	3.7	ACBD
FI	3.8	81.6	8.3	6.3	BCDA
FR	26.1	48.7	19.5	5.7	BACD
GR	31.6	33.8	20.7	13.9	ACDB
HU	41.1	31.5	15.3	12.0	ACDB
IE	1.2	78.8	20.1	0.0	BCDA
IT	30.5	41.8	19.5	8.2	ABCD
LT	28.7	36.5	22.7	12.2	ACBD
LU	32.2	57.5	6.4	3.9	BACD
LV	40.6	26.8	13.5	19.1	ADCB
MT	29.4	25.0	13.1	32.5	DACB
NL	26.0	29.7	15.2	29.1	DACB
PL	24.3	32.2	23.5	19.9	CDAB
PT	40.5	39.5	19.7	0.4	ACBD
RO	33.6	30.9	10.7	24.8	ADBC
SE	9.4	69.0	14.7	6.9	BCDA
SI	27.0	50.7	10.9	11.4	BADC
SK	31.2	48.5	7.2	13.2	BADC
UK	8.0	76.0	8.8	7.3	BCDA
EU27	25.5	46.4	16.2	11.9	BACD
EU15	23.6	51.9	16.1	8.4	BACD
NMS12	29.6	34.8	16.4	19.2	ADCB



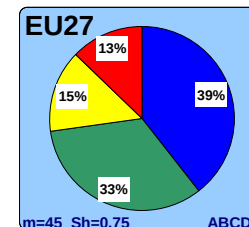
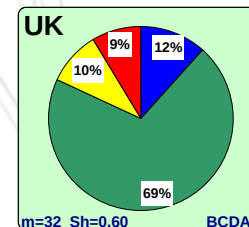
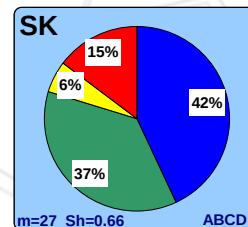
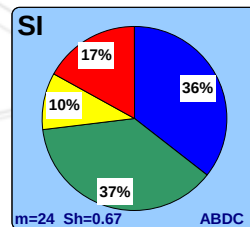
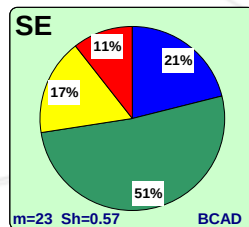
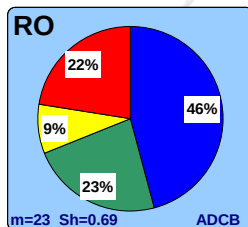
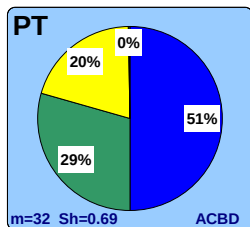
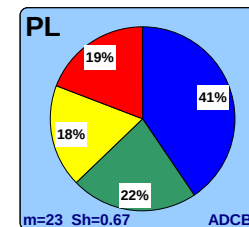
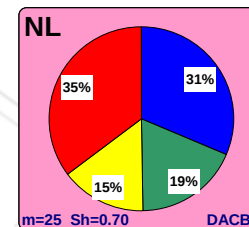
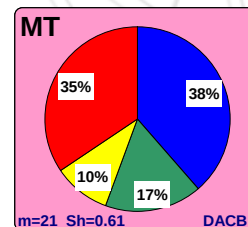
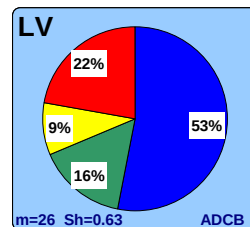
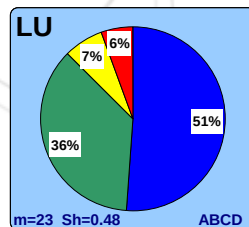
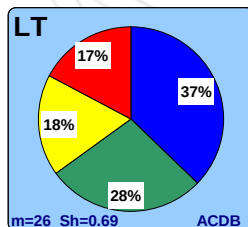
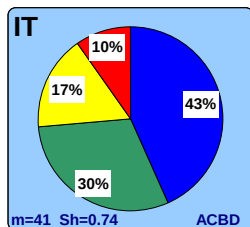
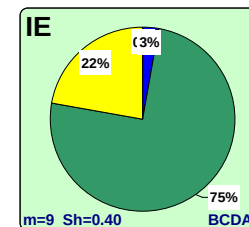
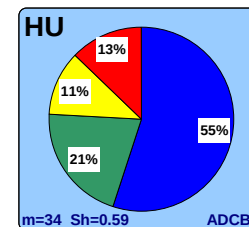
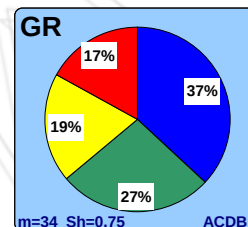
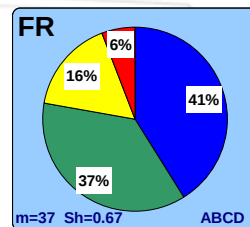
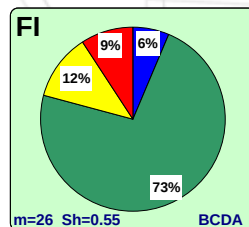
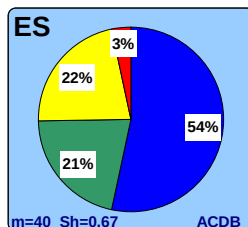
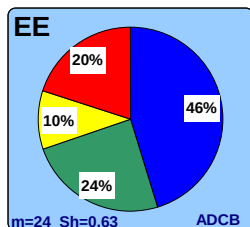
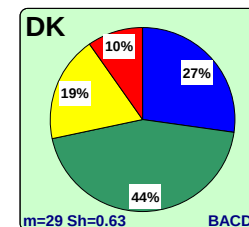
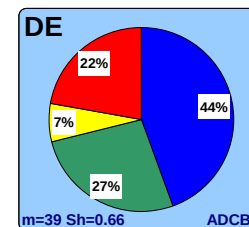
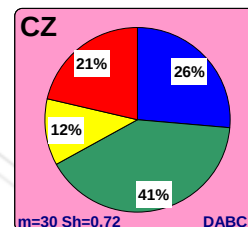
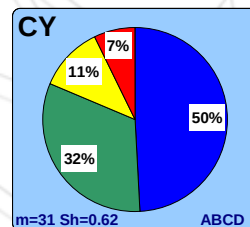
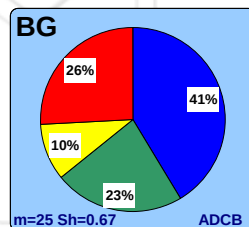
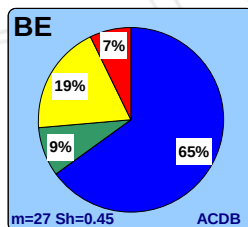
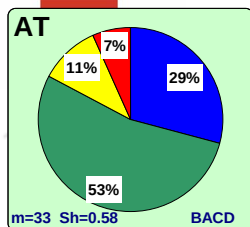
A – Agri-food Competitiveness

B – Agri-environment, LFA

C – Human capital & local resources

D – Rural development – wider

Type	MS	Total Budget	% of Total EU27 Budget
ABCD	CY, EE, IT.	17,937	12.1
ACBD	ES, LT, PT.	21,254	14.3
ACDB	BE, GR, HU.	11,382	7.7
ADBC	RO	9,971	6.7
ADCB	LV.	1,362	0.9
PSC Types	(11 MS)	61,905	41.7
BACD	FR, LU.	12,312	8.3
BADC	SL, SK.	3,722	2.5
BCAD	AT, DK.	8,653	5.8
BCDA	FI, IE, SE, UK.	23,533	15.8
BDAC	CZ.	3,616	2.4
AEF Types	(11 MS)	51,835	34.9
CDAB	PL.	17,218	11.6
HCLC Type	(1 MS)	17,218	11.6
DABC	DE.	13,214	8.9
DACB	BG, MT, NL.	4,315	2.9
WRD Types	(4 MS)	17,529	11.8
EU27		148,487	100.0





Key point: Programming and implementation

- Wide scope of RD policy Vs. Financial limitations
 - Setting the priorities?
- Non-balanced structure of RDP expenditure from previous programming period(s)
 - obstacle for efficient programming of future policies
 - short-run problems, but possible gains on long-run 
- Importance of capacity-building from both sides (beneficiary and managing authority!)
 - 'old' measures: capitalisation from previous experiences
 - 'new' measures: problems and delays ('*children diseases*') envisaged
 - Balance between 'absorption oriented' and 'effect oriented' implementation rules
 - development of efficient monitoring system, potential problems



Implications for rural development policy in W. Balkan region (I)

EU framework of RD policy – merely an abstraction not tailored for the needs in the region?

...not necessarily!

- **Main emphases of RD policy are the same** (but taking into account differences in scale of the problems):
 - **Competitiveness of primary sector**
 - **Concern about impacts on environment and countryside**
 - **Alternative employment sources and quality of life considerations in rural areas**
- **Principles worthwhile following:**
 - **Systematic approach, multiannual programming (continuity!)**
 - **Partnership principles in policy programming**
 - **Growing importance (including financial volume)**
- **CAP Rural development policy – useful tool, not an ideal (objective *per se*!)**
 - **Measures, rules, eligibility criteria: copying from others can bring more harm than benefits**
 - **Learning from others' mistakes is useful** (see chronological overview)



Implications for rural development policy in W. Balkan region (II)

Rural development in W. Balkan – main features

- **Competitiveness of agri-food sector**
 - Low technical and organisational level of production
 - problems with conformity to the EU technologic standards
 - Not existing or low level of cooperation of actors along the food chain
- **Concern about impacts on environment and countryside**
 - Status of natural resources favourable: comparative advantage
 - Ready to capitalize these advantages on the market (directly, indirectly)?
- **Alternative employment sources and quality of life in rural areas**
 - Self-employment – a way to fight the problem of diminishing job opportunities in rural areas
 - Supplementary activities on farms – not enough advantages taken from cooperation (eg. distribution, storage/cooling facilities, processing)
 - Quality of life: heavy investments needed (traffic infrastructure, ICT, basic services) – beyond responsibility of agriculture



Implications for rural development policy in W. Balkan region (III)

Way to go: small steps toward great aims

- **Quantification of needs and objectives**
 - Building a system of statistical monitoring
- **Gradual approach**
 - Building of implementation system: on all levels, from central institutions to potential beneficiaries
 - Strengthening of financial effort
 - Priorities: setting realistic targets is important
 - From support for small-scale investments (eg. Farm machinery, cooling and packaging facilities, transportation) to more complex measures (eg. vertical cooperation, producer groups, local food supply)



Implications for the pre-accession and accession negotiation period

- Relevance of pre-accession instruments (SAPARD, IPARD)
 - ... limited mainly on capacity-building (PA, M&E system, preparation of beneficiaries)
 - tangible impacts (restructuring of agriculture, sustainable uses, diversification) are limited
- Preparations for implementation of RD policy in conditions of full membership should start well before!
 - Significant increase of EU funds after accession - take care on the absorption capacity!
 - Proper balance between groups of RD measures
 - Eligible measures are not carved into stone – be assertive in case of specific conditions/needs!



Implications for the pre-accession and accession negotiation period

- Negotiations on CAP budgetary revenues
 - Pillar I (CMO)
 - based on objective criteria (statistics); manoeuvring space limited
 - Pillar II (RDP)
 - More room for negotiations, possibilities often underestimated
 - Negotiations start at home (ability for own co-financing)
 - Realistic expectation: non-equal treatment in Pillar I, equal (or preferential) treatment in Pillar II!