Information meeting to exchange views on the preparation of EU rural development policy for the 2007-2013 period

The Central Italy Regions joint representation office, Brussels, 6 April 2005

SUMMARY OVERVIEW OF PROCEEDINGS

Attachments: agenda and list of participants

Objective of the meeting

On 14/7/2004, the Commission made a proposal for a Regulation on support for the second pillar of the Common Agricultural Policy (CAP) through the European Agricultural Fund for Rural Development (EAFRD). Since then, discussions and negotiations on the proposal have been progressing rapidly in the EU institutions, particularly in the Council.

The CPMR outlined a series of recommendations on this policy at a seminar organised in Florence on 30 April 2004. They were taken forward in the form of comments on the draft EAFRD Regulation, which were published by the CPMR on 23 July 2004 and adopted by the Stavanger General Assembly in September 2004.

This meeting, which was attended by representatives of the institutions concerned, aimed to inform the regions about recent developments on the issue and to determine to what extent the concerns expressed by the regions have been taken into account in the negotiations.

Remainder of the CPMR's positions and outstanding issues, Patrick Anvroin, Director at the CPMR

The EAFRD: more of an agricultural development fund than a rural development fund

The EAFRD makes no major changes regarding the priorities identified or the measures for achieving them.

The CPMR thus notes the agricultural orientation of the EAFRD and regrets that the purpose of this new fund is not clearly advertised in its name: why not call it an European Agricultural Reconversion Fund?

The need for clarification on the budget

In budgetary terms, the second pillar of the CAP enjoys a surplus generated by the adjustments to direct aids which freed up 7 billion euros for the second pillar over the 2007/2013 period.

Bearing in mind the EU’s enlargement (15+10+2), there is clearly a reduction in real EU budget terms: just +19% for the second pillar.

At what stage are the negotiations on 6/04/2005?
The future of LEADER

The CPMR is concerned about whether it is appropriate to maintain Axis 4 on the inclusion of the LEADER community initiative. Would it not be preferable to include measures to promote non-agricultural development of rural areas in the future convergence and regional competitiveness objectives, because they have a regional development purpose as opposed to a sectoral one? To make such a policy viable, there would have to be a transfer of credits from the rural development budget heading to the cohesion budget heading.

As of 6/04/2005, is such a budget transfer imaginable?

The need for clarification on EAFRD governance

In its Article 41, the current Regulation on rural development (1257/1999) states that “rural development plans shall be drawn up at the geographical level deemed to be the most appropriate. They shall be prepared by the competent authorities designated by the Member State and submitted by the Member State to the Commission after competent authorities and organisations have been consulted at the appropriate territorial level.”

Paragraph 2 of Article 14 of the draft EAFRD Regulation on “rural development programmes” states that “A member State may submit either a single programme for its entire territory or a programme for each region”.

Progress might have been expected at regional level, but, if these conditions were applied, they could lead to a form of recentralisation. By leaving the Member States no intermediate solution midway between a single national plan and a set of national plans, they may opt for a national plan, even though their current plans are partly regionalised. This would represent a step backwards.

On 6/04/2005, do the Council’s discussions give room to hope that there will be positive developments?

Rationalising compensation for natural disadvantages and the need to assess the occurrence of such disadvantages

The Commission proposes to review the system of compensation payments for farmers in disadvantaged and less privileged areas. This decision follows on from the criticisms levelled by the European Court of Auditors which concluded that there was a need for rationalisation, and from a series of assessment reports which focused mainly on the definition of mountain areas.

Mountain areas seem to have come off particularly well. Island areas are not mentioned per se.

There is a need to clarify the concepts of “natural handicaps” (Article 47 3a) and “specific handicaps” (Art 47 3b), the extent of the latter not being permitted to exceed 10% each Member State’s surface area. What degree of homogeneity between Member States is there in the delimitation of such areas? How would the regions’ opinions on the selection of areas be taken into account?

Other issues

- Community strategic guidelines and national strategic plans: what role for the regions?
- Consistency/complementarity between regional policies and the second pillar of the CAP.
- How will the transition between the two programming periods be managed?
Conclusions of the Florence seminar and the new context, Enrico Favi, Director responsible for rural development at Tuscany Region

Mr Favi outlined the Florence seminar’s conclusions:

- the Commission was asked to ensure that the new programming phase establishes clearer arrangements concerning support in rural areas;
- rural development should be made part of a truly multisectoral territorial policy, in order to improve living conditions for all people in rural areas;
- the share of funding allocated to non-agricultural activities should therefore be increased;
- the multifunctional role of farming businesses should be enhanced to help cope with CAP reform;
- the experience of the LEADER initiative should continue to be exploited;
- there should be more flexibility to enable the regions to develop real strategies in their areas and to provide them with a bigger role both in programming and delivery.

With this framework in mind, Mr Favi outlined a number of ideas, taking account of developments at EU level since Florence.

Comments of a general and horizontal nature

- In the new programming period, consideration should be given to the impact of CAP reform and the introduction of the decoupling principle on the attitudes of farmers who are having to shift their farms to new types of production. Bearing in mind their new “freedom” to choose what they do, it can be expected that there will be a demand to produce more diversified crops than at present. The new EAFRD instrument must therefore be prepared to support them across the infrastructure, production, processing and marketing areas. As for the various agricultural sectors, there should be a careful evaluation of the impact on the agro-food industry. Until now, direct aid for production made it possible to match supply and demand for primary products. It can be expected that new situations will emerge in which there will be a need to achieve a new balance and understanding between farmers and processing firms. The EAFRD must be able to respond flexibly and innovatively to the challenge in this key sector.

- Complementarity/integration with other cohesion policies and instruments. The CPMR has always advocated the need to coordinate the programming of all EU funding at regional level. This is all the more necessary during the new phase, bearing in mind the ERDF’s mission in urban and rural areas. Even though it will only be possible to assess the situation correctly after all the different budget decisions have been taken, it can already be expected that there will be financial “pressure” on support provided by the EAFRD, notably under Axis 3. This will perhaps compensate for the lack of overall resources devoted to supporting basic infrastructure, for example.

Specific comments regarding the content of the new Regulation

- Simplification of the Regulation primarily concerns procedures between the Commission, the Member States and the regions, notably regarding implementation, and there is increased financial flexibility among the different measures. But the positive effects of simplification should concern farmers, in order to rationalise and optimise procedures for submitting grant requests, accounting and eligibility of expenditure and acquisition of the funding contribution. There should notably be a clear and simple set of auditing rules. Much progress remains to be achieved on such matters. The Commission should take account of this in the Regulation on implementation.

- Continuation of the “two-tier procedure” for financing investment in the new programming phase. Some support measures are still organised under the aegis of the World Trade Organisation (WTO), as is the case for wine growing or the fruit and vegetable sector. Once the CAP reform has been introduced, how will it be possible to justify a procedure obliging farmers to apply EAFRD rules in some cases, or EAGGF ones in other cases? The time has come for all support for structural or reconversion activities to be regrouped under the rural development heading.

- The increased number of measures, which in itself constitutes a positive effort of the Commission to tailor responses to the requirements of different areas, nonetheless makes it difficult for farms or
rural businesses to present an integrated project, because support is divided between the different headings of the new Regulation. It would be desirable to enable regions to organise themselves in the most effective way so that they can respond to the expectations of farms and rural businesses, notably regarding innovative measures to diversify the rural economy.

- As far as premiums and investment aids are concerned, farms have a certain amount of difficulty making the distinctions imposed by the Regulation (productive investments or non-productive ones, for forestry or for agriculture, Natura 2000 grants for agriculture or for forests, etc.) It would be most desirable for these measures to be brought together and simplified. Efforts should be made to avoid inflexible distinctions between the different axes, which, bearing in mind the diverse needs of rural areas, make it extremely difficult to develop coherent projects.

- The introduction of two-tier programming (Community and national strategic guidelines) raises doubts about its purpose and notably the consequences for the preparation of regional plans.

- LEADER: while we can be pleased that it has been included in regional programming, some doubts persist regarding its allocated role. Should it be considered as being complementary or to be integrated? This issue seems important because some activities, such as diversification and services to people, can only be organised in this context.

**State of progress of Council discussions, Pierre Treinen, Agricultural Advisor, Luxembourg Representation to the EU**

Discussions are progressing satisfactorily in the Council’s Special Agriculture Committee. Technical issues have been settled, and the second reading of an initial text has been completed. One of the main persistent points of friction is the issue of the new delimitation of disadvantaged areas, which introduces changes to the current zoning arrangements. A phasing out process could therefore be included.

It is furthermore difficult to establish objective criteria for dividing the funds up between countries.

If, under pressure from the “six net contributors”, the agreement on EU financial perspectives leads to a sharp reduction in comparison to what the Commission proposed, all EU funds will have a smaller budget, including the EAFRD.

**The Committee of the Regions’ opinion on the proposal for a Regulation on the EAFRD, Robert Kaukewitsch, Administrator at the Committee of the Regions**

This opinion, which has been prepared by Jan Pieter Lokker of Utrecht Province in the Netherlands, was adopted on 23 February 2005 by the Committee of the Regions (CoR). Robert Kaukewitsch presented the main conclusions.

The CoR’s opinion is based on a vision of rural development that differs from that of the Economic and Financial Affairs Council and the European Parliament’s AGRI Committee. The CoR considers that all funds freed up by the first pillar should be focused on the needs of the whole rural economy, and not just farmers.

The CoR believes that it is important for the Member States’ programmes to provide minimum financial contributions for each of the priority objectives.

The members of the CoR would like to continue their involvement in the decision-making process and to prepare an opinion on the forthcoming proposals on implementation rules.
Speech by Dirk Ahner, Deputy Director General, Directorate-General for Agriculture, European Commission

The Commission is pleased that the Council has approved the general frame of its proposals for revising the rural development instruments, which would lead to simplification and increased flexibility; a single fund, multi-annual planning, the possibility to make budget transfers between measures within a given axis without having to refer to the Commission, etc.

It considers that the Council’s discussions have taken the draft EAFRD Regulation forward in a favourable manner.

A series of points are still being debated:

- The Member States would like to have more flexibility regarding the division of funds between the four priority axes (minimum percentages).
- The “LEADER reserve” is subject to criticism: the lack of time for spending it (two years), the former Member States would benefit most, and the negative effects of the planned evaluation exercise.
- Axe 1, “Improving competitiveness of farming and forestry”: discussions on support for SMEs (the Commission would like to focus it on medium-sized enterprises; large firms should look elsewhere for possible financial support) and on the Commission’s proposal to abolish low-interest loans for young farmers.
- Axe 2, Environment and land management”: there are difficulties in establishing criteria for defining areas with a natural handicap, because socio-economic criteria evolve over time and are therefore difficult to apply. How can a population density criterion be introduced? However, this point should not prevent an agreement from being reached in June. Phasing out arrangements could be set up.
- Axe 3, “Improving quality of life and diversification”: the Commission would like to have a territorial approach. Farmers need to live in pleasant rural surroundings. The ERDF could focus on big investments, and the EAFRD on local development. The Member States are divided.
- There were many difficulties with LEADER. Despite this being the case, the Commission would like the approach to be developed.

As far as the role of the regions is concerned, the Commission would like to introduce a territorial strategy (European framework, national strategies) allowing an emphasis on regional differences.

In response to questions from the participants, Dirk Ahner (DA) made the following remarks.

- Introduction of an income insurance measure in Axis 1 (Limousin). DA: rural development should remain in the WTO’s green box. Such measures can only be included in the second pillar if they concern a production sector. Solutions can be found in the first pillar: risk and crisis management, fruit and vegetables, etc. The second pillar can intervene for mass production in disadvantaged areas.
- Possibilities for interregional measures, for example in a mountain area (Limousin). DA: examples of good practice exist, for example in Germany.
- Forestry - inclusion of forestry management in Axis 1 (Limousin); possibility to support not just micro-enterprises (as proposed), but also forestry cooperatives, of which there are many in mountain areas (Tuscany). DA: there is no EU forestry policy. The eastern Member States regret this. An action programme will be proposed in late 2005. The EAFRD should not provide support in the forestry sector other than for micro-enterprises
- Problems of suburban rural areas (Catalonia). DA: this is primarily an issue in terms of pressures on the environment.
- Possibility of financing cultural projects (Limousin). DA: no change in this area.
- Concerns about there being too much pressure on Axis 2 (Tuscany: this axis is of interest to Italian employers, for example).
The introduction of decoupled subsidies under the new CAP has all but abolished the relationship between the territory, production and processing. Is there not a risk of weakening traditional sectors which have until now been based on stable production and the balance between processing firms and producers? This may notably be the case in disadvantaged areas, such as certain outlying places in Tuscany, which are coming under severe pressure further to the abandonment of traditional crops.

**Concluding remarks, Xavier Gizard, Secretary General of the CPMR**

M. Xavier Gizard thanked all of the participants, and particularly Dirk Ahner and Pierre Treinen for making themselves available during a period of intense negotiations.

He considered that with the support of Limousin and Tuscany regions, the CPMR will continue monitoring and providing information on EU rural development policy. He proposed that a seminar should be held on the contribution rural areas can make to the Lisbon strategy.