

# Agenda 2000: support for rural development from the European Agricultural Guidance and Guarantee Fund EAGGF

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This report provides an overview, with both physical and financial data, for the years 2001, 2002 and 2003, of the implementation in the European Union of the rural development programmes. The document is the second Community-level summary report on rural development. It follows the Council's invitation to the Commission after Goteborg 2001 to make a short summary of the yearly reports sent by the Member States of their rural development programmes (as set out in Regulation 1257/1999/EC.) As explained below, it covers only those programmes financed by the European Agricultural Guidance and Guarantee Fund (EAGGF) Guarantee Section.

The Commission notes that there are problems with both the quality and quantity of the data. Exhaustive data set is not available. Accordingly, the analysis in this report is based only on the programmes financed by the EAGGF Guarantee Section (RDPs, Objective 2 programmes and voluntary modulation), for the years 2001, 2002, 2003. Furthermore, numerous errors and differences of interpretation were found during the verification process. This implies that there may still remain undetected errors.

Despite these reservations, one can draw a general picture of the rural development programmes (cofinanced by the EAGGF Guarantee Section). There are two measures that dominate largely in terms of expenditure, contracts and area – the agri-environment and less-favoured areas measures. These were also the only two measures applied in all Member States in 2003. 55% of the overall public expenditure was programmed under these two measures, and 57% of rural development contracts signed were under agri-environment measures. 'Investment in agricultural holdings' also received a high level of public expenditure.

Each Member State uses the 22 measures available to it in a different way, the possibilities provided under the rural development regulation being adapted by Member States to their own situation. During the three years studied, the data are characterised by the stability of the allocation of expenditure between the measures which reflects well the idea of a programming period. There is one exception: the agri-environment measure is accounting for an increasing amount of resources (both in absolute and proportionate terms).

In 2003 rural development, via the 22 measures applicable at that time, translated into almost 3 million contracts and EUR 10.1 billion public expenditure commitments (of which EUR 4.6 billion from the EAGGF-Guarantee Section). Six Member States (Greece, Ireland, Austria, Portugal, Finland and Sweden) devote 80% or more of their EAGGF Guarantee funding to the two principal measures (less-favoured areas and agri-environment). Spain invests significantly in the forestry measures, Belgium and Luxembourg in 'investment in agricultural holdings', and the Netherlands in the Article 33 measures ('promoting the adaptation and development of rural areas').

The programmes are gradually reaching their cruising speed, with Community expenditure for rural development (EAGGF Guarantee) increasing year by year. In 2003, it reached EUR 4.58 billion (EUR 3.84 billion in 2002 and EUR 3.47 billion in 2001). This increase applies for most measures and is particularly significant for the following measures: early retirement, agri-environment and basic services (measure 'n'). Two measures received significantly less public funding in 2003 than in 2001: setting up aid for young farmers and other forestry measures. Despite 2003 being the fourth year of implementation,

10 measures were still not being implemented in Member States where they are applicable. Luxembourg alone had six measures included in its programme but not being implemented yet in 2003. The share of national and regional co-financing in the overall public expenditure is variable by country (from 24% in Portugal to 72% in Greece)

The paper goes on to state that in preparatory work on EU rural development policy for the 2007–13 period, it was seen that the various individual rural development measures applicable in the 2000–06 period could be grouped into three broad categories which respond to different policy objectives. These groupings have formed the basis of the new axes that are a central part of the new rural development policy for 2007–13. Along this classification, the 22 available measures can be grouped into three categories. It is noted that this classification of measures does not form part of the policy framework for the 2000–06 period.

**Group 1: restructuring and competitiveness** (12 measures): there has been little evolution in this group of measures between 2001 and 2003. However one can highlight an increase in the number of applications for investments in agricultural holdings and in the number of beneficiaries of the early retirement measure, and a significant reduction in setting up aid for young farmers.

**Group 2: environment and land management** (5 measures): this group relates to the social, environmental and landscape management role of agriculture. The measures under this group include less-favoured areas and agri-environment. This is the core of rural development –70% of EAGGF Guarantee expenditure for 2003 was committed under these measures. In total, nearly a million holdings received less-favoured area support, corresponding to 16% of total holdings in the EU. (A quarter of utilised agricultural area receives less-favoured area support, of which 8% as mountainous areas, 1% as areas affected by specific handicaps and 15% as other less-favoured areas). The situation varies considerably according to the physical constraints faced in each country. This measure is fairly stable over the current period, as the eligibility criteria have remained the same. One notes however a slight reduction in area (–6%) and number of holdings (–2%) covered between 2001 and 2003. The agri-environment measure was considered of particular importance by the legislator and was made compulsory throughout the European territory. It was therefore implemented in all 15 Member States in 2003. The agri-environment measure mobilises an increasing amount of resources over time (both in absolute terms and proportionately). It is a multi-annual measure (minimum five years). Each year new contracts join the ongoing contracts of the previous years. Support for organic farming under rural development has existed since 1992. In the current programming period (2000–06) 85 917 contracts have been signed throughout the EU-15 for a minimum five-year duration. Some 2% of the utilised agricultural area (UAA) benefits from such support. Organic farming receiving agri-environment support, is most widespread in Sweden, Austria and Finland, accounting for more than 13% of the UAA in Sweden.

**Group 3: rural economy, rural communities** (5 measures): the measures concerned include basic services for the rural economy and population, and renovation and development of villages and protection and conservation of the rural heritage. Four Member States do not apply these measures at all in their programmes financed by the EAGGF-Guarantee Section. These are Greece, Portugal, Luxembourg and Ireland. In Greece, Portugal and Ireland these measures are applied through their Objective 1 programmes. By contrast, the Netherlands dedicates 20% of its EAGGF-Guarantee support for supporting rural communities, and uses the five measures concerned.