

CHAPTER 2
SITUATION AND PERSPECTIVE

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SECTION 2.1 SITUATION

2.1.1. Importance of rural areas

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In the EU-27 rural areas (predominantly rural and intermediate regions) represented 90% of the territory and 56% of the population in 2006. The corresponding shares for predominantly rural areas were 54% of the territory and 19% of the population. Rural areas are therefore particularly important in terms of territory. Among the Member States, the importance of rural areas varies from the more "Urban"⁸ ones (BE, NL, MT) to the more "Rural"⁹ ones (IE, SI, FI) along a continuum where Intermediate Regions can play a major role (CY, LU, CZ, EE, SK, BG, LT).

Even if economic activity tends to be concentrated in more urban areas, rural areas generate 43% of the Gross Value Added (GVA) in EU-27 and provide 55% of the employment, these shares being larger in the new Member States (70% and 79% respectively).

2.1.2. Socio-economic situation in rural areas

(tables & maps/graphs 3.2.1 to 3.2.8)

In most rural areas, a first characteristic is the low level of concentration of the population: at EU-27 level, population density varies from 41 inhabitants/km² in predominantly rural areas to 561 inhabitants/km² in predominantly urban areas. This range is of course even larger when looking at national or regional levels: at NUTS-3 level, it ranges from 2 inhabitants/km² in Finnish "Lappi" to 20 729 inhabitants/km² in Paris. In most Member States, population density did not evolve significantly in rural areas between 1995 and 2006. On the contrary, important changes occurred in the urban areas of some Member States such as increases of more than 100 inhabitants/km² in Austria and Ireland and decreases of more than 300 inhabitants/km² in Latvia, Hungary and Romania¹⁰.

At EU-27 level, the age structure of the population does not vary significantly between different types of areas. However, the share of population between 15 and 64 years old is always significantly higher in urban areas and the proportion of old people (65 years old and more) is often slightly higher in predominantly rural areas. It seems that age structure is more influenced by differences in demography between Member States. For instance, in rural areas, there is generally a larger proportion of old people in EU-15 whereas there are relatively more young people (less than 15 years old) in the new Member States. Between 2000 and 2007, the share of young people (less than 15 years old) decreased in almost all Member States and all types of areas and more significantly in new Member States and in rural areas where their proportion was generally higher in 2000.

At EU-27 level, the income per habitant is 21% to 62% lower in rural areas and generally increases with a higher urban character¹¹. In the new Member States where the general level of income is less than half of the EU-27 average, the gap between predominantly rural areas and predominantly urban areas is accentuated. However, while the relative income per

⁸ With more than half of the territory and of the population in Predominantly Urban regions.

⁹ With more than half of the territory and of the population in Predominantly Rural regions.

¹⁰ These changes are of course strongly influenced by the delineation of NUTS-3 that may be restricted to urban centres.

¹¹ With the noticeable exception of Estonia. This result is influenced by the statistical measurement as the GDP is evaluated in the place of work and not in the place of residence.

inhabitant in rural areas of the EU¹² remained globally unchanged between "1999" and "2005", it has slightly improved in rural areas of new Member States (for predominantly rural areas, the relative position increasing from 34% to 38% of the EU average and from 41% to 48% for intermediate regions).

The primary sector still represents 9% of the employment and 3% of the value added in rural areas of EU-27¹³. This situation is more marked in the new Member States, with the corresponding shares standing at 17% and 6% respectively. In general, even in rural areas, the majority of the economic activity depends more and more on the service sector. This trend should increase in the coming years as, between 2000 and 2006, the relative importance of the primary sector in the economy of the rural areas in EU-27 decreased by 4.2 percentage points in terms of employment and by 1 percentage points in terms of value added. It has to be mentioned that Bulgaria, Romania and Poland played an important role in the change of employment in primary sector, falling by 21, 16, and 11 percentage points respectively. In EU15, by contrast, this figure decreased by 1 percentage points.

The employment rate is slightly lower in rural areas for EU-27 as a whole (64.8% in predominantly rural areas against 66.5% for all areas in 2007)¹⁴. Development between 2000 and 2007 is different in new and old Member States. In EU-15, employment rate has generally increased more in rural areas than in urban areas, whereas in EU-12, rural areas are revealing lower increase of their employment rate or even a decrease (particularly significant in Romania). At EU-27 level, the unemployment rate (including long-term unemployment) is globally slightly higher in rural areas, but as for the employment rate, this is not observed in all Member States. Between 2000 and 2007, the unemployment rate diminished more in rural areas at EU-27 level, being this decrease higher in EU-12 than in EU-15.

2.1.3. Sectoral economic indicators

(tables & maps/graphs 3.3.1 to 3.3.2)

With around 12.9 mio persons employed in 2006 in EU-27, the primary sector (agriculture, hunting and forestry) represented an important part of the EU economy in terms of employment: 6% for EU-27, ranging from 1% in United-Kingdom to 30% in Romania.

In terms of value-added, the EU-27 primary sector reached around 179.5 bio euros in 2006 and accounted for 1.7% of GDP, ranging from 0.4% in Luxemburg to 8.8% in Romania.

The importance of primary sector in EU-27 is declining. Between 2000 and 2006, its share diminished by 1.2 percentage points in terms of employment and by 0.6 percentage points in terms of value-added. The number of jobs decreased by 1.9 mio persons or -2.2% per year ranging from -9% in Poland and Romania to +4% in Luxemburg. Between 2000 and 2006, the value-added of the primary sector decreased by 9.1 bio euros. It is due to a particularly low production in 2006, with no increase in volume at EU level and average annual changes ranging from -6% in Luxemburg to +7.2% in Slovakia. However, in most new Member States, there has been an increase of the production in volume leading to an average growth rate of 2.9% per year for EU-12.

¹² For the change "1999"- "2005", EU-27 excludes BG and DK due to the lack of data.

¹³ Due to data availability, this indicator is evaluated at NUTS-2 level which only enables to provide a rough delineation of rural areas.

¹⁴ Due to data availability, employment and unemployment are evaluated at NUTS-2 level which only enables to provide a rough delineation of rural areas.

2.1.4. Agriculture

(tables & maps/graphs 3.3.3 to 3.3.9)

In 2007, agriculture utilised 172.5 mio hectares in EU-27 of which 60.5% were dedicated to arable crops, 33% to permanent pastures and 6.4% to permanent crops. As the distribution depends mainly on natural conditions, there are major variations between (and generally within) Member States. Typical examples are the importance of permanent crops (vineyards, olive trees) in dry areas of Mediterranean countries (e.g. EL, CY, IT, PT, ES) or the major share of permanent pastures in mountain or rainy areas (e.g. IE, UK, SI, AT, LU, NL).

There were 13.7 mio farms in EU-27 in 2007, with an average size of 12.6 hectares, varying from 1 hectare in Malta to 89 hectares in Czech Republic. In general, farm sizes are higher than the average in EU-15 (with the exception of EL, IT and PT) and lower in the new Member States (with the exception of CZ, EE and SK).

Variations in structure among regions of the same Member State are in general much lower in new Member States than in old ones, with the largest differences observed in Germany (from 13 ha in Hamburg to 263 ha in Mecklenburg-Vorpommern).

Variations between Member States and regions are even greater when measuring the economic size¹⁵ of farms: on average, the economic size of farms in the new Member States is ten times lower than in EU-15 (the Czech Republic is the only new Member State above the EU-27 average economic size that stands at 11.3 European Size Units)¹⁶.

The total labour force in agriculture represents around 11.7 mio annual work units for EU-27.

The basic feature of agriculture in the EU is family farming with 1 to 1.5 full-time jobs, though there are significant variations between Member States. In southern countries of EU-15 and in most New Member States, there are many holdings with less than 1 full-time job (the minimum being 0.4 in Malta). On the other extreme, in some regions, agriculture production is based on very large agricultural holdings organised in legal entities and mainly based on non-family labour force. It is clearly the case in the Czech Republic but also in Eastern Germany, and in Dutch "Holland", for instance.

Very small farms that could be considered as based on semi-subsistence activities are very important in some Member States, particularly in the New Member States. In several of these, half of the farms have a potential gross value added per year of less than 1 200 euros (i.e. with an economic size of less than 1 European Size Unit)¹⁷.

In 2005, only 20% of farmers in the EU-27 had a basic or full training in agriculture, ranging from less than 1% in Malta to 71% in The Netherlands¹⁸.

At EU-27 level there is approximately 1 farmer of less than 35 years old for each 9 farmers of more than 55 years. In some Member States (Portugal, Bulgaria, Italy, Cyprus, United-Kingdom), the proportion of "young" farmers is very low (less than 1 "young" farmer for every

¹⁵ The economic size is measured by the potential gross value added which takes into account the type of production and the average yields and prices at regional level (European Size Unit).

¹⁶ It should be noticed that, even if the influence of inflation is eliminated, the economic size is measured in euros. Variations between Member States would be attenuated when using another currency unit such as the purchasing power parities which take into account the cost of living.

¹⁷ This information should be used with cautious as it is very sensitive to the definition of a farm and to the threshold of the survey adopted by the Member States. It explains the high proportion of very small farms recorded in UK in the Farm Structure Surveys since 2003 for which the national authorities decided to cover all farms left outside the field of observation in the previous surveys.

¹⁸ Due to data availability, we are just able to provide information from FSS 2005

20 "older" farmers) whereas in some others (Poland, Austria, Germany) there is more than 1 "young" farmer for every 3 "older" farmers.

The labour productivity of farming¹⁹ differs considerably across the EU, particularly between the old and the new Member States. On average, for the period 2005-2007, labour productivity in the EU-15 was around 81% higher than the EU-27 level, whereas it was four times lower in the New Member States. Exceptions are Malta and Cyprus with labour productivity above EU average. The highest labour productivity is observed in The Netherlands and Denmark (more than 3 times the EU-27 average) and the lowest in Latvia, Bulgaria, Romania and Poland (less than 4 times the EU-27 average). However, over the last years (between 1999-2001 and 2005-2007), labour productivity increased more rapidly in the new Member States than in EU-15. Average annual change rate²⁰ in the new Member States varies between -3.4% and 19% and in the old Member States between -6.7% and 7.5%.

Gross Fixed Capital Formation in the EU-27 reached 56 bio euros in 2007, of which 92% took place in the EU-15. The rate of investment, measured by the ratio between the Gross Fixed Capital Formation and the Gross Value Added, was around 37% for the EU-27 but was half in the new Member States than in EU-15 (21.1% and 40.1% respectively). In EU-15, it varied between 15.4% in Spain and 91% in Luxembourg. Among the New Member States, high rates (at least 40%) are observed in Latvia, in Slovenia, in Estonia and in Czech Republic.

2.1.5. Food industry

(tables & maps/graphs 3.3.10 to 3.3.13)

The food industry represents an important part of the EU economy accounting for 5 mio jobs (2.3% of total employment) and 2.1% of total GVA for EU-27 in 2007. It is relatively particularly important in Romania, Ireland, Lithuania, Poland, Bulgaria and Greece. Between 2000 and 2006 this sector developed differently in the various Member States resulting in a slight decrease of employment but a significant increase of gross value added (+1.2% per year at constant prices) at EU-27 level.

In 2006, the rate of investment, measured by the ratio between Gross Fixed Capital Formation and Gross Value Added, was particularly high in Latvia (52%) and Italy (31%).

Labour productivity is difficult to measure in the food industry as there is limited information concerning the labour force, due to the importance of seasonal or part-time employment in this sector. The estimate for EU-27 is around 43 thousands euros per person employed.

2.1.6. Forestry

(tables & maps/graphs 3.3.14 to 3.3.17)

In the EU-27 the forest available for wood supply covers around 117.6 mio ha. Whereas it represents 79.5% of the total forest area for EU-27, the share of productive forest is much lower in Mediterranean countries. Around 60% of this forest belongs to private owners, this part being in general lower in the new Member States. In most Member States, the average size of the forest owned by private owners is low (for instance lower than the average farm size). Forest productivity varies significantly among Member States, from 1 m³/year/ha in Cyprus to 8.8 in Germany (4.7 for EU-27). Due to the relatively low importance of the forestry sector, the economic information is very limited in many Member States.

¹⁹ Measured by the Gross Value Added at basic prices per Annual Work Unit.

²⁰ Measurement at constant prices (in volume).

Based on the available information, estimates for Gross Fixed Capital Formation in the EU forestry sector reached around 1.7 bio euros in 2005, representing around 16% of the GVA of the sector.

Due to the same difficulty as for the food industry, labour productivity is difficult to measure in the forestry sector. The estimate for the EU is around 51.5 thousands euros per person employed in 2005 (only 15 countries have been included).

2.1.7. Environment

(tables & maps/graphs 3.4.1 to 3.4.20)

Agriculture and forestry represent 78% of land use in the EU-27, ranging from 50% in Malta to 95% in Poland. In the Mediterranean countries, the British Islands and Scandinavia, natural areas also cover a large part of the territory. Artificial areas represent a significant part of the territory only in Malta, Belgium and The Netherlands. Agriculture and forestry therefore play a major role for the environment and landscapes in Europe.

A considerable part of the agriculture area is located in regions where conditions are difficult for this activity, for instance in mountains. Extensive farming covers at least 15.8% of area for arable crops and 22.8% of area for grazing animals in EU-27. It is estimated that high nature value farming systems cover more than 20% of agricultural area in most Member States (even more than 30% in some of them²¹).

The implementation of Natura 2000 has represented a significant contribution to the preservation of the biodiversity. The designated sites cover around 10% of agricultural area of the EU-27 and even 15% or more in five Member States.

Natura 2000 sites also cover over 20% of forestry area that also contributes to the biodiversity. This share is even higher than 40% in several Member States.

Over the long term, a decline in the population of farmland birds, largely attributed to intensive farming, is observed in many Member States. However, over the last decade, the situation is rather stable at EU level²².

Defoliation of trees also reveals the strong environmental pressure on the forestry ecosystem (23% of sample trees were affected at EU-27 level in 2007). The development of this phenomenon between 2000 and 2006 varies among Member States, with significant increases in Portugal, France, and Slovenia and steep decreases in Poland and Bulgaria. In 2007, the phenomenon of defoliation was particularly important in the Czech Republic, Bulgaria, Italy and France. However forestry area in EU-27 increased by nearly 500 000 hectares per year between 2000 and 2005, the largest increases having taken place in Spain and Italy.

Even if several human activities influence water quality, agriculture plays an important role for some of its features. Concentration of nitrates in surface water decreased over the last years in most Member States even if significant surpluses of nutrients (+89 kg/ha for Nitrogen and +13 kg/ha for Phosphorus at EU-15 level and much more in some Member States) reveal that farming practices are still too intensive. The pressure from agriculture on water use is also critical in some regions of the European Union as, for instance, the share of irrigated area can be higher than a fifth of the agricultural area in some Member States.

²¹ The concept of High Nature Value Farmland is still under development. In the framework of the evaluation process of RD 2007-2013, a Guidance document is being prepared to help Member States to elaborate the Impact Indicator "Maintenance of high nature value farming and forestry areas".

²² Attention should be given to long-term trends as short-term variations are mainly influenced by weather conditions.

Soil erosion persists in many areas as it is estimated that a soil loss by running water can amount to more than 2 tons/ha/year in some Member States. However, an increasing part of agricultural area is devoted to organic production. For the whole EU-27, organic area was higher than 7.1 mio ha in 2007, i.e. 3.9% of the agricultural area, and is developing rapidly: for the period 2003-2007, the average annual growth rate was around 6% for EU-27 and even reached 20% for the new Member States.

With 462 mio tonnes of CO₂ equivalents, agriculture produced 9.2% of the EU emissions of greenhouse gases in 2007, resulting from an average annual decrease of 1% per year between 2000 and 2007. However, with a production of renewable resources of almost 8 mio tonnes of oil equivalent in 2007 and a corresponding area in 2007 estimated around 4.6 mio ha, EU agriculture also contributes increasingly to the mitigation of climate change²³.

2.1.8. Diversification and quality of life in rural areas

(tables & maps/graphs 3.5.1 to 3.5.12)

The diversification of the economy of rural areas to other sectors than agriculture is progressing:

- 35% of European farmers had another gainful activity than agriculture in 2007, this percentage being even higher than 50% in many countries and regions (particularly in Slovenia, Sweden and Cyprus);
- 82% of employment and 95% of value added in predominantly rural areas of EU-27 came from the non-agricultural sectors, resulting from respective average annual increases of around 1.8% and 2.7% per year between 2000 and 2006.

One of the key opportunities in terms of potential growth for rural areas comes from tourism. Limited information is available on the small size tourism structure that is the main features of rural tourism. However, with 27% of bed places of EU-27 in predominantly rural areas, this sector already plays a major role in most of them, but increases less rapidly than in urban areas.

Due to their rural amenities, rural areas are attractive as a place to live, even if remoteness and peripherality remain a major problem in some of them. However, some aspects of quality of life need to be improved in many rural areas. For instance, broadband internet infrastructure and take-up by population are significantly lower than in urban areas and take-up is often progressing slower.

The development of services is also lower in the rural areas of many Member States: at EU-27 level, services represent 63% of the economic activity in predominantly rural areas in comparison with 76% in predominantly urban areas.

The net migration rate is a good indicator to measure the global attractiveness of an area. It is often lower in predominantly rural areas (+0.23 % for EU-27 in 2005) than in urban areas (+0.46 % for EU-27). It should be noticed that the pattern varies significantly in the different Member States and that this information should obviously be analysed with care as other factors, such as more favourable climatic conditions, can play a major role in the decision of people to go and live in another place.

Human potential is a key factor for the development of rural areas. In 2008, 71% of adults of EU-27 have reached a medium or high education level. There are however large variations among Member States (from 27% to 91%), with notably a higher level of education in most new Member States than in EU-15. In most of the countries the level of education is lower in rural areas than in urban areas and these differences seem to be growing over the last years (2% and 2.5% average annual growth respectively in the period 2005-2008).

²³ Even if this quantity may seem limited in comparison with the 68 mio t of oil equivalent produced by forestry in 2007, with an average annual increase of 4.4% per year between 2000 and 2007.

Life-long learning is a good instrument to improve the skills of workers and favour economic development. It is already largely applied in Denmark and Finland where more than 20% of adults participated in life-long training in 2008. However, it is often less used and progressing slowly in rural areas.

The dynamism of population and their willingness to be actors for their development is also essential. This involvement is successful as LEADER actions cover more than 50% of the EU-15 population of rural areas.

SECTION 2.2 OVERVIEW OF THE EU RURAL DEVELOPMENT POLICY - 2007-2013 PROGRAMMING PERIOD

The Council Regulation (EC) No. 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) lays down the general rules governing rural development policy for the period 2007 to 2013, as well as the policy measures available to Member States and regions. The Rural Development Programmes that the Member States and regions prepared for the period 2007-2013 are currently under implementation. Therefore this section aims at providing a general overview of the content of the programmes and of the implementation consolidated mainly at Member State level, based on the situation as of 30 September 2009.

2.2.1. Overview of the RD policy framework for the 2007-2013 programming period

Considerable simplification has been introduced in the new programming period 2007-2013 as compared to the previous one. Rural Development is now financed by a single fund: the European Agricultural Fund for Rural Development. The previous 5 types of programming have been reduced to a single one, and there is now a single financial management and control framework instead of three.

As before 2007, every Member State (or region, in cases where powers are delegated to regional level) must set out a rural development programme, which specifies what funding will be spent on which measures in the period 2007 to 2013.

A new feature for 2007 to 2013 is a greater emphasis on coherent strategy for rural development across the EU as a whole. This is being achieved through the use of National Strategy Plans. This strategic approach has been introduced by the EU Strategic Guidelines (adopted by the Council in February 2006²⁴) and should help to:

- Identify the areas where the use of EU support for rural development adds the most value at EU level;
- Make the link with the main EU priorities (for example, those set out under the Lisbon and Goteborg agendas);
- Ensure consistency with other EU policies, in particular those for economic cohesion and the environment;
- Assist the implementation of the new market-oriented Common Agricultural Policy (CAP) and the necessary restructuring. It will entail in the old and new Member States.

Following the purposes of the CAP reform launched in 2003 (to realise an aid system that is independent from production, and to increase the population retention capacity of the rural regions) three major objectives for Rural Development policy have been set for the period 2007-2013:

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

The reform integrates the Leader Community Initiative into mainstream RD programmes.

²⁴ Council Decision 2006/144/EC of 20.02.2006

Each of these objectives corresponds to an Axis, while Leader is considered as a methodological axis. The Council Regulation 1698/2005 proposes a set of measures organised by axis, following a hierarchy of objectives.

The measures of **Axis 1** serve the aim of further modernisation of production by encouraging farmers also to structural changes, resulting primarily in quality improvement. Efficiency and competitiveness require that a reasonable balance is found between farm viability, environmental protection, and the social dimension of rural development.

Measures linked to more rational land use and protection of the environment are grouped around **Axis 2**, which aim at ensuring the delivery of environmental services by agri-environment measures in rural areas, and preserving land management. These activities contribute to sustainable rural development by encouraging the main actor to keep up land management so as to preserve and enhance the natural space and landscape. Such measures also help prevent the abandonment of agricultural land use through payments to compensate natural handicaps or handicaps resulting from environmental restrictions. A general condition for measures under Axis 2 is respect of the relevant EU and national mandatory requirements (cross-compliance).

The measures under **Axis 3** are aimed at improving the income-producing possibilities and quality of life of residents of rural areas by encouraging a 'living countryside' and helping maintain and improve the social and economic fabric, in particular in the more remote rural areas facing depopulation.

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 2000-2006 as an obligatory element into the rural development programmes to be implemented by the Member States during 2007-2013. Each programme contains a Leader axis to finance the implementation of the local development strategies of Local Action Groups, built on one or more of the three thematic axes, the cooperation projects between them and the capacity building necessary for the preparation of local development strategies and the animation of the territory.

As for the programming process, Member States had first to submit National Strategy Plans (NSP), with the aim of translating the EU priorities agreed in the Community Strategic Guidelines to the member state situation and ensuring complementarity with Cohesion policy. In a second step, Member States or regions had to set up their Rural Development Programmes (RDP) articulating the 4 axes.

To ensure some overall balance in the programme, a minimum funding for each axis is required²⁵: 10% for Axis 1, 25% for Axis 2, 10% for Axis 3 and 5% for Leader axis (for the New Member States a phasing in period is foreseen in such a way that at least 2.5% is reserved for axis 4 over the period). It should be noticed that, as Leader axis is also a delivery mechanism of the measures of the three thematic axes, it may overlap the minimum funding of these axis. As an example, the minimum spending of 5% of Leader axis may partly correspond to the 10% minimum spending of Axis 1.

2.2.2. Overview of the financial aspects of rural development policy and the programming

At the highest level, the funding of Rural Development Policy is based on the **multiannual financial framework** agreed between the European Parliament, Council and Commission in an interinstitutional agreement. The financial framework sets the maximum amount of the EU budget each year for broad policy areas ("headings") and fixes an overall annual ceiling. The current financial framework covers the period 2007-2013.

²⁵ Article 17 of Council Regulation (EC) 1698/2005

At a second level, the annual amount foresees for Rural Development Policy, including the funds transferred from the agricultural market part due to the "modulation-mechanism" is distributed among Member States.

At the third level, based on their annual allocation, Member States have to set up their programmes and the distribution of their funding between axis and measures. Therefore, each rural development programme includes a financing plan, comprising two tables:

- a) a table setting out the total EAFRD contribution planned for each year and
- b) a table setting out for the entire programming period the total Community contribution planned and the matching national public funding for each axis and measure.

As the financial framework foresees a rather regular distribution of the support over the 7 years, the annual breakdown that Member States have to use as a reference is not always appropriate, in particular during the first years where the programmes have to be elaborated, adopted and implemented.

Within the framework of the new Financial Perspectives, rural development was allocated 77.6 billion euros from EAFRD envelope over the period 2007-2013²⁶. In addition, Council Regulation (EC) 378/2007 opens the possibility of a voluntary modulation, i.e. reducing the direct payments and transferring the corresponding funds to increase the financing of RD programs. It concerns Portugal and United-Kingdom.

Table 2.2.1 provides a breakdown by Member State of Community support for rural development from 2007 to 2013. It should be kept in mind that all public funds are not covered in this overview, notably the support provided in the framework of the state aids is not covered.

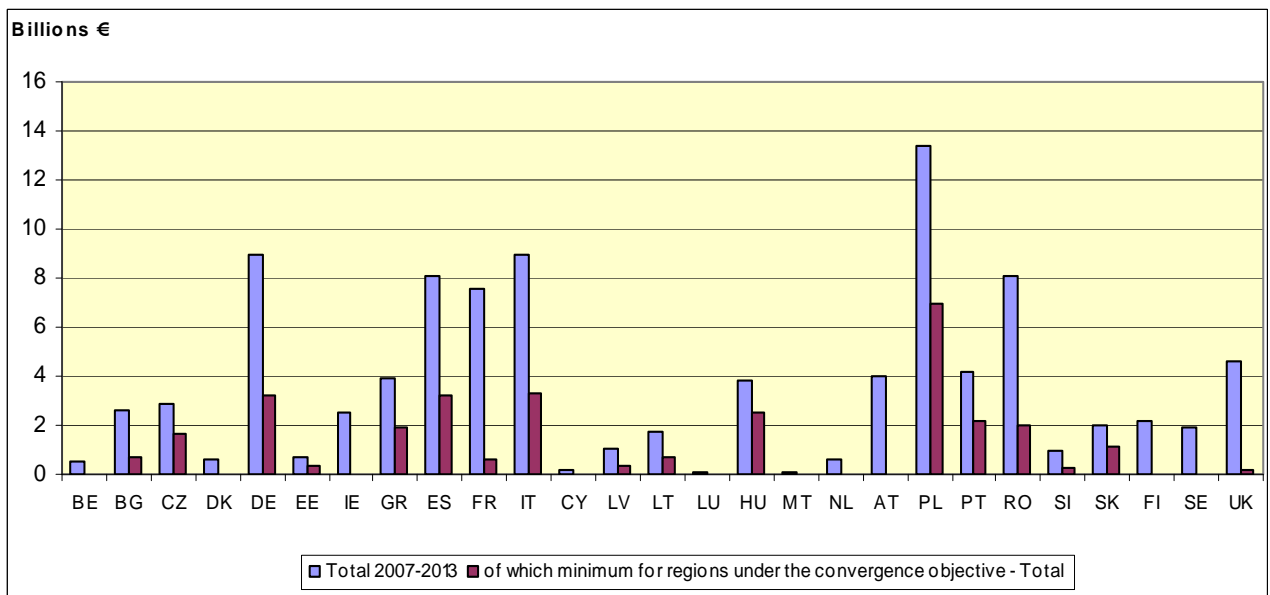
²⁶ 2009/545/EC: Commission Decision of 7 July 2009 fixing the annual breakdown per Member State of the amount referred to in Article 69(2a) of Council Regulation (EC) No 1698/2005 concerning support to rural development and amending Commission Decision 2006/636/EC

Table 2.2.1: Breakdown by Member State of Community support for rural development from 2007 to 2013

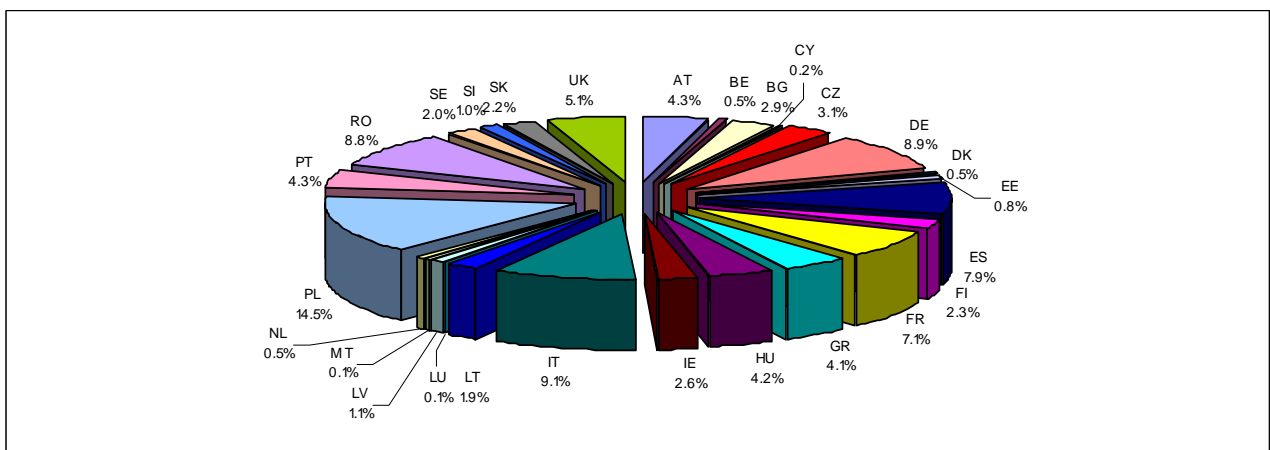
Member State	Total 2007-2013	of which minimum for regions under the convergence objective - Total
Belgium	487 484 306	40 744 223
Bulgaria	2 642 248 596	692 192 783
Czech Republic	2 857 506 354	1 635 417 906
Denmark	577 918 796	0
Germany	8 951 895 055	3 174 037 771
Estonia	723 736 855	387 221 654
Ireland	2 494 540 590	0
Greece	3 906 228 424	1 905 697 195
Spain	8 053 077 799	3 178 127 204
France	7 584 497 109	568 263 981
Italy	8 985 781 883	3 341 091 825
Cyprus	164 563 574	0
Latvia	1 054 373 504	327 682 815
Lithuania	1 765 794 093	679 189 192
Luxembourg	94 957 826	0
Hungary	3 860 091 392	2 496 094 593
Malta	77 653 355	18 077 067
the Netherlands	593 197 167	0
Austria	4 025 575 992	31 938 190
Poland	13 398 928 156	6 997 976 121
Portugal	4 166 823 028	2 180 735 857
Romania	8 124 198 745	1 995 991 720
Slovenia	915 992 729	287 815 759
Slovakia	1 996 908 078	1 106 011 592
Finland	2 155 018 907	0
Sweden	1 926 061 954	0
United Kingdom	4 612 120 420	188 337 515
TOTAL	96 197 174 687	31 232 644 963

Source: Commission Decision of 7 July 2009 (2009/545/EC)

Graph 2.2.1: Community support for rural development in the 2007-2013 programming period



Graph 2.2.2: Share of EAFRD contribution by Member State in percentage, programming period 2007-2013



The following sections and the annex present an overview of the allocation of funds, limited to EAFRD, between axis and measures based on the situation at 30 September 2009. Due to the different stages of approval of the programme modifications, this may be still subject to changes. Information has been consolidated at Member State level. Last but not least, data presented include voluntary modulation for Member States who chose to apply it (UK & PT).

2.2.3. Financial structure of programming

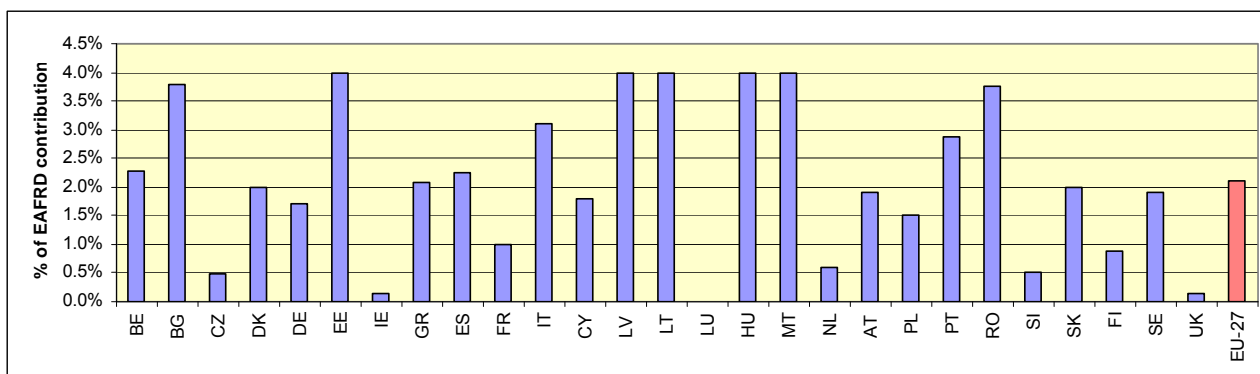
The structure of programmed expenditure can broadly be described in 5 blocks, corresponding to the 4 axes established in the Regulation and to the technical assistance²⁷.

2.2.3.1. Technical assistance

According to Article 66 of Council Regulation (EC) 1698/2005, there are 2 types of technical assistance, one that is at the initiative of the Commission or on its behalf, and one that is at the initiative of the Member States. In the latter case, the EAFRD may finance preparation, management, monitoring, evaluation information and control activities of programme assistance. Up to 4% of the total amount of each programme may be devoted to these activities. This percentage varies according to Member States, with a majority of the Member States who joined in 2004 and 2007 applying the maximum percentage (Estonia, Latvia, Lithuania, Hungary, Malta), Bulgaria and Romania (3.8%), while France (1.0%), Finland (0.9%), the Netherlands (0.6%), Slovenia (0.5%), Czech Republic (0.5%), the United Kingdom (0.1%) and Ireland (0.1%) dedicate less than 1% of the EAFRD contribution to this action. Luxembourg has no allocation for the Technical assistance measure (0%).

At EU-27 level 2.1% of the total EAFRD contribution is devoted to this activity (1.9% in the EU-15 and 2.3% in EU-12).

Graph 2.2.3: Importance of Technical assistance measure by Member State, programming period 2007-2013



2.2.3.2. The Leader axis and its contribution to the three core objectives

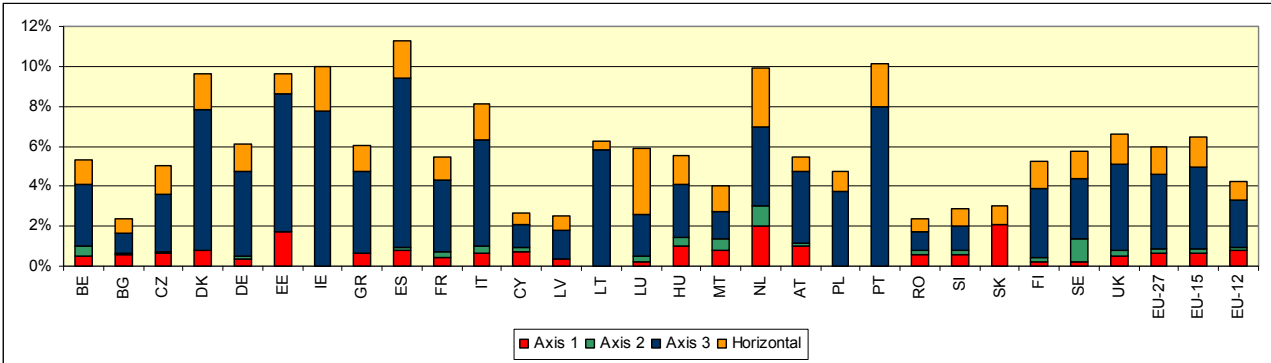
As previously mentioned, at least 5% of the EAFRD total contribution to the programme shall be reserved for Leader axis, diminished to 2.5% for New Member States. As can be seen from graph 2.4.3, at EU-27 level, Axis 4 represents around 6% of the EAFRD contribution. Spain (11.3%), Portugal (10.1%), Ireland (10%), the Netherlands (9.9%), Denmark (9.6%) and Estonia (9.6%) are the Member States which attribute most importance to this bottom-up approach, while it is less popular in Slovakia (3.0%), Slovenia (2.9%), Cyprus (2.7%), Latvia (2.5%), Bulgaria (2.4%) and Romania (2.3%).

Through Leader, support is granted to local action groups to implement local development strategies with a view to achieving the objectives of one or more of the three other axes, as well as to implement cooperation project involving the objectives selected, and to run and animate the local action group. This way the amounts allocated to the Axis 4 contribute to the

²⁷ The measure "Complements to direct payments" (measure code 611) is available only for Bulgaria and Romania. This measure is a transfer of EAFRD funds to the Pillar 1 in these countries.

achievement of the 3 core objectives, and are taken into account when determining the percentage allocated to each axis.

Graph 2.2.4: Importance and composition of Leader by Member State, programming period 2007-2013



Strikingly, measures implemented via Leader contribute mainly to Axis 3. In Ireland, Lithuania, Poland and Portugal, Leader even contributes exclusively to Axis 3. On the other hand, in Slovakia, it is entirely devoted to Axis 1, while Axis 2 is in any case the least represented. It is worth noting that in some programmes, Axis 3 is only implemented via Leader (e.g. in Ireland).

2.2.3.3. Relative importance of the three main axes

According to Article 17 of Council Regulation (EC) No 1698/2005 of 20 September 2005, at least 10% of the total EAFRD contribution should be devoted to Axis 1, at least 25% to Axis 2, and at least 10% to Axis 3.

At EU-27 level, Axis 1 (including Leader actions contributing to this objective) represents 34% of the total EAFRD contribution, while Axis 2 gets the lion's share with 44.1%, and Axis 3 with 17.6%.

Please note that these calculations have not taken into account two measures of Axis 4, "Implementing co-operation projects" (measure code 421) and "Running the local action group, acquiring skills and animating the territory" (measure code 431) because these are "horizontal" and can contribute to the objectives of the three "thematic" axes.

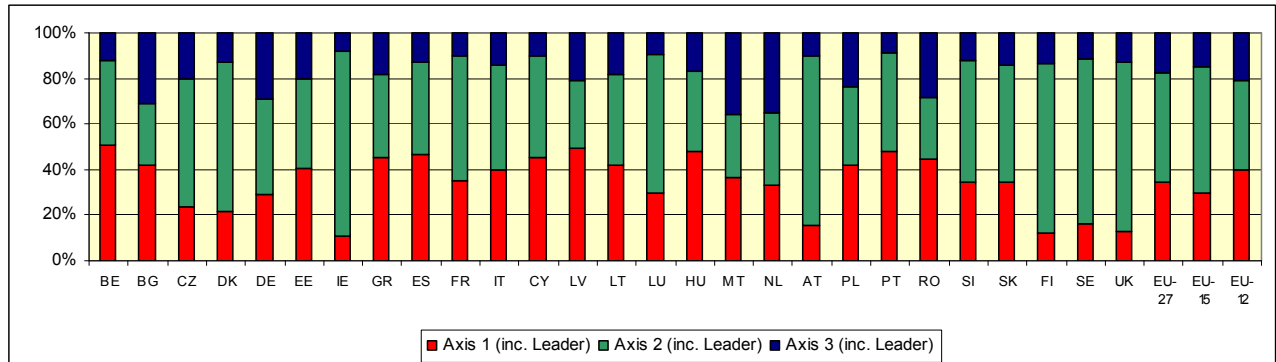
Graph 2.2.5 presents the relative importance of the 3 main axes, as percentage of the EAFRD contribution devoted to these 3 axes. Funds implemented through Leader have been reattributed to the respective axes. Despite the common minimum percentages, the picture looks quite different in the various Member States.

Measures of Axis 1 show the most important percentages in Belgium (48.6%), Latvia (47.2%), Hungary (45.6%), Portugal (45.5%), Spain (45%), Cyprus (%), Greece (43.7%), and Romania (40.13%). Less than 20% is attributed to this axis in Sweden (15.%), Austria (1.8%), United Kingdom (12.7%), Finland (11.6%) and Ireland (10.3%).

Contribution to Axis 2 is the highest in Ireland (79.6%), Finland (73.3%), United Kingdom (72.6%), Austria (72%), Sweden (70.2%), Denmark (63.3%), and Luxemburg (59.1%). Contribution to Axis 2 is less than 30% in Latvia (28.1%), Malta (26.6%), Bulgaria (24.5%) and Romania (23.7%).

EAFRD contribution allocated to Axis 3 never exceeds 40%. The highest rates of contribution are found in Malta and in the Netherlands (33.7%), Bulgaria (27.9%), Germany (28.5%), Romania (25.6%), Poland (23.2%), Latvia (20.1%) and Estonia (19.4%), and the lowest rates in Cyprus, France and Austria (10.1%), Luxembourg (9%), Portugal (8.3%) and Ireland (7.8%).

Graph 2.2.5: Relative importance of the 3 thematic axes by Member State, programming period 2007-2013



2.2.4. Main Rural Development instruments²⁸

Excluding the "511 – Technical assistance", a set of 42 measures is proposed to the Member States. Two additional measures have also been made available specifically for Bulgaria and Romania, namely measure "143 - Provision of farm advisory and extension services in Bulgaria and Romania" and measure "611 - Complements to Direct Payments for Bulgaria and Romania". They represent 0.7 billion euros for the whole period, or 0.9% of the whole EAFRD envelope.

The measures of EAFRD are codified as follows²⁹:

111	Vocational training, information actions, including diffusion of scientific knowledge and innovative practices for persons engaged in the agricultural, food and forestry sectors
112	Setting up young farmers
113	Early retirement of farmers and farm workers
114	Use by farmers and forest holders of advisory services
115	Setting up farm management, farm relief and farm advisory services, as well as forestry advisory services
121	Farm modernisation
122	Improving the economic value of the forest
123	Adding value to agricultural and forestry products
124	Cooperation for development of new products, processes and technologies in the agricultural and food sector
125	Improving and developing infrastructure related to the development and adaptation of agriculture and forestry
126	Restoring agricultural production potential damaged by natural disasters and introducing

²⁸ Reminder: the analysis only covers EAFRD.

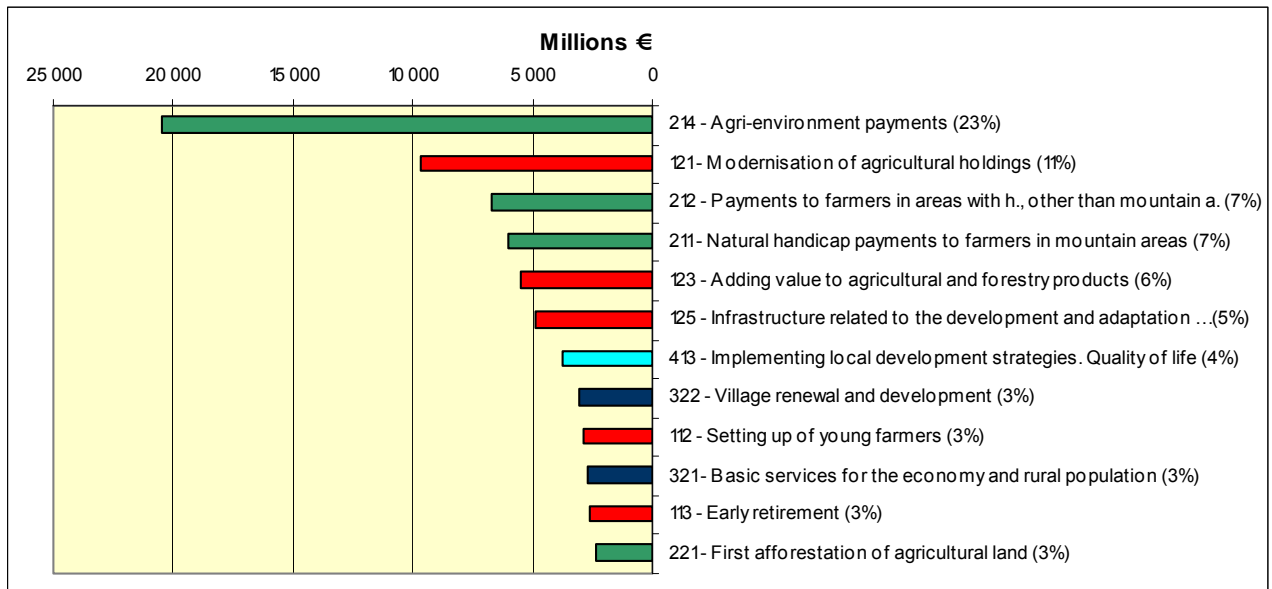
²⁹ Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

	appropriate prevention actions
131	Helping farmers to adapt to demanding standards based on Community legislation
132	Supporting farmers who participate in food quality schemes
133	Supporting producer groups for information and promotion activities for products under food quality schemes
141	Supporting semi-subsistence farms undergoing restructuring
142	Setting up of producer groups
143	Provision of farm advisory and extension services in Bulgaria and Romania
211	Natural handicap payments to farmers in mountain areas
212	Payments to farmers in areas with handicaps, other than mountain areas
213	Natura 2000 payments and payments linked to Directive 2000/60/EC
214	Agri-environmental payments
215	Animal welfare payments
216	Support for non-productive investments
221	First afforestation of agricultural land
222	First establishment of agroforestry systems on agricultural land
223	First afforestation of non-agricultural land
224	Natura 2000 payments
225	Forest environment payments
226	Restoring forestry potential and introducing prevention actions
227	Support for non-productive investments
311	Diversification into non-agricultural activities
312	Support for the creation and development of micro-enterprises
313	Encouragement of tourism activities
321	Basic services for the economy and rural population
322	Village renewal and development
323	Conservation and upgrading of the rural heritage
331	Training and information for economic actors operating in the field covered by Axis 3
341	Skills acquisition and animation with a view to preparing and implementing a local development strategy
411	Local development strategies. Competitiveness.
412	Local development strategies. Environment/land management.
413	Local development strategies. Quality of life/diversification.
421	Transnational and inter-regional cooperation
431	Running the local action group, skills acquisition, animation
511	Technical assistance
611	Complements to direct payments for Bulgaria and Romania

2.2.4.1. At EU level

Graph 2.2.6 presents the most important measures for the 2007-2013 programming period in terms of percentage of EAFRD contribution at EU-27 level.

Graph 2.2.6: Main RD measures of the 2007-2013 programming period - EU-27



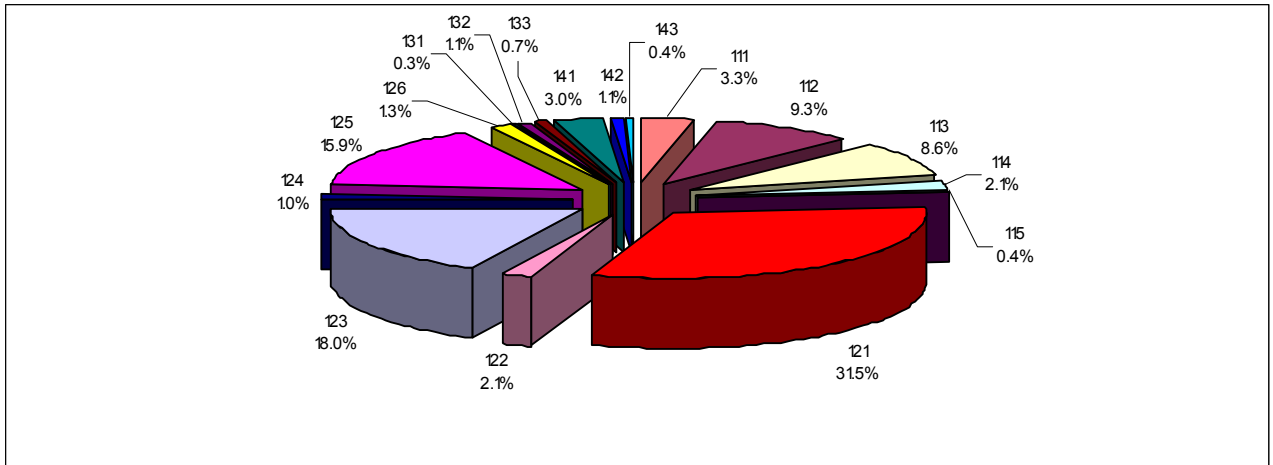
At EU-27 level, the most important measures are agri-environment payments (23%), modernisation of agricultural holdings (11%), and less favoured areas payments (7% in mountain areas and 7% in other areas). Axis 2 gets therefore the lion share. The first measure concerning axis 4 is "413 – *Implementing local development strategies. Quality of life*", which correspond to axis 3 measures implemented via Leader. It is followed by "322 - *Village renewal and development*" measure (3%).

Graph 2.2.7 shows the relative importance of measures within their respective axis. As some of them may be implemented via Leader, the picture may be slightly biased, especially for Axis 3.

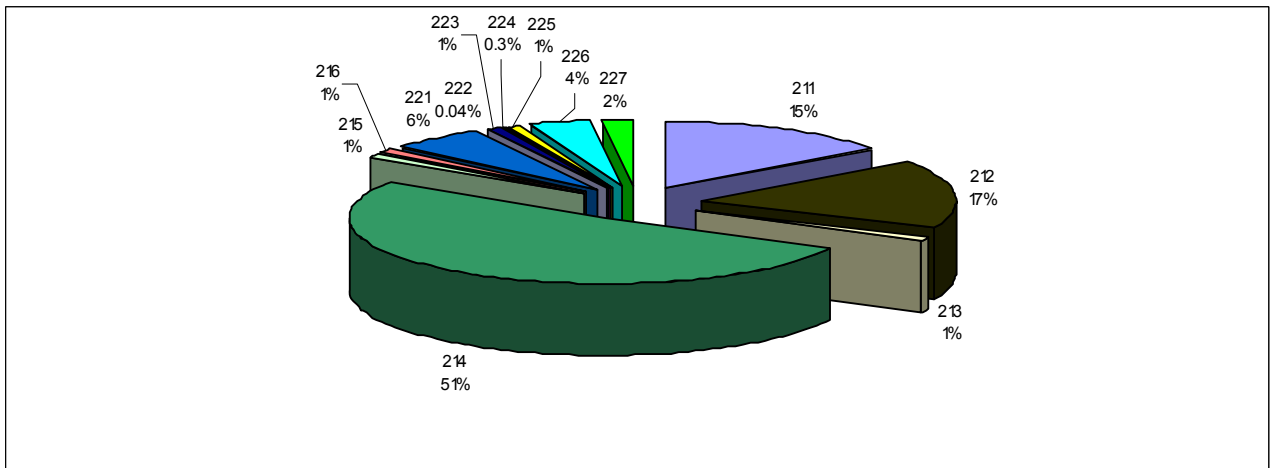
For Member State level information please find details in annex (Graph 4.1.1.2 Main rural development measures of the 2007-2013 programming period at Member State level).

Graph 2.2.7: Relative importance of measures within axis for the 2007-2013 programming period - EU-27

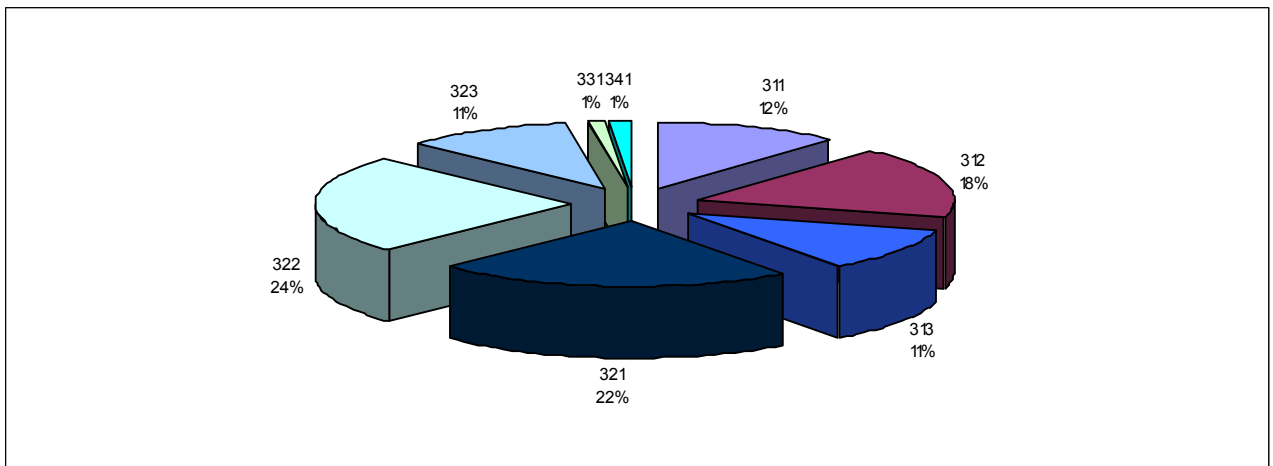
a – Axis 1



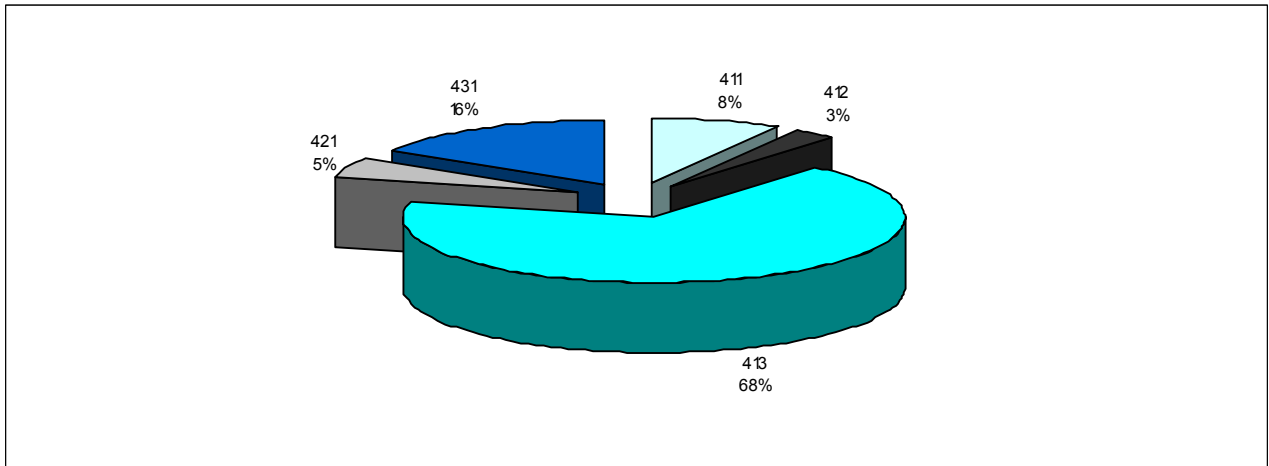
b – Axis 2



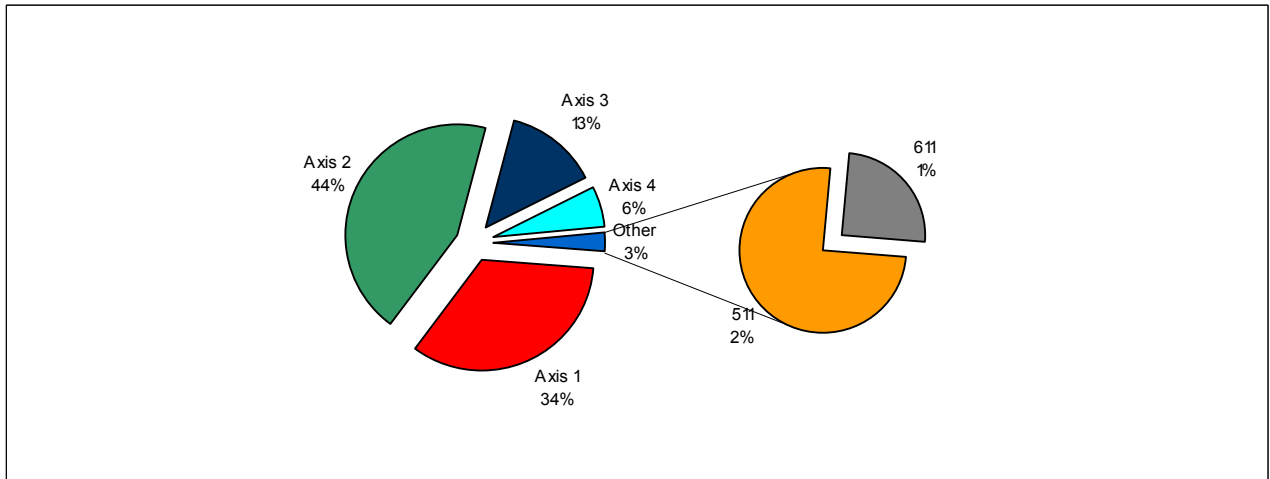
c – Axis 3



d – Axis 4



Graph 2.2.8: Relative importance of axes and measures 511, 611 within the total EAFRD contribution for the 2007-2013 programming period - EU-27



In axis 1, the measure "121 - Modernisation of agricultural holdings" is the most important (9.7 billion euro). It is followed by "123 - Adding value to agricultural and forestry products" (5.5 billion euro) and "125 - Infrastructure related to the development of agriculture and forestry" (4.9 billion euro). These 3 measures account for 65% of all funds under axis 1.

Under axis 2, the same concentration on a few measures can be observed, with "214 – Agri-environment payments" (20.4 billion euro) representing more than half of all funds under axis 2. It is followed by LFA payments in and outside mountains areas (measures 211 & 212, which sum up to 12.7 billion euro). These three measures account for 82% of all funds under axis 2.

Last one, axis 3 seems to be more balanced as the three main measures account only for 64% of the total of funds allocated to this axis. It is namely "322- Village renewal and development" (3 billion euro), "321- Basic services for the economy and rural population" (2.7 billion euro) and "312- Business creation and development" (2.2 billion euro).

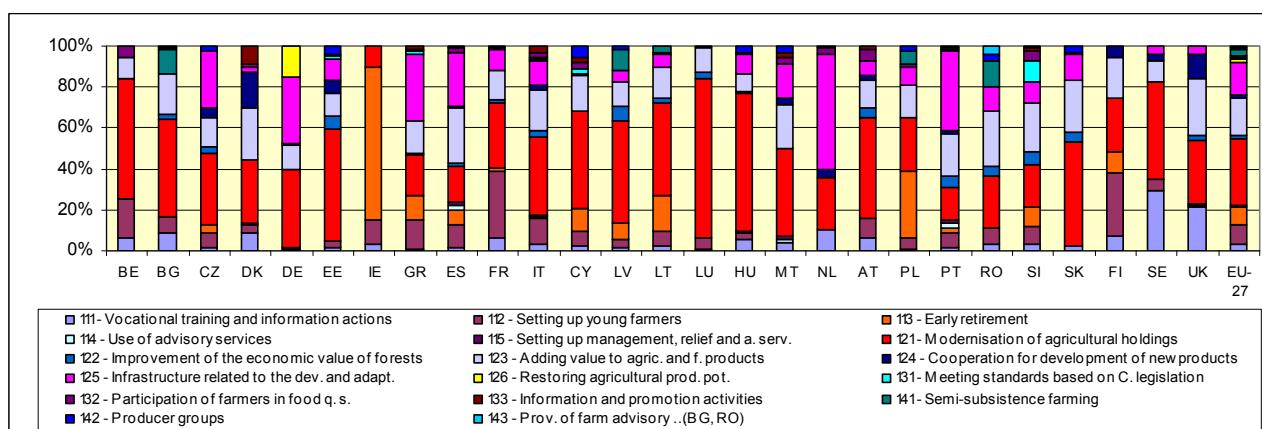
2.2.4.2. At measure level per Member State

If one focuses on the importance of each measure within an axis, one observes that the measure "121 – Modernisation of agricultural holdings" is the most relevant almost in every Member States, except in Spain, the Netherlands, Portugal, Romania, Slovenia, Finland and United Kingdom. At EU-27 level, the share of this measure is 30.3% of the EAFRD contribution allocated to axis 1 globally. In Luxembourg, this share is 76%. In Latvia, Hungary and Lithuania this measure has the highest EAFRD contribution among the other instruments of EAFRD. Generally, this measure is followed by "123 - Adding value to agricultural and forestry products" and in Spain this measure is the second main RD instrument just after the "214 – Agri-environment payments".

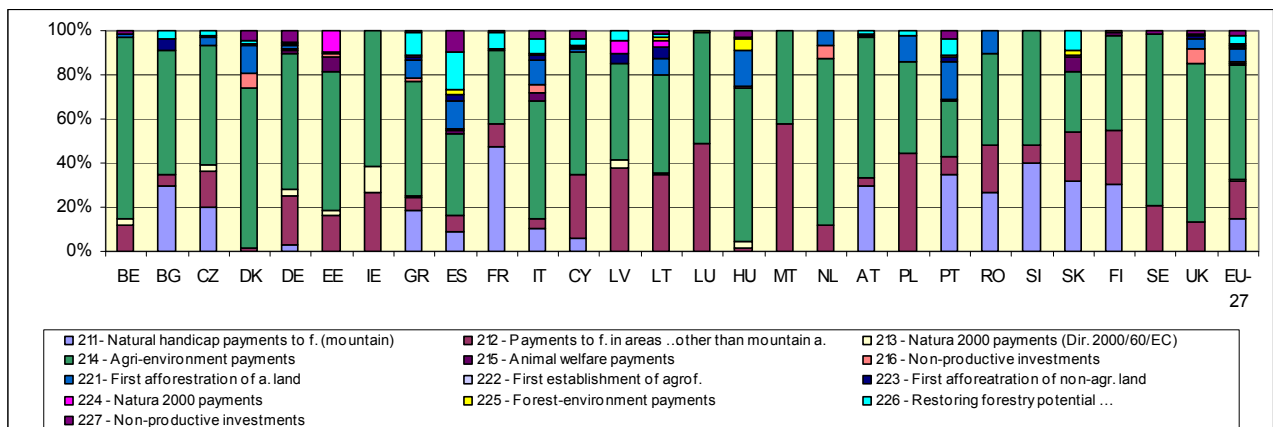
As for the axis 2 measures, the "214 - Agri-environment payments" is the instrument with the highest financial allocation in most Member States. At EU-27 level, it represents more than 50% of the EAFRD contribution allocated to this axis and his share is higher than 70% in Belgium (82%), Sweden (78%), the Netherland (75%), Denmark (73%) and in United Kingdom (72%). 14 Member States out of 27 have integrated the measure "211 – Natural handicap payments to farmers in mountain areas" that has the highest relative importance within axis 2 in France (48%).

Within axis 3 measures, the "322 – Village renewal and development" has the highest share with 25% in the EU-27. This share is the highest in Romania (63%) and it is followed by Cyprus (48%) and Estonia (40%). As for the measure "311 – Diversification into non-agricultural activities", it represents 40% of the total EAFRD contribution devoted to axis 3 in Italy and in Finland. The measure "312 – Support for business creation and development" is the most significant one within the axis in Estonia (60%) and in Latvia (49%). It is also observed that the measure "321 – Basic services for the economy and rural population" plays the major role within axis 3 in Denmark (58%). In Malta, the measure "323 – Conservation and upgrading of the rural heritage" is the main RD instrument with a share of 20.6% of the total EAFRD contribution and of 64% of the axis 3 contribution. In Portugal, this measure represents 75% of the EAFRD contribution allocated to axis 3. The only Member State which has no EAFRD financial allocation to the axis 3 is Ireland, as this objective is fully implemented using axis 4 (Leader) measure 413.

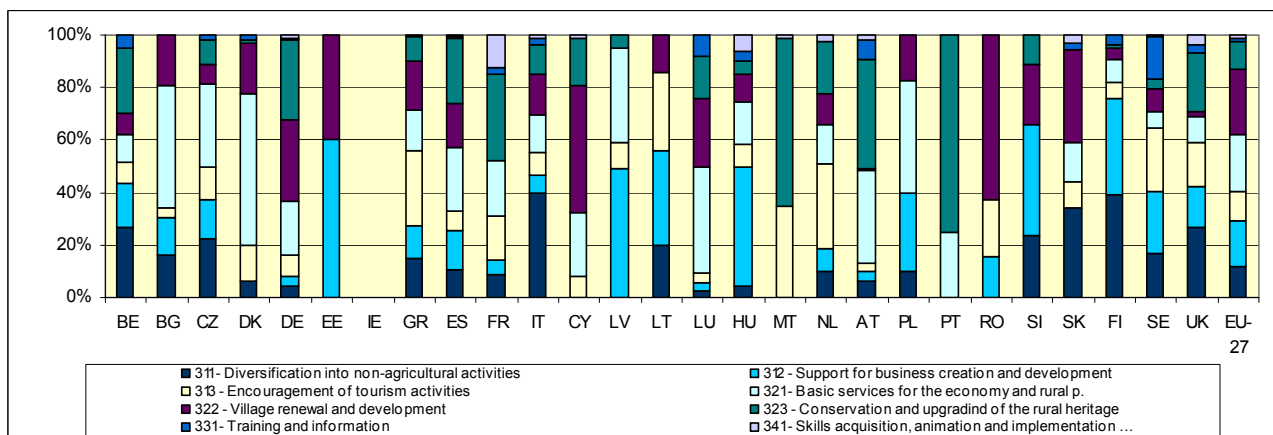
Graph 2.2.9 Relative importance of axis 1 measures per Member States in % within the total EAFRD contribution allocated to this axis, programming period 2007-2013



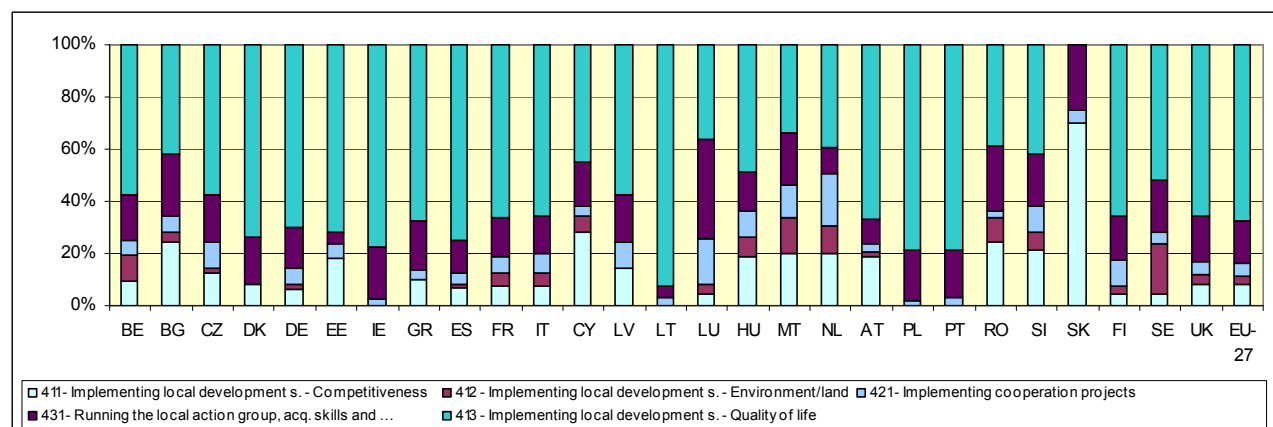
Graph 2.2.10 Relative importance of axis 2 measures per Member States in % within the total EAFRD contribution allocated to this axis, programming period 2007-2013



Graph 2.2.11 Relative importance of axis 3 measures per Member States in % within the total EAFRD contribution allocated to this axis, programming period 2007-2013



Graph 2.2.12 Relative importance of axis 4 measures per Member States in % within the total EAFRD contribution allocated to this axis, programming period 2007-2013



For Member State level information please find details in annex:

- Table 4.1.1.1 Financial plans per Member State, programming period 2007-2013
- Graph 4.1.1.1 Relative importance of axes within the EAFRD contribution for the 2007-2013 programming period by Member State.

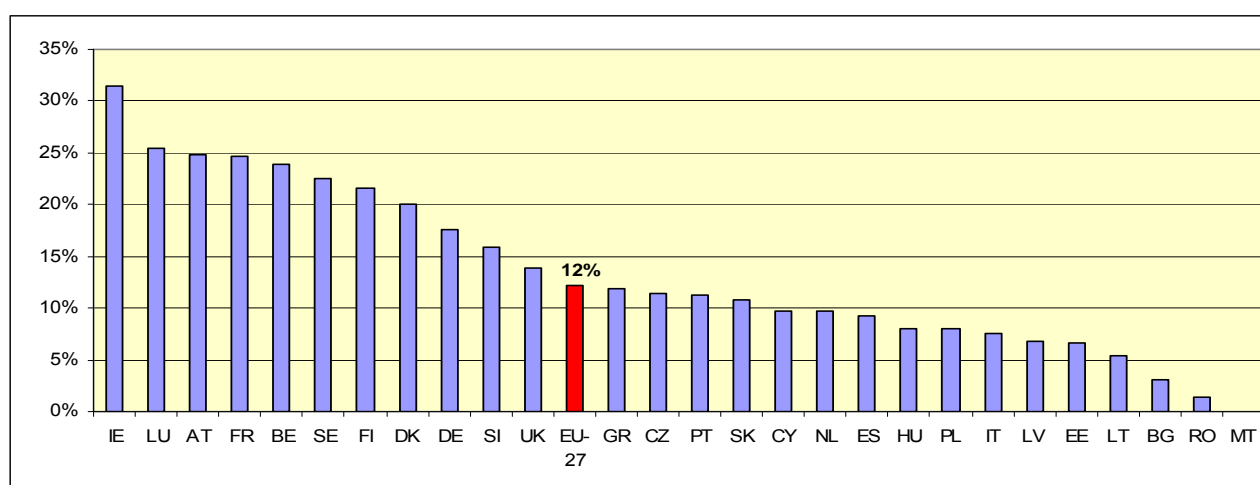
2.2.5. Overview of EAFRD financial implementation

(tables and graphs 4.1.2.1 – 4.1.2.3)

2.2.5.1. General overview

The total financial plan for all measures and Member States amounts to 91 billion euros over the period 2007-2013³⁰. Until the end of 2008, declarations of expenditure arrived to the European Commission of 11.1 billion euros, which is 12% of the financial plans for the period 2007-2013 for the EU-27. The ratio between the planned expenditure (financial plan) for the whole period (2007-2013) and the amount of declaration of expenditure is above or equal of 25% until the end of 2008 in Ireland (31%), in Luxembourg, in Austria and in France (25%). It is the lowest in Lithuania (5%), Bulgaria (3%), Romania (1%) and in Malta (0%)³¹.

Graph 2.2.13 Comparison of the financial execution (ratio between the declaration of expenditure until the end of 2008 and the financial plans for the period 2007-2013) per Member State in percentage



The speed of financial execution in a Member State depends on several aspects such as:

- The **submission of the rural development programmes and the approval of them** by the European Commission. Each rural development programme covers the period between 1 January 2007 and 31 December 2013 but the submission and the approval of them vary significantly. For example, the rural development programme of the Netherlands was approved in June 2007, of Ireland in September 2007 but many programmes were approved later, in 2008 (such as rural development programmes of Bulgaria, Latvia, Malta and Romania). Besides the official act, the date of approval (Commission Decision) corresponds to the advance payment from the Commission to the Member State. In fact, the Member States start to draft and to approve selection criteria of the measures and to prepare and issue applications (call for tenders) after the approval of the programme.
- The **composition of the programme (types of chosen measures)**. All measures have different characteristics but in general, it is obvious that aids granted under axis 2 very often refer to agri-environment measures or compensatory allowances for less favoured areas, which are often paid, either on the basis of ongoing contracts or as annual

³⁰ Not all programmes have been adapted following the increase of the funding for Rural Development following the "Health Check" and recovery package decisions that increased the financial framework to 96.2 billion euros.

³¹ Rural Development Programme of Malta was approved in February 2008 and Malta started to submit declaration of expenditure in 2009.

payments with a more or less continuous character. On the contrary, financing projects under axis 1 or axis 3 usually requires a preparatory work to be undertaken by the managing authority of the programme. This work starts by publishing the conditions for granting aid under the programmes and receiving claims from potential beneficiaries, and continues with selection procedure against selection criteria previously agreed by the monitoring committee. In the case of investment projects, particularly infrastructure (roads, sewage water) under measure "321 – Basic services for the economy and rural population", there is a long time between signing contracts and executing the work and reclaiming the expenditure. There is a certain time needed for public procurement to select the contractor and time needed to physically implement the project. The same concerns to the axis 4 measures (Leader) because the procedure of the selection of Local Action Groups also takes time and the actual project implementation and therefore the financial execution starts later.

Countries which put more emphasis on axis 2 measures, for example Ireland, (80% of the total EAFRD contribution), 49% to the measure "214 – Agri-environmental payments", 21% to "212 – Payments to farmers in areas with handicaps, other than mountain areas" could start the financial implementation relatively earlier. The similar composition of axis/measures corresponds to Luxembourg and Austria, where the relative importance of axis 2 measures is quite high, 59% and 72% respectively. For the New Member States, the relative importance of axis 2 measures is higher than the measures of axis 1 only in Czech Republic and Slovakia, almost equal in Cyprus, in Estonia and in Slovenia. In Hungary, in Latvia, in Lithuania, in Malta and in Poland the axis 1 measures have significantly higher importance (more than 40% and 35% in Malta).

- The **ongoing contracts from the previous programming period**. It mainly concerns to the axis 2 measures (e.g. agri-environment payments). In this case, the amounts declared in the 4th quarter of 2006 were paid in 2007 based on the transitional provisions allowing expenditure under EAGGF Guarantee section incurred from 16 October to 31 December 2006 to be taken over by the EAFRD budget in accordance with Article 39(1) (c) of Council Regulation (EC) No 1290/2005.
- The **previous experience in the implementation of measures**. As most measures where existing in the previous programming period, several Member States have already set up implementation procedures that could be reused for the 2007-2013 programmes. In particular, the New Member States have less experience in programme implementation, most of them started to design the institutional background of rural development programme implementation with SAPARD, from 2000 and gained real experience during the transitional period (between 2004 and 2006)³².

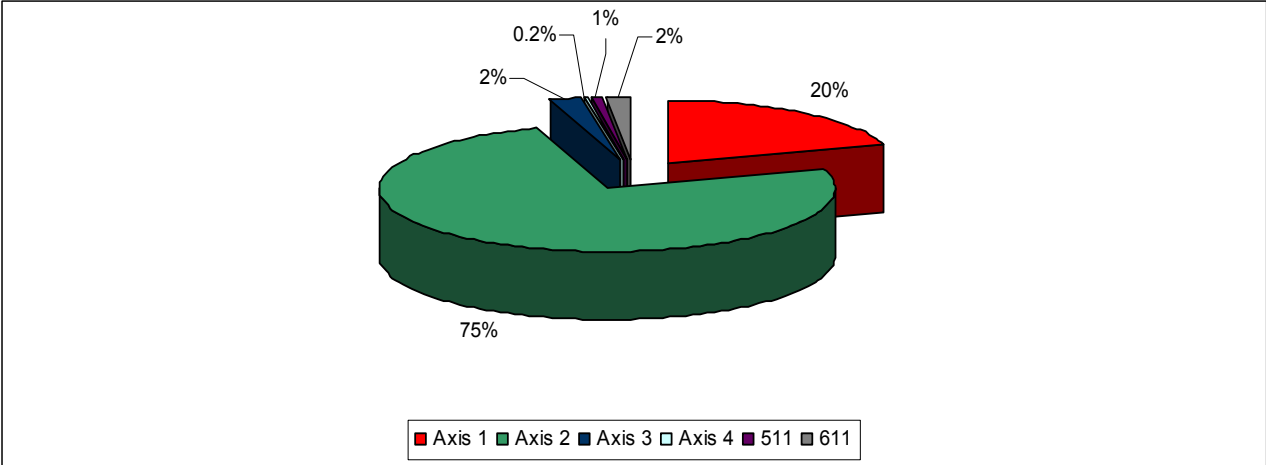
2.2.5.2. Overview at axis and measure level

The amounts declared³³ (according to the declaration of expenditure sent by the Member States) until the end of 2008 is 11.13 billion euros. The Graph below shows the composition of declaration of expenditure arrived until the end of 2008 by axis.

³² Bulgaria and Romania have only SAPARD, no other transitional rural development programmes have been implemented (TRDI, EAGGF Guidance) before accession.

³³ Declaration of expenditure: 2007 (4th quarter of 2006, 2nd, 3rd and 4th quarter of 2007) and 2008 (1st, 2nd, 3rd and 4th quarter). The amounts declared in the 4th quarter of 2006 were paid in 2007 based on the transitional provisions allowing expenditure under EAGGF Guarantee section incurred from 16 October to 31 December 2006 to be taken over by the EAFRD budget in accordance with Article 39(1) (c) of Council Regulation (EC) No 1290/2005.

Graph 2.2.14 Composition of declaration of expenditure per axis and measures 511 and 611 for the 2007-2013 programming period until the end of 2008– EU-27

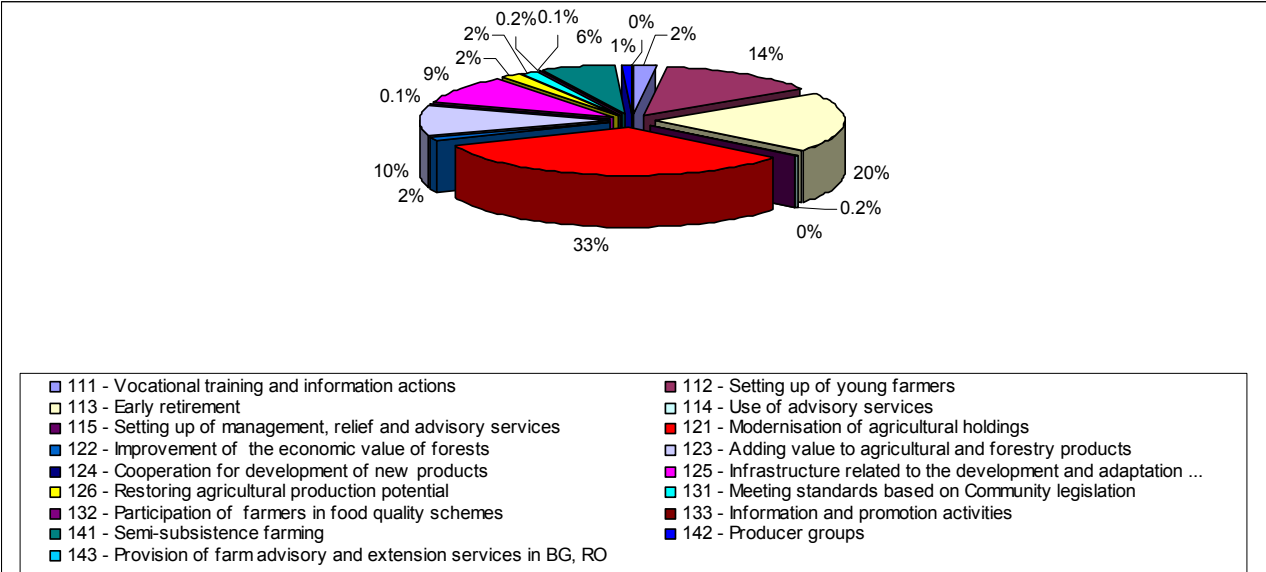


At EU-27 level, 20% of the declared expenditure connects to measures under axis 1, 75% to measures under axis 2 and 2% and 0.2% to axes 3 and 4 respectively. Due to the facts of programming and of the characteristic of measures under different axes, axis 2 has the lion share of declared expenditure.

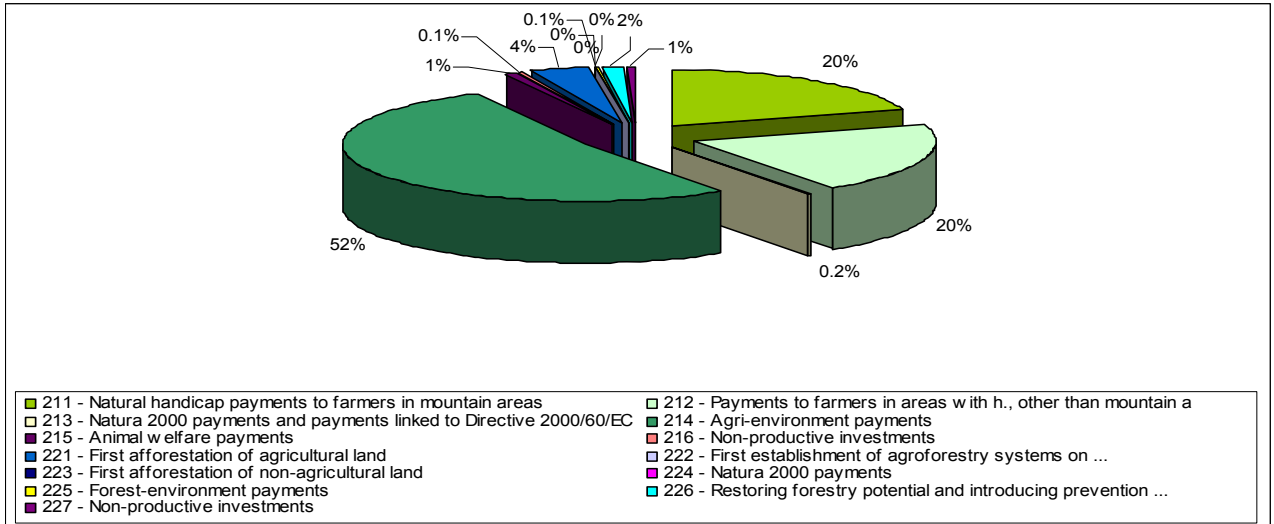
Graphs in point 2.2.15, show the declaration of expenditure arrived until the end of 2008 per measure within their respective axis. Owing to the composition of programmes and the characteristic of measures the following measures have the relatively highest proportion of declared expenditure within the axis: axis 1 – "121 – Farm modernisation" (33%), axis 2 – "214 – Agri-environmental payments" (52%), axis 3 – "322 – Village renewal and development" (30%) and axis 4 – "413 - Local development strategies. Quality of life/diversification." (68%).

Graph 2.2.15 Composition of declaration of expenditure arrived until the end of 2008 within axis for the 2007-2013 programming period – EU-27

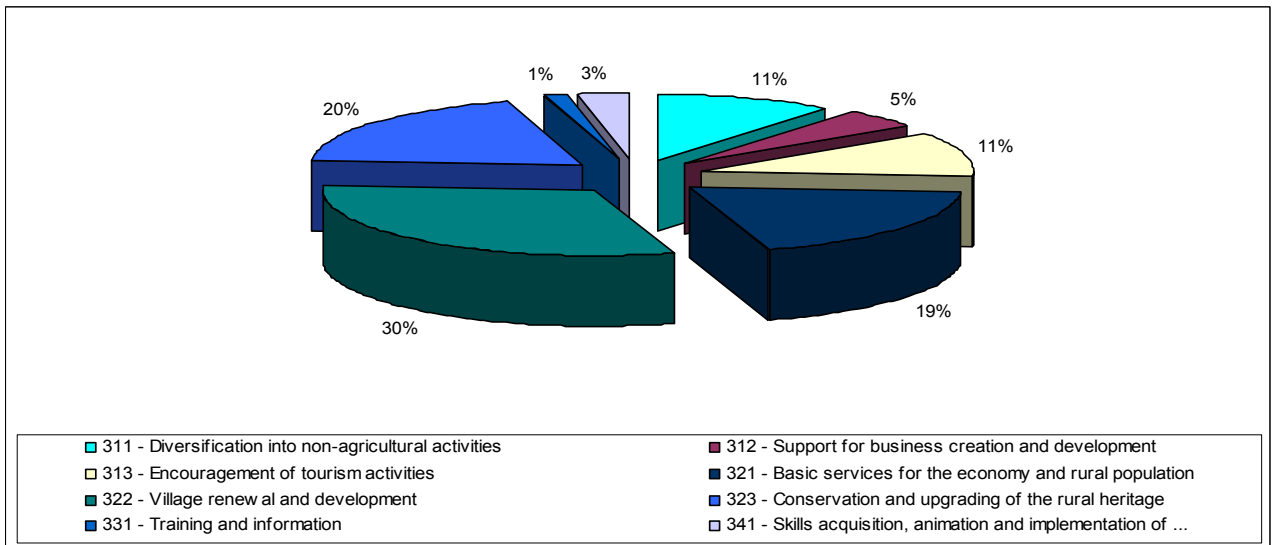
a – Axis 1



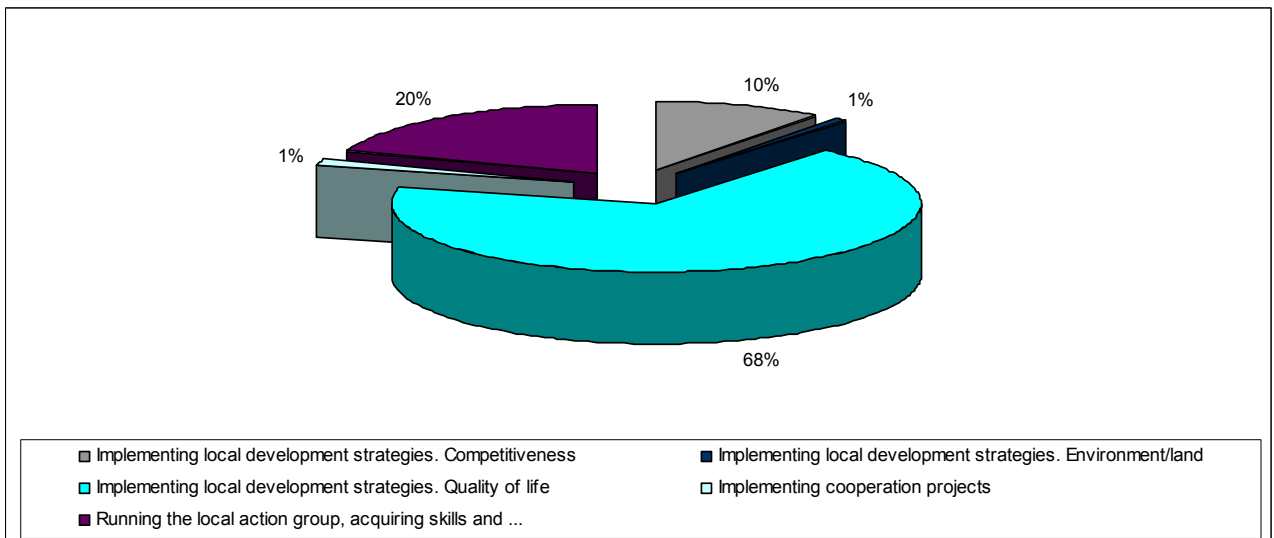
b – Axis 2



c – Axis 3



d – Axis 4

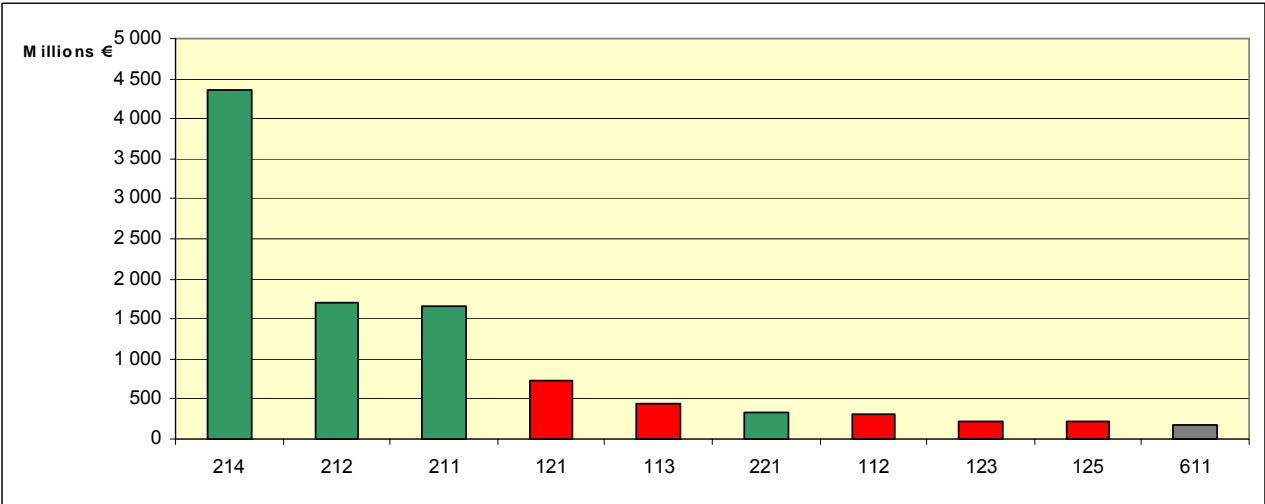


If one focuses on the declaration of expenditures arrived until the end of 2008, one observes that globally the highest amount of declared expenditure has the measure "214 – Agri-environmental payments". It is because the measure "214 - Agri-environment payments" has the highest financial allocation in most Member States (at EU-27 level, it represents more than 50% of EAFRD contribution allocated to this axis and its share is the higher than 70% in Belgium (82%), Sweden (78%), the Netherland (75%), Denmark (73%) and in United Kingdom (72%)). There are also differences in the relative importance of this measure within one Member State in the total EAFRD contribution per programme, for example in Vlaanderen it is 22% and in Wallonie it is 38% (Belgium). In United Kingdom, it is 63% in the programme of England, 37% of Northern Ireland, 17% and 36% of Wales.

14 Member States integrated the measure "211 – Natural handicap payments to farmers in mountain areas" into programming documents and it has the highest relative importance within the total EAFRD contribution in France (25%), Finland (22%) and between the New Member States in Slovenia (21%) and Slovakia (16%). This measure has the second highest amount declared until the end of 2008.

Among the measures of the axis 1, the highest amount was declared by the Member States under measure 121 – "Modernisation of agricultural holdings" (7%).

Graph 2.2.16 Measures with the highest amount of expenditure declared until 31/12/2008 by Member States in million €



The tables 4.1.2.1 to 4.1.2.3 in annex show the financial plans and declarations of expenditure until the end of 2008 by each Member State and by the EU-27, broken down by rural development measures.

2.2.6. General overview of pre-accession programmes

(tables and graphs 4.2.1.1 to 4.2.1.5)

2.2.6.1. SAPARD in Croatia

The SAPARD Programme in the Republic of Croatia, in implementation since 2006, is based on the Agricultural and Rural Development Plan 2005-2006, associated regulations and the official conferral of management of aid to the Directorate for Market and Structural Support in Agriculture. The SAPARD Rural Development Programme for Croatia was approved by Commission Decision EC (2006) 301 of 8 February 2006, in accordance with Article 4(5) and (6) of Regulation (EC) No 1268/1999 and has been modified twice, in October 2007 and August 2008.

The Croatian government and the Commission, acting on the behalf of the European Community, signed on 29 December 2005 the Multi-annual Financing Agreement (MAFA) laying down the technical, legal and administrative framework for the execution of the SAPARD.

The SAPARD Programme 2005-2006 constitutes a strategy which aims to tackle specific drawbacks in the rural areas in Croatia. The Programme can be considered as a first step towards setting up the legal, administrative and financial operational frame for the implementation of further EU co-financed programmes, especially the Instrument for pre-accession Assistance for Agriculture and Rural Development (IPARD) for the period 2007-2013. The integrated planning process of IPARD will be in parallel with the implementation of the SAPARD Programme. Thus building up the mechanisms for SAPARD implementation has a useful impact on the increase of the institutional capacities and human resources while building up the management structures and control systems for IPARD.

In accordance with national and sectoral priorities, the general objectives of the SAPARD Programme integrate the principles on "Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period" laid down in Council Regulation (EC) 1268/1999. Art. 4.3 says "In their plans, applicant countries shall ensure that priority is given to measures to improve market efficiency, quality and health standards and measures to create new employment in rural areas, in compliance with the provisions on the protection of the environment" and in the Council Regulation (EC) 2257/2000 specifically taking into account Croatia's candidate status:

- The implementation of the *Acquis Communautaire* concerning the Common Agricultural Policy and related policies;
- Finding sustainable solutions for pressing adaptation problems in specific priority fields of the agricultural sector and Croatia's rural areas.

The priority areas and specific objectives of the SAPARD Programme are as follows:

- Priority 1: Development of the rural economy. Specific objective: Strengthening and improvement of the agricultural production capacity.
- Priority 2: Improving the access to markets. Specific objective: Strengthening and improvement of the capacity for processing and marketing of agricultural and fisheries products.
- Priority 3: Development of rural infrastructures. Specific objective: Creating better living conditions in rural areas by improving rural infrastructures.

The short implementation time, as well as the limited financial volume makes it indispensable to make clear-cut choices on the specific aims, which are to be achieved in each priority field. This inevitably narrows down the focus to measures which have a high expectable leverage effect on the rural economy and living conditions and which meet an urgent need for intervention. The SAPARD assistance contributes to a sustainable and social coherent rural development process consistent with international environmental practices by developing the rural economy, enhancing income and providing and securing employment opportunities in the rural areas to counterbalance disparities between regions and compared to rural areas, as well as to develop and to rehabilitate basic rural infrastructure, also in war affected areas.

Concerning the SAPARD Programme implementation, Croatia established two main bodies for future implementation of European funds: the Sapard Agency and the Managing Authority under fully decentralised system without the Commission ex-ante Controls.

Table 2.2.2 Specific objectives per selected priority

Priority	Specific objective	Corresponding measure and sub-measures
Development of the rural economy	Strengthening and improvement of the agricultural production capacity	Investment in agricultural holdings <ul style="list-style-type: none"> Investment in the production of milk (dairy cows), meat (cattle and pigs) and poultry (meat and eggs) ... in the production of fruits and vegetables ... in the storage of cereal and oil seeds.
Improving the access to markets	Strengthening and improvement of the capacity for processing and marketing of agricultural and fisheries products	Improving the processing and marketing of agricultural and fisheries products <ul style="list-style-type: none"> Improving the processing and marketing of milk and dairy products ... of meat ... of fish and shells ... of fruits and vegetables.
Development of rural infrastructures	Creating better living conditions in rural areas by improving rural infrastructures	Improvement of infrastructure in rural areas with specific handicaps <ul style="list-style-type: none"> Improvement of fire-prevention/multifunctional roads infrastructures ... of unclassified roads connecting farm zones ... of sewerage systems and wastewater treatment plants ... of heating plants which use waste and/or by-products from agriculture and/or forestry.
Technical assistance (information and publicity campaigns)		

Source: SAPARD Programme, Republic of Croatia

Within the framework of the Croatian SAPARD four measures were chosen originally:

- Measure 1 – Investment in agricultural holdings
- Measure 2 – Investment in processing and marketing of agricultural and fisheries products
- Measure 3 – Improvements in advancing rural infrastructure and
- Measure 4 – Technical assistance.

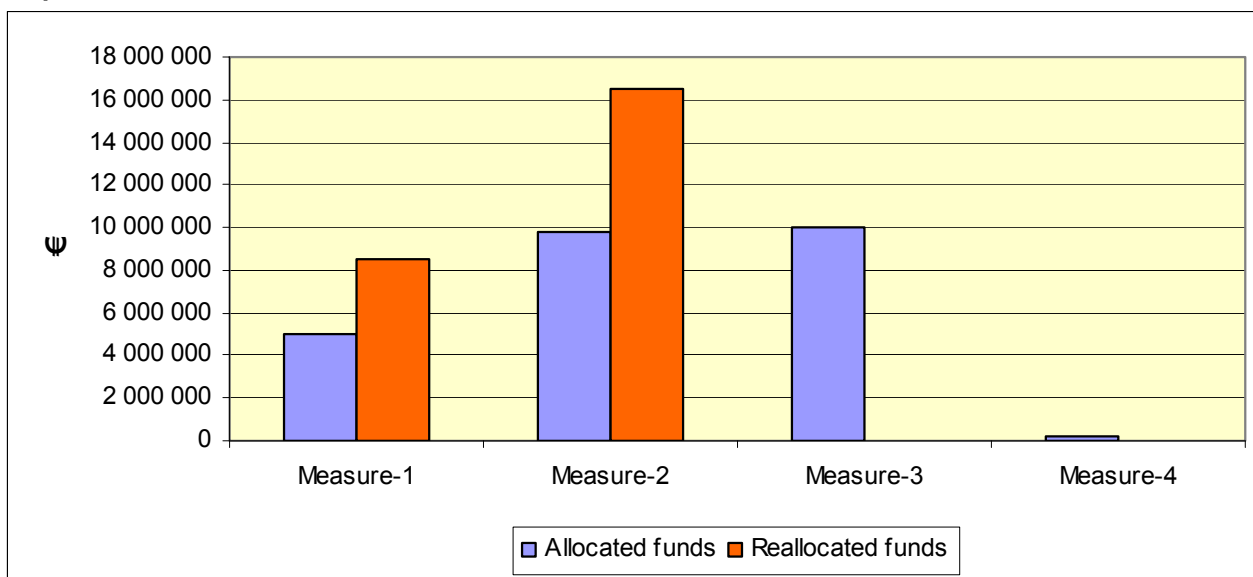
However, only two first of those four measures have received conferral of management. Based on that, the Managing Authority requested the reallocation of funds from Measure 3 "Improvements in advancing rural infrastructure" and Measure 4 "Technical assistance" to Measure 1 "Investment in agricultural holdings" and Measure 2 "Investment in processing and marketing of agricultural and fisheries products" from the SAPARD Programme, in the following ratio: Measure 1 – 33.9% and Measure 2 – 66.1%. This reallocation was approved by the Commission during the second programme amendment in August 2008.

Table 2.2.3 Reallocation of funds under SAPARD in €

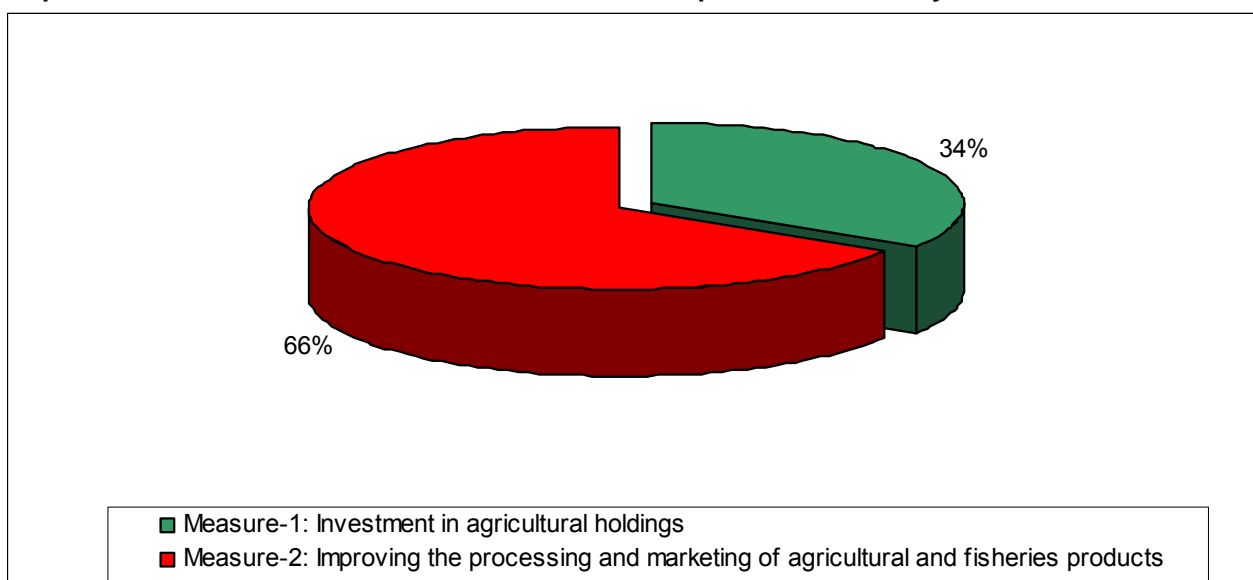
Measures	Allocated	Reallocated	Total
Measure - 1: Investment in agricultural holdings	5 000 000	3 474 750	8 474 750
Measure - 2: Improving the processing and marketing of agricultural and fisheries products	9 750 000	6 775 250	16 525 250
Measure - 3: Improvement of infrastructure in rural areas with specific handicaps	10 000 000	0	0
Measure - 4: Technical assistance	250 000	0	0
Total		10 250 000	25 000 000

Source: The Annual Report on the Implementation of the SAPARD, Republic of Croatia for 2008

Graph 2.2.17 Reallocation of EU funds under SAPARD in €



Graph 2.2.18 SAPARD – EU contribution to rural development in Croatia by measure



From the beginning of the programme until the end of 2008 Croatia published three Calls for Applications under Measure 1 and 2. From those three SAPARD Calls 120 applications were received, of which 33 at the end of 2008 project proposals were approved and subsequently contracted, with a total investment value of 241 574 245 HRK and a total contracted value of 103 million HRK.

The European Commission in July 2008 officially extended the validity of final payment requests; the deadline is 31st December 2009.

Table 2.2.4 Execution of SAPARD – comparison of planned EU contribution and declaration of payments until the 4th quarter of 2008

Measures	Total - Planned	Total - Paid	in %
Measure - 1: Investment in agricultural holdings	8 474 750	1 648 116	19%
Measure - 2: Improving the processing and marketing of agricultural and fisheries products	16 525 250	1 906 199	12%
Measure - 3: Improvement of infrastructure in rural areas with specific handicaps	0	0	0%
Measure - 4: Technical assistance	0	0	0%
Total	25 000 000	3 554 314	14%

Source: Tableau de calcul des engagements et des paiements des programmes SAPARD, European Commission, DG for Agriculture and Rural Development, Unit G.4

Sources: 1) The Annual Report on the Implementation of the SAPARD Programme in the Republic of Croatia for 2008, Zagreb, June 2009 2) SAPARD Programme Agriculture and Rural Development Plan, 2005-2006, Republic of Croatia, Ministry of Agriculture, Forestry and Water Management, 23 November 2005 3) Tableau de calcul des engagements et des paiements des programmes SAPARD, European Commission, DG for Agriculture and Rural Development, Unit G.4, 4) Monitoring Tables, March 2009

2.2.6.2. IPARD

The Council Regulation (EC) No 1085/2006 of 17 July 2006 established the IPA, the Instrument for Pre-Accession Assistance in order to improve the efficiency of the Community's External Aid. This Assistance is programmed and implemented according to the following components:

- Transition Assistance and Institution Building;
- Cross-Border Cooperation;
- Regional Development;
- Human Resources Development;
- **Rural Development.**

The Rural development Component supports the policy development as well as preparation for the implementation and management of the Community's common agricultural policy in Croatia, Turkey and The former Yugoslav Republic of Macedonia (FYROM). In particular, contributes to the sustainable adaptation of the agricultural sector and rural areas and to the candidate countries' preparation for the implementation of the *Acquis Communautaire* concerning the Common Agricultural Policy and related policies.

The areas and forms of assistance (axes and their measures) under the Rural Development component according to Commission Regulation (EC) No 718/2007 of 12 June 2007:

- Improving market efficiency and implementation of Community standards (Priority Axis 1);
 - Investments in agricultural holdings to restructure and to upgrade to Community standards;
 - Support for the setting-up of producer groups;
 - Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.
- Preparatory actions for implementation of the agri-environmental measures and local rural development strategies (Priority Axis 2);
 - Actions to improve the environment and countryside;
 - Preparation and implementation of local rural development strategies.
- Development of rural economy (Priority Axis 3);
 - Improvement and development of rural infrastructure;
 - Diversification and development of rural economic activities;
 - Improvement of training.
- Technical assistance.

Table 2.2.5 Specific objectives per selected priority

Priority	Specific objective	Corresponding measure
Priority 1 – Improving market efficiency and implementation of Community standards	Strengthening and improvement of the agricultural production and market capacity	Investments in agricultural holdings to restructure and to upgrade to Community standards
		Support for producer groups
		Investments in the processing and marketing of agriculture and fishery products
Priority 2 – Preparatory actions for implementation of the Agri-environmental measures and local rural development strategies	Strengthening and improvement of the capacity for implementation of obligatory pilot project in Agri-environment and Leader based approach	Actions to improve the environment and the countryside
		Preparation and implementation of local rural development strategies
Priority 3 – Development of rural economy	Creating better living conditions in rural areas by improving rural infrastructures and promoting business activities	Improvement and development of rural infrastructure
		Diversification and development of rural economic activities
		Improvement of training
Supportive measure: Technical assistance, information and publicity campaigns		

Public expenditure in principle does not exceed a ceiling of 50% of the total eligible cost of the investment. However, that ceiling can be raised up to 55% for investments in agricultural holdings made by young farmers, to 60% for investments in agricultural holdings in mountain areas, to 65% for investments in agricultural holdings in mountain areas made by young farmers, for example.

The Community contribution does not exceed a ceiling of 75% of the eligible expenditure but this ceiling can be raised up as well, for instance, up to 80% for the measures covered by priority axis 2 and technical assistance.

For the period covered by this report IPARD is existing in Croatia, Turkey and in the former Yugoslav Republic of Macedonia (FYROM). According to the programming documents the total EU contribution for the three countries 637 900 000€ for the period 2007-2011. The share of this total amount between the countries is the following: Croatia 20%, Turkey 73% and FYROM 7%. As for the share of EU Contribution between the 3 axes, all the three countries put the emphasis on improving market efficiency and implementation of Community standards (Axis 1), Croatia with 65%, Turkey with 71% and the FYROM with 75%, according to the approved programmes. The relative importance of Axis 3 is between 18% (FYROM) and 30% (Croatia) and then the Axis 2 follows with 2% (Croatia and Turkey) and 3% (FYROM). The EU Contribution of Technical assistance is the lowest in Turkey (2%) and the highest in the FYROM (4%).

IPA implementing regulation proposes 9 measures under the Rural Development Component. Croatia and Turkey selected 7 measures and the FYROM chose all of them. Croatia excluded "*Support for producer groups*", "*Improvement of training*", Turkey excluded "*Improvement of training*" and "*Improvement and development of rural infrastructure*" as well.

At this stage all the three countries have the approved programming documents and they are now in the phase of preparation for the accreditation (conferral of the management). Therefore until now the effective programme implementation such as commitments and payments has not started yet. Croatia and FYROM should receive the conferral decision by the end of 2009 for first two and three measures respectively.

Three IPARD programmes were adopted by the Commission in February 2008 and since have been modified twice in order to include additional financial allocation. The first IPARD Monitoring Committees took place in 2008, during which Rules of procedures were adopted. The IPARD Monitoring Committees meet at least twice a year and now are fully operational.

