

ENLARGEMENT AND AGRICULTURE

Enlargement of the European Union (EU) to include 10 new Member States from 1 May 2004 is a historic milestone in the remaking of Europe after centuries of destructive divisions engendered by war and ideological conflict. Europe as a whole will gain from an assured political stability and security, as well as from the expansion of the internal EU market from 380 to 454 million people. This larger market will also offer new and important opportunities for the development of European agriculture and of the EU's common agricultural policy (CAP).

Farmers in the new Member States have access to the single market, to its relatively stable prices and increased opportunities. The CAP will provide them with direct income support (in full, after an initial phasing-in period), and access to rural development measures and funding. And the EU is a strong voice to back the interests of all EU farmers in the World Trade Organisation (WTO) agricultural trade negotiations.

The gains will not be one-sided - farmers in the 15 'old' Member States (EU-15) will also benefit, notably from the expansion of the single market, and from the widening of the EU's product base and agricultural expertise. The EU-15 and the new Member States do not come to each other as total strangers. In agriculture, as in other sectors, a gradual process of adaptation has been taking place for many years through Association Agreements (allowing freer trade between the EU-15 and the future members), and pre-accession funding by the EU of rural development and agri-food industry restructuring programmes in the acceding countries. Despite progress made in the new Member States (and other candidate countries) one of the key challenges is to improve prosperity in agriculture and rural society more widely. It is a challenge that the EU has already begun to pick up.

The acceding countries/new Member States

The acceding countries (new EU Member States) from 1 May 2004 are:

Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

The Treaty of Accession (key dates)

The Treaty contains all the rules and arrangements which are related to the accession:

- European Parliament's assent - 9 April 2003;
- Council's approval - 14 April 2003;
- Treaty signed in Athens, Greece - 16 April 2003;
- Referendums in all acceding countries except Cyprus;
- Ratification by the Parliaments of the present Member States and of the acceding countries;
- Entry into force - 1 May 2004.

Candidate countries

Bulgaria, Romania.
Turkey (not yet in negotiations).

Applicant countries

Croatia, Former Yugoslav Republic of Macedonia.

I - THE IMPORTANCE OF ENLARGEMENT FOR EU AGRICULTURE

Many farmers in the new Member States have already tasted the benefits of membership in advance of enlargement. Targeted rural development schemes have already been put in place in the central and eastern European countries (via 'Sapard'¹), and the progressive liberalisation of farm trade with the EU - via bilateral trade concessions on agricultural products under the Europe Agreements² and the 'double zero'³ and 'double profit'⁴ arrangements - has helped their preparations to operate and compete within the same market. Traders in the EU-15 and the new Member States have gained from more open trading conditions with each other. All 10 (candidate) countries of central and eastern Europe increased exports of basic agricultural products to the EU in the two years following implementation of the double zero trade agreements (July 2000-July 2002) compared to the previous two-year period.

The European single market

The 2004 enlargement will expand the single market, from 380 to 454 million people.

One Europe: one market

Over the last 50 years the EU has acted to break down barriers between the EU's national economies and to create a single market where goods, people, money and services can move freely. By creating a frontier-free single market and a single currency (the euro) the EU has given a significant boost to internal trade and employment. Trade with the rest of the world has also greatly increased and the EU is now a major world trading power. After enlargement there can be no protective trade barriers between Member States (old or new), other than essential restrictions, e.g. to prevent the spread of animal or plant diseases.

One EU currency – the euro (€)

The euro has rapidly established itself as one the top three world currencies. It has replaced the old national currencies in 12 EU countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain (Denmark, Sweden and the United Kingdom retain their national currencies). The single currency makes it easier and cheaper for many businesses to operate in the single market, by removing the threat of instability which quite frequently affected some national currencies. This will benefit the new Member States once they have adopted the euro.

¹ Special accession programme for agriculture and rural development.

² Europe (association) Agreements form the basis of trade relations between the EU and the candidate countries, and aim to bring down barriers to trade.

³ Approach taken in certain sectors, whereby the parties agreed to drop import duties (within tariff quotas set at a level covering traditional trade volumes) in exchange for the abolition of export refunds.

⁴ Extended the liberalisation process in the more sensitive sectors, to products for which an internal CAP support system is applied, coupled with high border protection - for example, cereals, dairy, beef and sheepmeat.

What enlargement means for all farmers in the EU-25

Numerically, enlargement's impact on EU agriculture is dramatic. A further 4 million farmers will be added to the EU's existing population of 7 million. The new Member States will add about 38 million hectares of utilised agricultural area to the 130 million hectares of the current Member States, an increase of 30 %, while production in the EU will expand by about 10 - 20 % for most products. The gross value added of agriculture will only increase by 6 %. These numbers confirm that the new Member States have a large agricultural production potential but it is still far from being used to its full extent. Inevitably, competition will be stiffer – but the larger market of 454 million consumers free of tariff restrictions, export quotas or trade barriers will create positive challenges and increased opportunities as well as provide greater stability to previously volatile agricultural markets. Integration should lead to greater prosperity for EU farmers as a whole in old and new Member States. The CAP will help farmers to gradually develop a sustainable production potential.

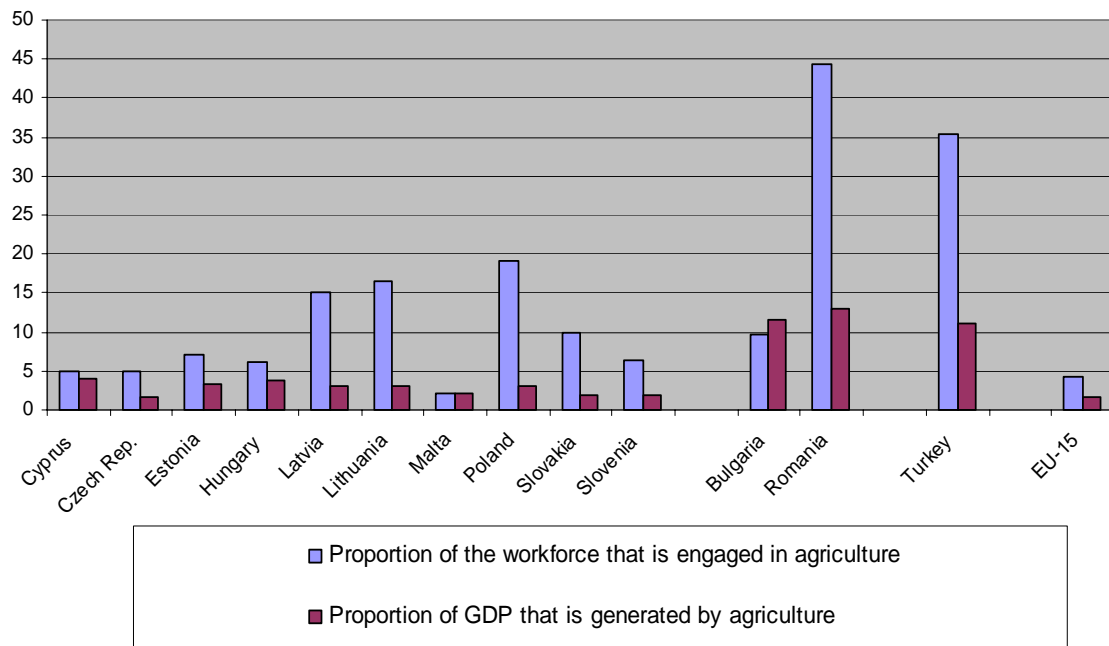
More farmers also means more potential for Europe's agriculture. Inevitably, older and less efficient farms may be more at risk but rural development measures should reduce this risk and sharper competition will benefit both EU-15 farmers as well as those in the new Member States. On the one hand, many farmers in the new Member States may try to target the relatively high income consumers in the EU-15 who demand high quality, sometimes niche, products; on the other hand EU-15 farmers know that the predicted income growth in the new Member States will lead to growing markets for meat, fruit and vegetables, fresh milk products and cheese.

All EU-25 farmers have to realise that developments in world markets will become an increasingly decisive factor for the agricultural market outlook.

Taking specific examples, some of the acceding countries have increased competitiveness in poultry production, mainly due to foreign direct investment in production and processing. On enlargement, it is anticipated that an increasing part of poultry production (up to 600 000 tonnes) will be exported to EU-15 countries. Other opportunities might arise in the area of low cost cultivation of feed cereals and other renewable raw materials. Less positively, a proportion of pigmeat production in the new Member States will be handicapped in the wider market by a quality disadvantage i.e., lean meat content and lower feed efficiency. Studies suggest that there might be a market for an additional 300 000 tonnes of EU-15 pigmeat in the new Member States.

Looking beyond the short-term there is likely to be a rapid convergence of agricultural economies in the existing and new Member States. The new Member States will not be condemned to be producers of low-cost food and feed while others corner all the value added markets. Furthermore, the extended EU will have new neighbours and trading partners such as Russia, and will be able to play a strong role on world markets, including the far eastern markets which hold a huge potential. The EU continues to strive to ensure that all EU farmers have a fair chance and equal market opportunities.

The productivity of labour in agriculture



Why are farmers in the new Member States better off in the EU?

Farmers in the new Member States will not only enjoy the (potentially significant) benefits of free access to the EU single market, they will also benefit from policies designed to develop their agriculture in a sustainable and profitable way. Without enlargement, these benefits would not have been available. They include:

- Financial and other support for the restructuring of rural areas;
- Tailored support targeted at specific needs and reinforced rural development programmes to help improve efficiency and encourage diversification. These are mostly co-funded with the national governments but generally at a higher rate of EU contributions than in the EU-15;
- The same support as is provided to the EU-15's farmers by the CAP (phased in over 10 years).

Accession to the EU should bring about substantial modernisation and restructuring of farming and food processing in the new Member States. This will result partly from the opportunities offered by the single market but also from capital investment co-financed by EU rural development funds.

Farmers in the new Member States will clearly be better off within the EU. A recent European Commission study⁵ shows that medium-term perspectives for the agricultural sector as a whole in these countries is positive. Sector income, as measured by gross value added in 2002, should rise by around 35 % by 2010. This strong development in farm income in the new Member States is largely related to the improved market conditions after enlargement, the phasing-in of CAP direct payments, and the effect of rural development measures.

Currently, of course, there are significant disparities between farmers' economic situation in the EU-15 and those in the new Member States. Generally speaking, after the Second World War, farms in central and eastern Europe were collectivised (although in Poland and Slovenia most farms remained in private hands). After the collapse of communism some farmland has been returned to its original owners. Many farmers in the new Member States lack capital. They require modernisation and investment to become competitive. Only a small proportion of farms is already competitive in international terms.

How will the CAP work in the new Member States?

Joining the EU is about much more than increased market size and freer trade, although this is a very important aspect for the prosperity of Europe's agriculture. The EU operates the CAP to enable farmers to make the most of their agricultural potential, and to sustain the prosperity of rural areas. The EU sustains its agriculture largely by direct income support for farmers (via measures stabilising market prices and by direct payments) and through funding a wide variety of rural development programmes.

Significant restructuring of agriculture has taken place in the EU-15 during approximately 40 years of the CAP. This process has increasingly focused on assisting farmers to run modern businesses with emphasis on production methods, food standards, animal welfare and environmental demands. Despite restructuring and the single market, farm structure varies significantly between regions in the EU. Small and large farms have co-existed in naturally favoured as well as disadvantaged areas. Enlargement does not change that.

The new Member States' farmers have been faced with similar pressures, both to adjust to consumer preferences and to meet the requirements of the *acquis communautaire*, largely relying on their own resources. Although since the year 2000 Sapard has made a significant contribution to co-financing the investments required. After enlargement, increased EU support will be available through the rural development programmes, where supporting investments on farms is a priority.

The accession deal agreed in December 2002 reflects the needs of farmers and rural areas in the new Member States, now adapted to the CAP of today and the future.

⁵ Report of the European Commission Directorate-General for Agriculture, *Reform of the common agricultural policy - medium-term prospects for agricultural markets and income in the European Union: 2003 – 2010*, December 2003.

EU agricultural policy at a glance

The EU's role in agriculture has always been to help in:

- Ensuring a stable supply of affordable and safe food for its population;
- Providing a reasonable standard of living for EU farmers, while allowing the agriculture industry to modernise and develop;
- Ensuring that all regions of the EU could sustain farming;
- Looking after the well-being of rural society.

As the CAP has developed and become more sophisticated, the following factors have taken on a greater importance:

- Improving the quality of the EU's food;
- Guaranteeing food safety;
- Ensuring that the environment is protected for future generations;
- Providing better animal health and welfare conditions;
- Doing all this at minimal cost to the EU budget (which is funded mainly by taxpayers, i.e. ordinary citizens).

Applying the CAP- the new Member States

The CAP's overall aims apply to the new Member States in the same way as to the EU-15. Despite the progress towards alignment with the EU-15 that has already taken place over recent years, some of the CAP's mechanisms will not apply immediately. This is partly because the new Member States and farmers need time to establish and adapt to the necessary administrative procedures, and partly because the continuing disparities in farm prices, structures and food industries mean that immediate implementation of the CAP as a whole could still provoke sudden changes.

It is important to stress that, **in general, the new Member States will apply the agricultural elements of the *acquis communautaire* (body of EU legislation) from 1 May 2004.**

There is no general transition period for agriculture, although there are some policy areas where full application will come in over time, most notably, direct payments to farmers which will be phased in over 10 years (starting at 25 % of the EU level in 2004). While those payments are being harmonised with EU-15 levels, farmers and rural areas in the new Member States will benefit from other elements of the CAP such as market support measures (e.g. sustaining market prices in a crisis) and the recently strengthened rural development policy (providing assistance to those who wish to farm in an environmentally-friendly way, for example).

Direct payments provide a support mechanism for farmers' and farm households' incomes. In the short-term, while a lower level of direct payment would affect relative income levels in the new Member States, it does not affect the price or quality of

production or the ability to sell. However, in the longer term, it does inhibit the capacity to invest – which is why the Commission has proposed targeted instruments to encourage investment and restructuring within reinforced rural development programmes, through:

- Investment and restructuring aids;
- Temporary income support for semi-subsistence farms undergoing restructuring to ensure an element of financial liquidity and to maintain acceptable living standards.

Income support plus other measures adds up to a valuable package

The apparent disadvantages of having lower direct aid levels should be seen in context:

- With the ‘topping up’ facility (see Section II) the actual direct aid payment rate in the first three years of EU membership could be 55 %, 60 % and 65 % respectively of EU-15 levels (if the new Member States decide to use the topping-up option to the full);
- Farmers in the new Member States will see rising levels of income support, stable prices and support for their restructuring process. In rural development in particular, the measures are tailor-made for the needs of the new Member States;
- Farmers from the new Member States will have full and immediate access to CAP market measures, which will contribute to stabilising their incomes;
- Farmers in the new Member States do not have to meet all the obligations required of their EU-15 counterparts. For instance, they will not have to comply immediately with the same environmental, animal welfare and other rules as farmers in the EU-15 in order to qualify for direct payments (the principle known as ‘cross-compliance’).

No compromise on food safety

It is important to point out that the obligations of EU membership will apply immediately unless transitional measures have been agreed. The principal example of this is the upholding of food safety standards. This is such an important issue for EU consumers and for the EU’s export markets that standards cannot be lowered. The safety of food is the fundamental pre-requisite for winning markets both at home and abroad and underpins the success of the EU’s agricultural production.

Adaptations to the CAP

CAP conditions for the new Member States were adapted in March 2004 to take account of reforms agreed after the accession negotiations had been concluded, but before accession itself. This does not mean any erosion of the terms of accession for the new Member States. In fact the adaptations should ease their integration. There are significant pluses for them, such as negotiated ceilings under the new single payment scheme, non-application of ‘financial discipline’ and ‘modulation’ (two new concepts brought in by

the 2003 CAP reform⁶) until direct payments reach the EU level, considerable administrative simplification and temporary exemption from cross-compliance for those new Member States that apply the Single Area Payment System.

A made-to-measure rural development strategy

The CAP gives much greater emphasis to rural development measures now than in the past. The 2003 CAP reform reinforces this. The accession arrangements for the new Member States also reflect this. Given the less-developed situation of agriculture and rural areas in the new Member States it makes sense to use EU resources to address structural and long-term problems as well as the direct aids and market-linked support systems.

There is therefore an enhanced rural development strategy for the new Member States which is specifically adapted to their requirements and which has more favourable conditions than those applied to the EU-15. The amount available for EU funding for rural development from the EAGGF Guarantee Fund for the new Member States has been set at EUR 5.76 billion (in current prices) for 2004-2006. In addition, approximately EUR 2 billion of structural funds resources (EAGGF Guidance Fund) is also dedicated to rural development measures. A wide range of rural development measures will be co-financed at a maximum rate of 80 % by the EU (85 % for agri-environment and animal welfare measures). All the measures to be covered contribute to strengthening rural economies, protecting the rural environment and cushioning adverse social effects of the restructuring process and making rural areas a more attractive place to live and work.

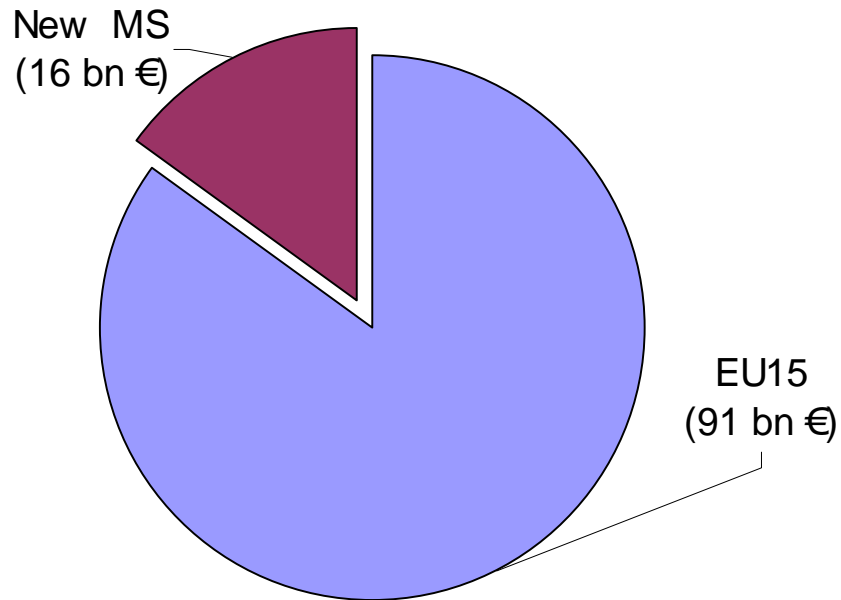
(A more detailed explanation of the application of the CAP in the new Member States can be found in Section II).

The enlargement budget for agriculture

To finance all costs related to enlargement, the overall EU budget will, in 2006, rise by around EUR 16 billion to EUR 106.5 billion. Substantial funds are committed to agriculture and rural areas in the new Member States. The budget allocates 30 % of the expenditure (commitments) in the new Member States to agriculture. Within that envelope, 40 % is for rural development (direct aids are not, contrary to perception, the largest item of expenditure in the first years after enlargement due to the phasing-in of direct payments over 10 years in the new Member States).

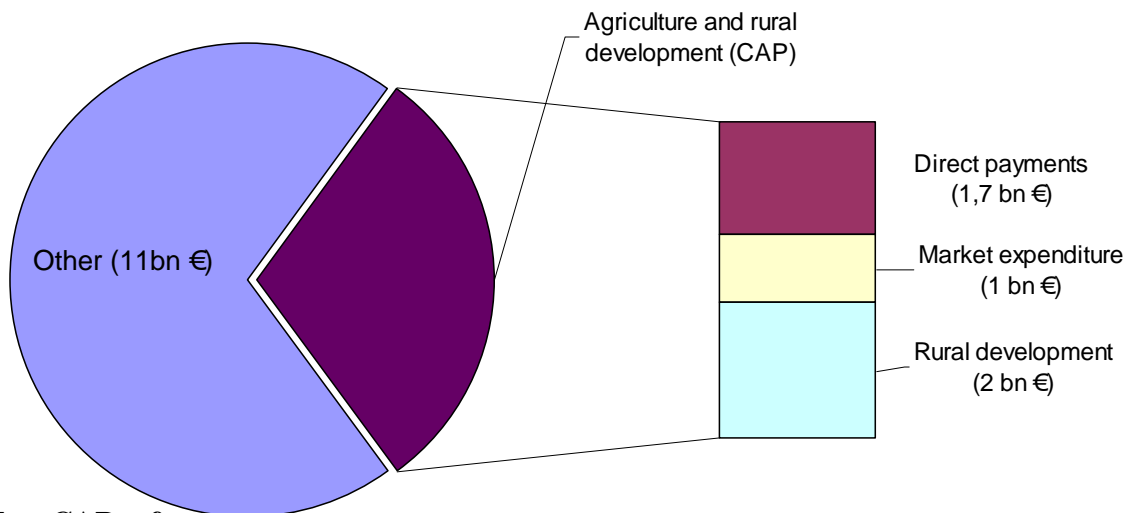
⁶ **Financial discipline mechanism:** A mechanism for ensuring that the EU's farm budget, which is fixed until 2013, is not overshot.
Modulation: A mechanism by which EU farm spending is transferred from market-related support payments to rural development policy measures (from Pillar 1 to Pillar 2 of the EAGGF).

The budgetary impact of enlargement – 15 % of the budget will be for the 10 new Member States



EU Budget 2006 (current prices, bn €)

Of the expenditure on CAP 40 % is for rural development



Further CAP reform

Expenditure in the new Member States 2006 (current prices, bn €)

More CAP reform is on the way, with the new Member States fully involved in the process. More sectors are to be reformed starting with the cotton, hops, olive oil and tobacco sectors, to be followed by the fruit and vegetables and sugar sectors.

Conclusion - Towards a more prosperous countryside in Europe

The EU will be a stronger agricultural player after enlargement. Reform of agricultural policy has begun to reinvigorate the sector in the EU-15. Enlargement brings a major new group of farmers to join the EU. They will face the challenges of the future alongside their EU-15 counterparts. They will do this on equal terms, but after a gradual process of alignment with the EU-15. While this entails the progressive introduction of direct aids, they will be balanced by reinforced rural development programming and structural fund programmes.

The income prospects for the new Member States are good. But they will need to rise to new challenges to their competitiveness – on both price and quality. They will need to invest – with the help of the EU – to reach new standards and expand their market shares.

EU assistance will help the transformation but farmers' own initiatives and resources will be decisive for the future.

SECTION II - HOW THE CAP WILL WORK IN THE NEW MEMBER STATES

Introduction

This section describes in more detail how the CAP will operate in the new Member States.

The principle adopted by the EU for all enlargements is that EU law must be applied by new Member States from the first day of accession. Prior to the negotiations the European Commission explains EU law to candidate countries (a process known as screening). The aim is to ensure that candidate countries are aware of the obligations that EU membership involves. First among these obligations is full acceptance of all rights and obligations of the EU system and its institutional framework, known as the '*acquis communautaire*', and application of the *acquis* from the time of accession including regulations relating to the CAP.

However, in the case of the enlargement taking place in 2004, some special arrangements have been negotiated and agreed between the EU-15 and the new Member States to cover transition to the full *acquis*, including the CAP. These are limited in time and scope, not likely to lead to distortion of competition and are accompanied by a plan for reaching the full *acquis*.

What the CAP looks like

The reform process – where the CAP is now

The CAP has developed significantly since the 1960s. Several major reforms have been undertaken, notably in 1992, 1999 and 2003. On 26 June 2003, EU farm ministers adopted a fundamental reform of the CAP which will change the way the EU supports its farm sector. The new CAP will be geared towards consumers and taxpayers, while giving EU farmers the freedom to produce what the market wants. In future, the vast majority of support will be paid independently of the volume of production and, in most cases, in one payment – the single farm payment. Where there is a threat of abandonment of production, Member States may choose to maintain a limited link between aid and production under well-defined conditions and within clear limits. The new single farm payments will be linked to the respect of environmental, food safety and animal welfare standards.

Severing the link between aid and production is aimed at making EU farmers more competitive and market-oriented, while providing the necessary income stability. More money will be available to farmers for environmental, quality or animal welfare programmes by reducing direct payments for bigger farms. The EU also decided to revise support measures in the milk, rice, cereals, durum wheat, dried fodder and nut sectors. In order to respect the tight budgetary ceiling for the EU-25 until 2013⁷, Ministers agreed to introduce a financial discipline mechanism. The different elements of the reform enter

⁷ Established in October 2002 at the Brussels 'Summit'.

into force in 2004 and 2005. The single farm payment will enter into force in 2005. If a Member State needs a transitional period due to its specific agricultural conditions, it may apply the single farm payment from 2007 at the latest.

Other key elements of the new, reformed CAP are:

- a strengthened rural development policy with more EU funding, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production, environmental, animal welfare and occupational safety standards starting in 2005;
- a mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot;
- a number of revisions to the market policy of the CAP.

The legal texts were formally adopted at the Agriculture Council of September 2003.

Direct payments to farmers

Under the pre-reformed CAP, farmers are entitled to receive a number of payments to support their incomes, paid to them directly on fulfilment of obligations laid down. These 'standard' direct payments remain in place until the single farm payment is implemented. Thereafter only a proportion of the standard direct aids may be maintained (under certain criteria), or they may be dispensed with entirely (at the choice of the Member State) in which case only the single farm payment is available.

Under the standard direct payment schemes, farmers receive payments in respect of certain crops and animals, for example: arable crops (cereals, oilseeds, peas, beans, lupins, flax – though not flax for fibre), potato starch, beef and veal animals and ewes and goats. In the coming years dairy direct payments will also apply. The payment amounts are normally based on some historical reference (yield, animal numbers, etc.) and farm management conditions may be attached. With minor exceptions the amount of funds payable under each payment scheme is limited by a financial ceiling.

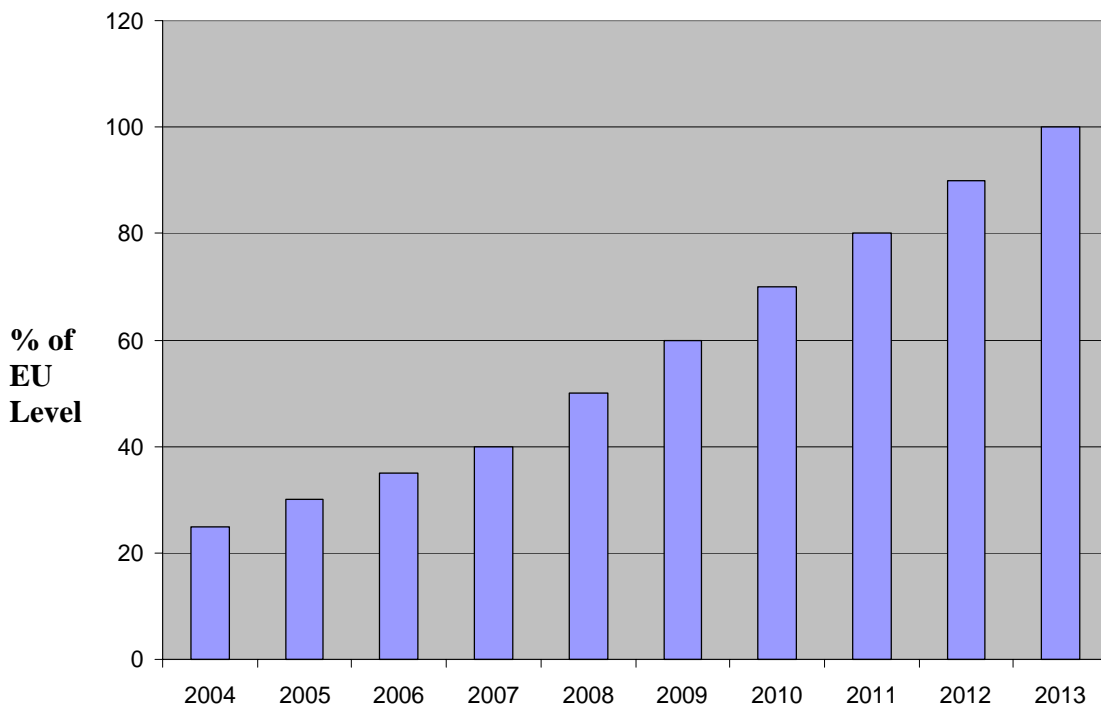
Transitional period for new Member States

Farmers in the EU-25 can receive the various current forms of CAP support, including direct payments. In the new Member States other special arrangements also apply as described below.

Phasing-in of direct payments over 10 years

Farmers in the new Member States qualify to receive direct payments from their first year as members of the EU. However, these will not be paid at the full rate applying in the EU-15 until the end of a 10-year phasing-in period. By 2013 the direct payment rates of farmers in the new Member States will be aligned with those of the existing EU. It is not possible to say at the outset what that the actual payment amount will be in a given year (as this may change for a number of reasons). However, the percentages of the EU-15 level that apply in the new Member States in each year are shown in the graph below.

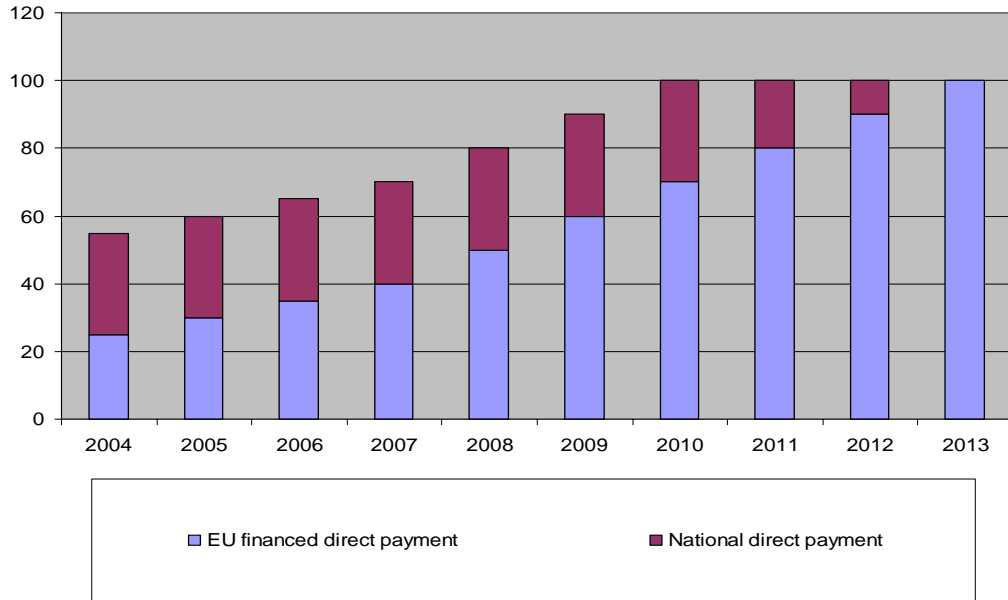
Direct payments - level (phased in over 10 years)



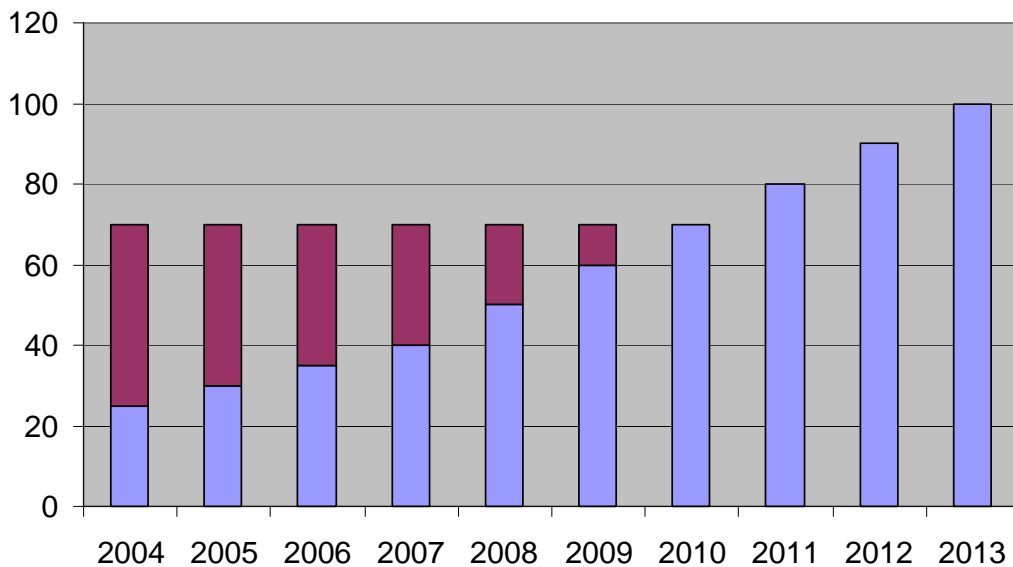
Topping up options

In order to bridge the difference in direct payment levels between the EU-15 and the new Member States during the phasing-in period, the latter can (in agreement with the Commission) top up EU direct payments, using complementary national direct payments, via one of two options:

- **Option 1:** by a maximum of 30 %, providing the combined amount does not exceed the level applying in the EU;



- **Option 2:** up to the level that applied before accession in a particular country, plus 10 %, again providing the combined amount does not exceed the level applying in the EU.



From 2004 until 2006 the EU may contribute (partially) to the topping up payments as the new Member States can use part of their rural development funds (up to 20 %), which are co-funded by the EU, for this purpose.

Other options available to the new Member States in the initial phase

The special arrangements on offer to the new Member States go beyond a straightforward transition to the EU system. In the first years after accession the new members may opt to use a different type of direct aid scheme for their farmers – one that is not on offer in the EU-15. This different aid scheme is a simpler concept than schemes operating in the EU, or the single farm payment of the future. The rationale for offering this special scheme is that:

- The new Member States have little experience of complex farmer support systems;
- Given the short time between conclusion of the accession negotiations and the accession itself it was difficult for national administrations to set up the necessary control systems for the standard EU schemes;
- The new single farm payment poses a problem for the new Member States as it is not possible to calculate payment entitlements for their farmers on the basis of the same historical reference period as used in the EU-15 (2000-2002).

Single Area Payment Scheme (SAPS)

For the above reasons the EU offered the new Member States the option of operating a simplified system of direct payments – the Single Area Payment Scheme (SAPS).

SAPS involves payment of a uniform amount per hectare of agricultural land. The level of the per hectare payment shall be calculated by dividing the national financial envelope by the utilised agricultural area.

As is the case with the single farm payment, farmers in the new Member States that apply the SAPS system have no obligation to produce, but they must keep the land in good agricultural and environmental condition. SAPS is simpler to administer than the single farm payment or the standard direct payments as less information is required from the farmer (no information is needed on the use of the land, number of animals etc). The new CAP reform rules on cross-compliance are optional under SAPS.

SAPS is an option for three years (which can be extended for two years). Then the new Member States must opt for the scheme in force in the EU at the time.

CAP system where SAPS does not apply

Eight out of the 10 new Member States have chosen to apply SAPS. Malta and Slovenia have opted for the CAP as applied in the EU-15. In the case of both the SAPS countries and ‘non-SAPS’ countries the direct aids are paid at the phasing-in rates described.

Special transitional arrangements

A number of new Member States negotiated special arrangements to assist sensitive sectors to adapt gradually to the EU *acquis*, for example slightly different quality criteria for cereals aid; special import quota for sugar, specific vine planting rights, extra time to meet EU livestock density requirements, temporary maintenance of national laws on land acquisition. Slovenia and Poland have obtained a transition period of one year for the allocation of individual milk quotas.

Production limitation

As is the case in the EU-15 farmers in the new Member States are subject to certain production limitations, in the form of:

- production quotas for milk, sugar, isoglucose, potato starch, tobacco;
- base areas & reference yields for some arable crops;
- maximum guaranteed quantities for some other products;
- maximum guaranteed areas for some other products;
- ceilings on premiums in the livestock sector.

The limits to apply for each new Member State were established as part of the accession negotiations according to common principles and based on recent reference periods, taking into account special production circumstances.

How the EU is helping the new Member States to meet the challenges of the EU

The EU has given considerable assistance to the new Member States from the early days of their candidacy for EU membership. An entirely new European Commission Directorate-General was established, with a Commissioner for Enlargement and a pre-accession strategy was prepared. The Phare programme, which had started in 1989, was joined by the Sapard and ISPA programmes in 2000⁸. By the end of 2003 almost 13 000 Sapard projects had been contracted to the final beneficiary, committing 56 % (or EUR 1.2 billion) of the EU Sapard contribution allocated to the countries for 2000-2003.

Reports on the progress of the acceding countries' preparations for EU membership were prepared annually, giving a vital insight into their ability to apply the EU *acquis*. These reports were accompanied by peer reviews of progress by experienced EU and national officials. Under the 'twinning' programme, in operation since 1998, civil servants from the EU-15 have worked for up to two years in the acceding countries to advise and help train their officials. There were 475 such twinning projects in the 1998-2001 period.

⁸ See separate Glossary for brief explanations of Phare, Sapard and ISPA.

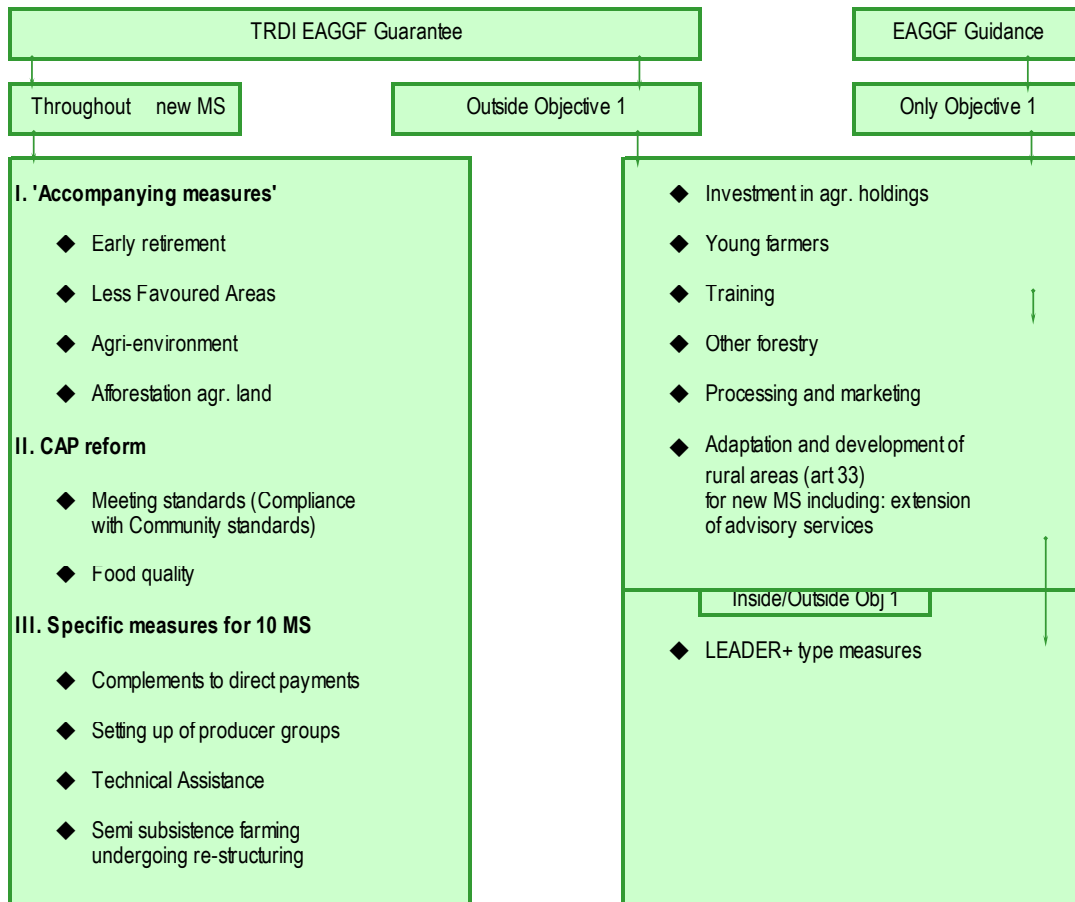
Rural development assistance

The EU has concentrated its financial assistance for the agricultural sector, pre-accession, on rural development measures because this allows the new Member States to modernise and restructure farms, food processing plants and the rural economy, and to improve the standard of living of rural people. In the central and eastern European countries, prior to accession, this assistance comes via Sapard programmes co-financed by the EU and the acceding countries. Such assistance will continue after accession via special rural development programmes agreed between the new Member States and the EU, and with budgetary resources to co-fund them established well in advance.

In addition to the existing measures in EU-15 rural development programmes (e.g. investment in farms and food processing; setting up aid for young farmers; adaptation and development of rural areas; support for LFAs; agri-environment programmes; afforestation) new measures are available in the new Member States, for example for:

- income support for semi-subsistence farmers undergoing restructuring;
- setting-up of producer groups;
- support for meeting EU standards (as for existing Member States) but there is an additional derogation for new Member States to finance investments;
- technical assistance;
- topping-up direct payments;
- Leader+ type activities, in particular capacity building at local level;
- the provision of extension and advisory services.

Community funding for rural development in new Member States



Special measure to help make semi-subsistence farms become viable

Many 'semi-subsistence farms' exist in the new Member States, which produce for their own consumption, but market part of their production. To help to turn them into commercially viable units and to contribute additional income support while the farm is upgrading, a specific payment of a maximum EUR 1 000 per semi-subsistence farm (EUR 1 250 in Poland) per year is offered for up to five years.

Paying agencies

Controlling payments made to farmers is important, as transfers of taxpayers' money are involved. Because of the complexity of the CAP, especially direct payment schemes and rural development measures, farmers must provide a large amount of detailed information. Member States have to manage the information using computerised cross-checks, on-the-spot controls and remote sensing. Paying Agencies and the integrated

administration and control system (IACS), which are necessary to run the CAP, must be put in place by the Member States.

The decision-making process

It is important to stress that all EU Member States are involved in the decision-making and implementation process. The new Member States have equal rights to participate in the process. EU policies and rules are not imposed by a third party. Member States and the agricultural sector are involved at several levels, for example:

- Council of Ministers (national Ministers);
- European Parliament, Economic & Social Committee, Committee of the Regions;
- Council working groups (national officials);
- Regulatory Committees (national officials);
- Management Committees (national officials) – meet weekly/fortnightly/monthly;
- Advisory Committees (agriculture sector experts and civil society).

More information on the decision-making process can be found in various EU publications, and at the following website:

http://europa.eu.int/abc/12lessons/index5_en.htm

USEFUL INTERNET ADDRESSES

European Commission Directorate-General for Agriculture

http://europa.eu.int/comm/dgs/agriculture/index_en.htm

Agriculture – CAP reform:

http://europa.eu.int/comm/agriculture/capreform/index_en.htm

Agriculture – Agriculture in the Europe of 25

http://europa.eu.int/comm/agriculture/eu25/index_en.htm

Agriculture – Enlargement:

http://europa.eu.int/comm/agriculture/external/enlarge/index_en.htm

Agriculture – Publications:

http://europa.eu.int/comm/agriculture/publi/index_en.htm

Agriculture - Rural development:

http://europa.eu.int/comm/agriculture/rur/index_en.htm

Enlargement:

<http://europa.eu.int/comm/enlargement/index.htm>

Eurostat:

<http://europa.eu.int/comm/eurostat>

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