

European rural development: past, present and future

Changes in the regulation of rural development on the
community level, and its expected results

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Dear Reader!

The aim of the brochure you are holding in your hands is to give a concise summary of the legislation which will drive rural development policies for the period of 2007-2013. The brochure also profiles the expected results of this community-level legislation, both short and long-term. Separate chapters highlight the major changes concerning this period, to be effective for the period of 2007-2013, which updates and improves the current one.

Those who are unfamiliar with the general nature of rural development issues may be compelled to ask why a primarily environmental NGO should engage in the Union's rural development subsidization and rural policy regulation. As one such NGO, CEEWEB realizes that to protect and enhance biodiversity and put the ideas of sustainable development to practice it is no longer enough to focus strictly on individual species and their respective habitats. Effective environmental protection must be integrated into as much sectors as possible, as well as into politics, into "every day life". Considering the fact that agri/rural development policies, both on the community and national level, have significant impact on the natural environment, such policies need to be considered and studied with great care.

Revisions in rural development policies will see major changes for the next programming period (2007-2013); especially with those measures implemented on the national level. The increased number of measures will rely largely on the NGO sector (already a very important factor in rural development) for effective implementation.

In order to be able to use the available resources as effectively as possible, it is essential for involved NGOs to have a thorough understanding of the new system and to prepare fully for the challenge they are facing.

At the time of the preparation of this brochure the new rural development regulation draft was not yet officially accepted, therefore we can't provide it's exact number. Nevertheless, relevant changes are not likely to occur any more, mostly just textual refinements which can result in certain wording changes in the national language versions.

It is our hope that this brochure will facilitate the preparation process of NGOs for the effective representation of their positions, both on the community and national level.

The authors

THE ENVIRONMENT OF THE NEW RURAL DEVELOPMENT POLICIES

With the Lisbon and Goteborg Agreement as a working premise, the primary middle and long term goals of the Union are to realize “sustainable development and employment” strategies, as an answer to contemporary economic, social and environmental challenges.

Due to the fact that the majority of the region’s population lives in rural areas (considered to be over 90%, as defined by the OECD definition), the Common Agricultural Policy (CAP), as well as other rural development policies, are key drivers for sustainable development and competitiveness.

The CAP reforms of 2003 provide the current direction for and agricultural sector independent of production specific conditions, one that emphasizes the shift towards the free market. The rural development policies for 2007-2013 provide new tools for the development of the „most competitive knowledge based economy” in agri-food production - an exceedingly important sector of regional commerce, it involves 15 million employees within the EU-25. As part of the agricultural food sector, only dynamic and adaptive rural regions will be able to face the demands of environmental and social sustainability.

In the future, the rural development policies will focus on three key issues: agri-food production, environmental protection, and the loosely defined rural economy and population. The new generation rural development strategies and programs have to be built around the improvement of competitiveness of agriculture and forestry, land management/environmental protection, and the diversification and life quality improvement of rural areas.

Under the competitiveness axis numerous measures are available for the development of human and physical potential (supporting knowledge transfer and innovation), as well as quality production. The land management/environmental protection axis provides measures to protect and enlarge the natural resources of the Community territories. The third axis provides help to strengthen the social-economical relations within the agricultural and forestry, as well as loosely defined rural areas.

The fourth, horizontal axis, the LEADER builds on the experiences of the past, allowing to develop innovative management of rural areas, based on local partnership, and is a grassroot approach.

AXES OF THE RURAL DEVELOPMENT REGULATIONS DRAFT

The new regulation defines 4 axes, within the different measures are grouped the following:

1st axis – competitiveness

2nd axis – developing rural areas and the environment

3rd axis – improving the quality of life in rural areas and diversifying rural economy

Together with these three axes the draft defines a LEADER type form of support (usually called the 4th axis) which in fact is not a separate axis but is connected to the existing ones.

Horizontal priorities to be implemented in all areas (for all axes)

Emphasizing the importance of human resources (knowledge, training, information, entrepreneurship) involving certain groups such as women, youth, elderly people taking into account their special role in rural development. Improving the integration of the rural areas into the information technology (broad band technologies, IT development). Modern governance (coherent programming, integrated approach of regional and rural strategies, especially in LEADER type programming process).

Priorities related to competitiveness (1th axis): *know-how transfer and innovation* in agri-food business focusing on small and medium size enterprises. Capital investment targeting structural changes of certain sectors, mainly among the new member states. Aims and indicators have to be defined in agriculture and food industry in order to be able to measure the improvement of competitiveness, namely the contribution of the 1st axis to the Lisbon Action Plan.

Priorities related to environmental protection and land use (2nd axis): Protection of natural resources and the rural environment. Using lands in a reasonable way, agriculture and forestry can contribute to the realization of international and Community agreements on environmental protection (Natura 2000, Water directive, Kyoto Agreement), especially targeting biodiversity, natural water resources and climatic changes. Targets and indicators have to be defined in order to be able to measure the contribution of the 2nd axis to stop the biodiversity erosion, reach the targets of the Water directive, and decelerate climatic changes (decrease of harmful emission, renewable energy sources).

Priorities related to development of rural areas in a broader sense (3rd axis): creating jobs, diversificating activities, improving the quality of life. Targets and indicators have to be defined in order to measure the contribution of the 3rd axis to job creation, enhancing diversification, small business infrastructure development, as a realization of the Lisbon Agreement. It is reasonable to differentiate between types of rural areas based on special opportunities and problems.

LEADER priorities (4th axis): the priorities mentioned above applying local strategies and partnership. LEADER support is bound to the 3rd axis. It is not a separate axis but rather local support based on grassroot movements, and local action groups, acting in the direction indicated by the axes.

Measures in the rural development plan draft

1st axis – competitiveness (improving the competitiveness of the agricultural and forestry sector)

- (a) measures aimed at improving human potential through:
 - (i) vocational training, information dissemination actions, for persons working in the agricultural, food and forestry sectors,
 - (ii) support of young farmers,
 - (iii) early retirement of farmers and farm workers,
 - (iv) advisory services for farmers and forest holders
 - (v) setting up farm management, farm relief and farm advisory services, as well as forestry advisory services;

- (b) measures aimed at restructuring and developing physical potential and promoting innovation through:
 - (i) farm modernisation,
 - (ii) increase the economic value of forests,
 - (iii) adding value to primary agricultural and forestry products,
 - (iv) improving and developing infrastructure related to the development and adaptation of agriculture and forestry,
 - (v) restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions;

- (c) measures aimed at improving the quality of agricultural production and products by:
 - (i) helping farmers to adapt to demanding standards of Community legislation,
 - (ii) supporting farmers participating in food quality schemes,
 - (iii) supporting producer groups in information and promotion activities for products under food quality schemes;
 - (iv) supporting cooperation in the field of new agricultural and food products, processes, and technologies

- (d) transitional measures for the new member states (Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia) concerning:
 - (i) supporting semi self supporting farms undergoing restructuring,
 - (ii) supporting the setting up of producer groups.

2nd axis – improving rural areas and the environment

- (a) measures targeting the sustainable use of agricultural land through:
 - (i) natural handicap payments to farmers in mountain areas,
 - (ii) payments to handicapped farmers in areas other than mountain areas,
 - (iii) payments related to the Natura 2000 and 2000/60/EC directives,
 - (iv) agri-environment payments,
 - (v) animal welfare payments,
 - (vi) support for non-productive investments;
- (b) measures targeting the sustainable use of forestry land through:

- (i) first afforestation of agricultural lands,
- (ii) first establishment of agroforestry systems on agricultural lands,
- (iii) first afforestation of non agricultural lands,
- (iv) Natura 2000 payments,
- (v) forestry environment payments,
- (vi) restoring forestry potential and introducing prevention actions,
- (vii) support for non-productive investments.

3rd axis – the quality of life in rural areas and diversification of the rural economy

- (a) measures to improve the diversify the rural economy, comprising:
 - (i) diversification into non-agricultural activities,
 - (ii) support for the creation and development of micro-enterprises with a view to promoting entrepreneurship and developing the economic fabric,
 - (iii) encouragement of tourism activities,
- (b) measures to improve the quality of life in the rural areas, comprising:
 - (i) basic services for the economy and rural population,
 - (ii) village renewal and development,
 - (iii) conservation and upgrading of the rural heritage.

4th axis – LEADER: elaborating local development plans according to paragraph 61 of the directive draft in such a way that it helps at least one axis reach its goal

- (a) area-based local development strategies intended for well-identified sub-regional rural territories;
- (b) local public-private partnerships (hereinafter called "Local Action Groups");
- (c) grassroot approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;
- (d) multisectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy aimed at global goals;
- (e) implementation of innovative approaches;
- (f) implementation of cooperation projects;
- (g) networking of local partnerships.

Technical assistance

Similarly to the period of 2000-2007, the technical assistance targets to provide support and help those that apply for support defined in the axes to be able to prepare successful applications, as well as to implement the projects as effectively as possible, fulfilling the criteria defined in the measures. Accordingly, financing of the technical assistance can be used to hold seminars, run advisory services, and publish brochures. Next to these activities the Technical Assistance provides source administrative development and any other technical development projects that are necessary for effective administration and control system of the measures.

Major changes in the new rural development regulation compared to the 1257/1999 EC regulation

Considering the fact that the funds for rural development were funded from the Guidance as well as Guarantee Fund, two separate planning and programming structures were defined. These two systems used different financing control and supervising systems which resulted in complicated and expensive administration, difficulties in harmonizing the projects, as well as caused problems in transparency of the different measures of the separate programs. To solve these problems the new rural development regulation aims the following goals for the planning period of 2007-2013:

- Unified rural development fund
- Unified programming system
- Unified financial structure
- Unified controlling system

Accordingly, the new rural development regulation contains the following changes:

- Creating a new, unified rural development fund
- New programming and planning system
- Changing the measures described in 1257/1999 EC
- Starting new measures not listed in 1257/1999 EC

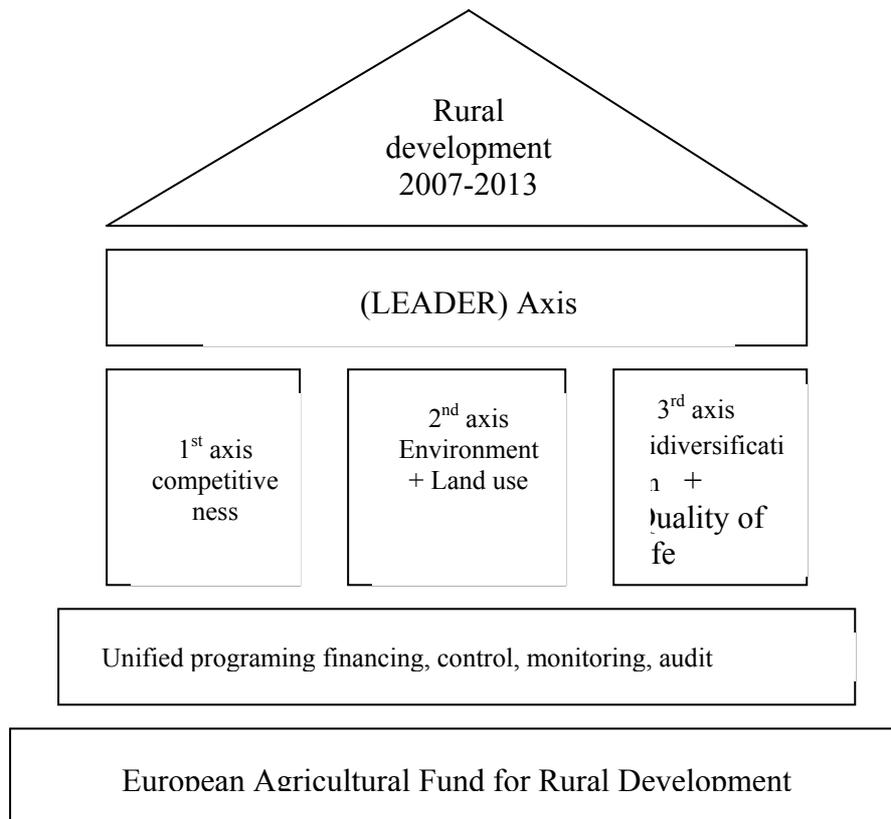
New fund for rural development

For the planning period of 2007–2013 two funds are defined:

- European Agricultural Fund for Guarantee – EAFG
- European Agricultural Fund for Rural Development – EAFRD

These two funds will make it more transparent and simple to implement the current rural developments and will be structured based on the current structure as follows.

The current funding structure



The structure of the new rural development policy

Source: European Commission, December 2004

New programming and planning methodology

Unlike to present programming methodology, the new regulation defines community level guidelines for rural development for the 2007-2013 period, describing the priorities and main goals of rural development.

The national strategies have to be based on these guidelines, adapting the priorities defined. The strategies have to be built on the principle of partnership. The member states have to involve economic and social partners, the NGO-s, and the civil society in the program development in such a way that the partners represent all the different areas such as environmental protection, culture, communities, as well as the equality between men and women. Important part of the national development strategies, as well as necessary for the Commission acceptance of the plan, is to describe how the partnership was implemented and

realized. The Commission can accept the plan only if the plan is built on broad national consensus.

According to the national strategies, the national or regional programs have to be developed for a 7 year term, building the implemented measures on the 4 axes.

The measures changed

According to the 1257/1999 EC regulation the following measures were changed significantly from a professional point of view:

- Agri-environment
- Less Favoured Areas
- Support for adaptiveness and develeopment of rural areas

Agri-Environment

The duration of the support period have been extended to 5-7 year (even longer for some special measures) compared to 1257/1999 EC (a minimum of 5 years), resulting in a longer payment period.

Supporting the protection of genetic resources have been defined in a separate paragraph. Within the agri-environment payment, the rare and indigous species could have been funded already, but the new regulation allows supporting of other gene preservation activities. The detailed payment possibilities will be desccribed in the regulation of implementation.

Supporting of Less Favoured Areas

Since the European Court of Auditors pointed out the necessity of changing the methodology of the designation of the Less Favoured Areas (LFA). To fulfill the requirements of the Court of Auditors the Commission has proposed a new base for the methodology. Similarly to the present planning period LFA payment can be given to land users for utilized agricultural areas as follows:

- natural handicap payments to farmers in mountain areas,
- payments to farmers in areas with handicaps, other than mountain areas

The new regulation does not define the detailed methodology of designation, it will be part of the implementation regulation.

The limit of payment per hectare has not changed, but as a new perspective, the member states have to implement degressive payment.

Changing the policy of Less Favoured Areas

Within the Union supporting the Less Favoured Areas started in 1975. Since then 55,8% of the farmers are financed with 50% cofinancing of the Union reaching the amount of 2000 million Euro per year. From 1975 to 2003 the LFA designated areas increased by more than

150% (in 2003 56% of EU-15), and it increased even more by accession of the new member states.

In 2003 the European Court of Auditors has completed a broad survey of the LFA measures implemented in the member states, focusing on the legal and institutional background, monitoring, eligibility criteria and proper management practices, and the designation methodology.

Concerning the designation of the areas the survey pointed out the following:

- The member states – often not in coherence with the regional characteristics – have designated areas varying greatly from each other resulting in major differences in coverage
- The member states increased significantly the LFAs since the beginning of the LFA measures (Italy from 37,7% to 53,2%, Ireland from 51,2% to 70,9%). In the meantime, in Hungary LFAs cover less than 10% of the total area of the country at the moment.
- When enlarging LFA category areas, the member states most often referred to soil and other circumstances in line with 1257/1999 EC when increasing LFA
- The largest category of LFAs is “other LFAs”
- The Commission did not have any adequate data from the member states concerning LFA designation until the programming period started in 2000
- Changing of LFAs did not occur even if in certain regions economic improvements were statistically significant
- Eligibility criteria differ greatly in the member states (see Appendix 1) because of which it is very difficult to verify eligibility on the Community level
- Due to lack of information the Court of Auditors has found LFA designation uncontrollable

Because of the above mentioned reasons, according to the recommendation of the court, the Community cannot find the LFA designation to be well confirmed. Therefore the designation should be revised, involving the member states. It is obvious and necessary for the Community to try to reach a transparent and controllable LFA designation on the member state level. Nearly 30 years of practice shows the crucial importance of LFAs in rural development policy of the member states, but especially with the involvement of the new member states the general reform of the measure is essential.

The new rural development regulation draft about rural development payments from the European Agricultural Rural Development Fund shows the Commission’s efforts about the LFA reforms. The plan provides a radically different legal background for developing rural areas. The most important change concerns the designation procedures. Up to now, LFAs could be designated in the following three categories: mountain areas, other less-favoured areas, and areas affected by specific handicaps. In all cases the designation criteria were defined. In the new draft, the mountain area category still exists, but other less-favoured areas and areas affected by specific handicaps are treated together, *under the non-mountain areas category*.

The new rural development regulation plan of 2007-2013 brings changes to the designation of areas as well. For mountain areas the previously used criteria are not changed, but the member states are obligated to verify their designated areas according to the new regulation.

Areas with specific handicaps are left unchanged in the regulation but the main accents of the other LFA designation criteria are changed. Criteria on social and economical indicators used up till now will be of lower importance, at the same time the drafts mentions explicitly poor soil quality and adverse climatic conditions as major indicators.

The LFA changes found in the new draft represent the ever increasing pression of the professional community policy on the issue. By simplifying the indicators the new methodology can make the system more objective and less dependent on the member states. This results in a designation process that is more transparent and easier to control, and at the same time minimalizes the chance of overcompensation.

Measures to improve the adaptation of rural areas

The 33. Article of 1257/1999 EC regulation defines the sturctural changes in commercial activities and other actions that are not mentioned in any of the measures. The new draft defines these under the 3rd axis (improving the life quality of the inhabitants of rural areas and diversification of rural economy). The major priorities of the 3rd axis are:

Measures to diversify the rural economy

- threnghening non-agricultural activities
- setting up and supporting the development of micro-enterprises
- encouraging tourism activities

Measures to improve the quality of life in the rural areas

- providing basic services for the economy and rural population
- village renewal and development
- conservation and development of the rural heritage

Besides the measures mentioned above, an aim of the 3rd axis is to support tranings and further education about these measures, as well as providing education on how to develop local development plans.

PROMOTING THE ADAPTATION AND DEVELOPMENT OF RURAL AREAS

Article 33

Support shall be granted for measures, relating to farming activities and their conversion and to rural activities, which do not fall within the scope of any other measure referred to in this Title.

Such measures shall concern:

- land improvement,
- reparcelling,
- setting-up of farm relief and farm management services,
- marketing of quality agricultural products,
- basic services for the rural economy and population,

- renovation and development of villages and protection and conservation of the rural heritage,
- diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes,
- agricultural water resources management,
- development and improvement of infrastructure connected with the development of agriculture,
- encouragement for tourist and craft activities,
- protection of the environment in connection with agriculture, forestry and landscape conservation as well as with the improvement of animal welfare,
- restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention instruments,
- financial engineering.

As it can be seen, 33. Article of 1257/1999 EC regulation contains elements that are not supported in the 3rd axis:

- land improvement,
- reparaelling,
- agricultural water resources management,
- development and improvement of infrastructure related to the development of agriculture,
- restoring agricultural productivity potential in areas struck by natural catastrophes and deploying appropriate tools

New measures

From 2007 the following measures will be defined in the draft that will enable the member states to use the community sources:

Animal welfare payments

This part of article 37 defines a completely new supporting system for animal welfare. According to the regulation draft 200 € per livestock unit can be payed as a maximum amount to support activities that are going beyond the relevant mandatory standards established in Article 4 and Annex III of Council Regulation (EC) No 1782/2003. Similarly to agri-environmental payment the animal welfare commitments have to be undertaken between a period of 5-7 years. The exact commitments will be defined in the implementation regulation, but a compensation type of payment can be expected. This means the further costs that occurred due to keeping the stock at a higher level of animal welfare than is mandatory will be compensated.

Supporting Natura 2000 areas

According to Directives 79/409/EEC and 92/43/EEC, as well as of Directive 2000/60/EC, Natura 2000 areas could be supported within the Less Favoured Areas. In the new regulation it is a separate item, with wider opportunities:

- Support for agricultural areas designated as Natura 2000 areas
- Natura 2000 payments on forestry areas,
- support for non-productive investments for those that work on Natura 2000 areas

Measures supporting forestry

During the period of 2007-2013 the importance of forestry payments will raise significantly. Chapter VIII of the 1257/1999 EC regulation sets the rules of forestry measures. Compared to these rules to the next programming period will bring such important changes that we decided the forestry measures should be mentioned as new measures.

1st axis

- improving and developing infrastructure related to the developing and adapting of agriculture and forestry

2nd axis

- b) measures targeting the sustainable use of forestry land through:
- first afforestation of agricultural land,
 - first establishment of agroforestry systems on agricultural land,
 - first afforestation of non-agricultural land,
 - Natura 2000 payments,
 - forest-environment payments,
 - restoring forestry potential and introducing prevention actions,
 - supporting non-productive investments

First afforestation of agricultural land is the only measure that was launched in the previous programming period. This measure contains only one change: the maximum period of compensation because of lost income due to agricultural production was shortened from 20 to 15 years. With the help of supporting agroforestry systems such production systems can be established that make it possible to use an area for two purposes, for example forest grazing. Further improvement can be expected because now it will be allowed to support the first afforestation of non agricultural land. This can enable forestry activities in such areas that are not utilized at present. In a similar manner will forestry-environmental payments and supporting Natura 2000 payments contribute to the improvement of the state of the environment and landscape utilization. The former will be set up similarly to agri-environment measures, while the latter will make it possible to compensate for implementing Natura 2000 regulation on forest areas designated as Natura 2000 areas. Mainly reducing the risk of forest fires is the aim of the measure called “restoring forestry potential and introducing prevention actions”.

Special measures for the new member states

The 10 new member states will be able to apply two measures in the 2007-2013 period. According to the draft, they will be available until 31st of December 2010.

- supporting semi-subsistent farms
- supporting the setting up of producer groups

The measure supporting semi-subsistent farms aims to increase effectiveness of the smallest farms (producing mainly for self consumption, and only partly to market) financing the maximum amount of 1500 Euro/year, in case the farmer can prove the improvement of his farm by a business plan within 3 years.

The measure supporting the setting up of producer groups finances mainly the operational costs, for improving the production and reaching the quality standards set up by the market. Logistics and marketing activities are supported within the measure as well. Whenever a producer group is accepted by the national legislation the maximum amount of support that can be given is 5% of their income for the first year, decreasing to 2% by the fifth year. The maximum amount of support cannot exceed 1 000 000 Euro.

NGO involvement in the rural development legislation

The regulation targets mainly the producers and farmers living in rural areas. For this reason many of the measures are bound to land use or food production. NGOs pursuing these activities become eligible for support. Almost all of the measures of the 1st and 2nd axis are such measures bound to production. The only exception is the supporting of advisory services (Article 23) which is meant to support activities of organizations that provide such services. The 3rd axis (aimed at improving life quality) and several measures of the LEADER priority provide more opportunities for NGOs to directly apply for and implement development projects.

Next to the direct involvement in rural development measures, the NGOs play an important role in the developing procedure of the rural development strategy, as well as in monitoring and evaluation of the rural development policies and the implementation.

The rural development regulation plan clearly obliges the member states to involve authorities, economic, social and other partners in the following activities:

- developing and monitoring of the national strategy plan
- developing, implementing, monitoring and evaluating rural development plans

Furthermore, the member states, by involving the appropriate organizations, have to provide the equality between men and women and prevent any other inequalities. The strategy also has to conform to the principles of sustainable development, and help the integration of environmental protection and improvement requirements