EU Agricultural Economics *Briefs*

No 10 | October 2013

Let's talk about rural development money!

Financial planning and implementation of rural development programmes in the 2007-13 programming period

Contents

1. Rural development policy in the EU

2. How is rural development funded?

3. Where does the EU money go?

4. How are rural development payments made?

5. Financial implementation of EAFRD programmes

6. Financial implementation of IPARD programmes

7. Factors determining the implementation of rural development programmes

Methodological notes

Rural development programmes represent the way in which rural development policy in the EU becomes operational. In 2013, one programming period is coming to an end while the next one is being prepared. Financial aspects are essential for assessing the performance and future development of an EU-funded policy such as rural development. It is thus time to have a look at the financial implementation of the current rural development programmes and to draw lessons for the coming programming period.

This *brief* aims to provide an overview of financial programming and implementation of rural development programmes from 2007 to 2013 in the EU-27 and in candidate countries, covering:

- **The policy background, structure of programmes and key elements of financial management;**
- **How programmes are implemented and the current situation with regard to financial allocation and execution;**
- **The factors that influence the implementation of rural development programmes.**

EU Agricultural Economics Briefs are available at:
http://ec.europa.eu/agriculture/rural-area-economics/briefs/index_en.htm

Agriculture and Rural Development

1. Rural development policy in the EU

The EU's rural development policy is one of the two pillars of the Common Agricultural Policy (CAP). It addresses the challenges faced by rural areas as a whole and contributes to their sustainable development. The policy is structured around three objectives – to improve:

1. the competitiveness of agriculture and forestry,
2. the environment and the countryside, and
3. the quality of life in rural areas and to encourage the diversification of economic activity.

Each of these objectives forms one of the three thematic axes which, together with the cross-cutting Leader approach (which can be considered as axis 4), make up the structure of rural development policy.

Figure 1 The structure of EU Rural Development Policy 2007-13

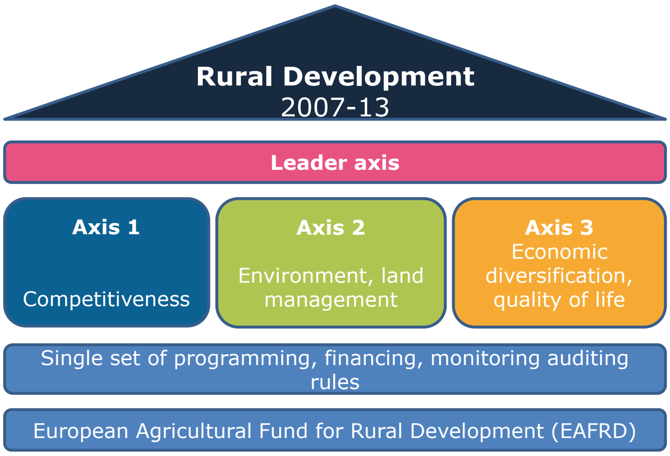


Figure 2 Rural development measures 2007-13

EAFRD

Axis 1	Axis 2	Axis 3
111 Vocational training, information actions	211 Natural handicap payments to farmers in mountain areas	331 Diversification into non-agricultural activities
112 Setting up young farmers	212 Payments to farmers in areas with handicaps, other than mountain areas	312 Support for the creation and development of micro-enterprises
113 Early retirement of farmers and farm workers	213 Natura 2000 payments linked to Directive 2000/60/EC	313 Encouragement of tourism activities
114 Use by farmers and forest holders of advisory services	214 Agri-environmental payments	321 Basic services for the economy and rural population
115 Setting up farm manag., farm relief and farm/forest advisory services	215 Animal welfare payments	322 Village renewal and development
121 Farm modernisation	216 Support for non-poductive investments	323 Conservation and upgrading of the rural heritage
122 Improving the economic value of the forest	221 First afforastration of agricultural land	331 Training and information for economic actors of field of axis 3
123 Adding value to agricultural and forestry products	222 First establishment of agroforestry systems on agricultural land	341 Skills acquisition and animation - to implement a local development strategy
124 Cooperation for development of new products, processes and technologies in the agricultural and food sector	223 First afforestration of non-agricultural land	
125 Improving and dev. Infrastructure related to agriculture and forestry	224 Natura 2000 payments	
126 Restoring agr. production potential damaged by natural disasters	225 Forest environment payments	
131 Helping farmers to adapt to standards based on Community legislation	226 Restoring forestry potential and introducing prevention actions	
132 Supporting farmers who participate in food quality schemes	227 Support for non-poductive investments	
133 Supporting producers groups for information and promotion activities		
141 Supporting semi-subsistence farms undergoing restructuring		
142 Setting up producer groups		
143 Provision of farm advisory and extension services in Bulgaria and Romania		
144 Holdings undergoing restructuring due to a reform of common market organisation		

Axis 4
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

Other measures
511 Technical assistance
611 Complements to direct payments for Bulgaria and Romania

IPARD

Axis 1	Axis 2	Axis 3
101 Investments in agricultural holdings	201 Preparation for implementation actions to environment	301 Improvement and development of rural infrastructure
102 Support for producer groups	202 Preparation and implementation of local rural development strategies	302 Diversification and development of rural economic activities
103 Investments in the processing and marketing of agricultural products		303 Improvement of training

Other measures
501 Technical assistance

2. How is rural development funded?

EU funding for rural development is provided through the European Agricultural Fund for Rural Development (EAFRD), which had a total endowment of EUR 96.3 billion for the 2007-13 period, including amounts arising from the application of the modulation system (see explanation in the box below). This amount, which corresponds to roughly 20% of the total CAP budget, is split between the three axes and 46 measures of the current rural development policy, and spent on the 94 rural development programmes (national or regional) agreed between Member States and the European Commission[1]. To ensure a balanced approach, minimum funding requirements have to be respected (10% for axis 1, 25% for axis 2, 10% for axis 3 and 5% for Leader) and EU funds have to be matched with co-financing from the Member States or regions.

The Health Check and rural development

The 2008 'Health Check' reform of the CAP included an increase in modulation, whereby direct payments to farmers are reduced and the money is transferred to the Rural Development Fund. The funding obtained this way may be used by Member States to reinforce programmes in the areas of climate change, renewable energy, water management, biodiversity or innovation linked to these four areas or for accompanying measures in the dairy sector. This transferred money is co-financed by the EU at a rate of 75% (90% in convergence regions of lower average GDP per capita).

For '*enlargement countries*', an **'Instrument for Pre-Accession Assistance'** (IPA) has been set up with a specific component dedicated to rural development (IPARD). In the 2007-13 period, EUR 11.5 billion was allocated to IPA, of which EUR 1.1 billion was specifically earmarked for rural development. IPARD programmes have been approved for Croatia, the former Yugoslav Republic of Macedonia and for Turkey.

The funding requirements for rural development initiatives are determined through the following steps:

1. Each Member State submits a **National Strategy Plan** which evaluates its economic, social and environmental situation and the potential for development. They also include the thematic and territorial priorities for rural development under each axis; a list of the rural development programmes implementing the national strategy plan; and an indicative EAFRD allocation for each programme. Note that all National Strategy Plans must be in line with the Community Strategic Guidelines for Rural Development, which set out general principles at EU level regarding the themes which spending should address.
2. Following agreement of the National Strategy Plans, Member States draw up **Rural Development Programmes (RDPs)**. A Member State may have either a single programme for its entire territory or a series of regional programmes. These programmes are based on an analysis of the situation in rural areas in terms of strengths and weaknesses and the strategy chosen to address them.
3. The **financing plan** is a key component of each RDP, including details of the total EAFRD contribution, the matching national/regional public funding planned for each year and for the entire programming period for each axis, and an indicative breakdown of the initial amounts by measure.

The same principles are followed in IPARD, where rural development programmes are drawn up by each beneficiary country. The national IPARD programmes contain a set of measures[2], grouped around three priority axes, chosen by the applicant country. There is no separate axis 4 in IPARD but it does include a measure to help countries to prepare and implement local rural development strategies under axis 2 (measure code 202). Unlike EAFRD, in IPARD there are no minimum funding requirements that have to be respected when allocating the funds to the different axes.

EU funding for rural development policy is allocated in four main steps:

1. The **multiannual financial framework** agreed on between the European Parliament, the Council and the Commission sets the maximum EU budget each year for broad policy areas ('headings') and fixes overall annual ceilings. The current financial framework covers the period from 2007 to 2013. Rural development is covered under heading 2: preservation and management of natural resources.

[1] 88 rural development programmes (national and regional), 2 frameworks (Germany, Spain) and 4 network programmes (Germany, Italy, Spain and Portugal).

[2] Measures under the rural development component of IPA are defined in Commission Regulation (EC) No 718/2007 of 12 June 2007.

2. **EU support for rural development** for the 2007-13 period, its annual breakdown and the minimum amount **for regions eligible under the Convergence Objective** are laid down in a Council Decision[3].

3. The annual breakdown of EU support to rural development **per Member State** is fixed in a Commission Decision[4], based on past performance and on particular situations and needs, based on objective criteria.

4. **Annual budgets** allocate the EU's resources between different programmes and activities, while respecting the limits set by the financial framework. Rural development has received annual allocations of roughly EUR 14 billion over the last six year based on the needs identified in the financing plans agreed in the RDPs.

3. Where does the EU money go?

At country level

The European Commission makes an annual breakdown per Member State of the support for rural development, taking into account: the amounts reserved for regions under the Convergence Objective[5], past performance and particular situations and needs, based on objective criteria.

In addition to this support, the Member States have to take into account for the purpose of programming the amounts they would receive as a result of modulation[6].

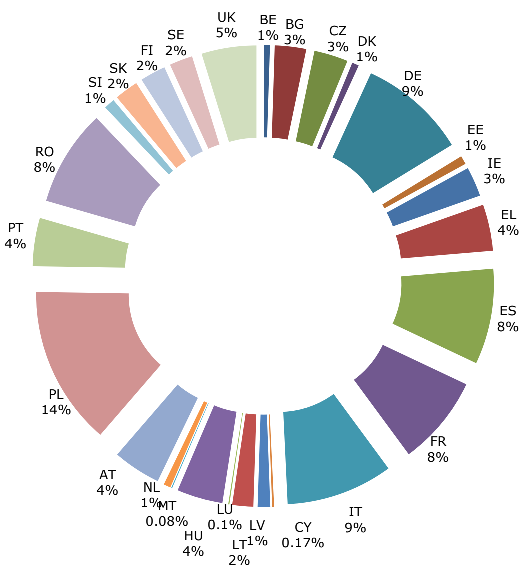
A minimum of 32% of all EU support for rural development goes to convergence objective regions. EU-15 countries receive 61% of all EU support and EU-N12 countries 39%. Poland obtains the highest share (14%) of all EU support, followed by Italy and Germany (9% each), while Malta (0.08%) and Luxembourg (0.1%) receive the least.

Table 1 Breakdown by Member State of EU support for rural development for the 2007-13 period and the minimum reserved for regions under the convergence objective

Countries	Community support for rural development 2007 to 2013: Total (current prices in EUR million)	of which minimum for regions under the convergence objective, total (current prices in EUR million)
Belgium	**487**	41
Bulgaria	**2 642**	692
Czech Republic	**2 858**	1 635
Denmark	**578**	0
Germany	**9 080**	3 174
Estonia	**724**	387
Ireland	**2 495**	0
Greece	**3 906**	1 906
Spain	**8 053**	3 178
France	**7 584**	568
Italy	**8 986**	3 341
Cyprus	**165**	0
Latvia	**1 054**	328
Lithuania	**1 766**	679
Luxembourg	**95**	0
Hungary	**3 860**	2 496
Malta	**78**	18
Netherlands	**593**	0
Austria	**4 026**	32
Poland	**13 399**	6 998
Portugal	**4 059**	2 181
Romania	**8 124**	1 996
Slovenia	**916**	288
Slovakia	**1 997**	1 106
Finland	**2 155**	0
Sweden	**1 953**	0
United Kingdom	**4 612**	188
EU-27	**96 244**	**31 233**

Source: Commission Decision of 27 April 2010 (2010/236/EU).

Graph 1 Share of EAFRD contribution by Member State in %, 2007-13 programming period



[3] Council Decision 2006/493/EC of 19 June 2006 laying down the amount of Community support for rural development for the period from 1 January 2007 to 31 December 2013, its annual breakdown and the minimum amount to be concentrated in regions eligible under the Convergence Objective.
[4] Commission Decision 2006/636/EC, last amended by Commission Decision 2010/236/EU, fixing the annual breakdown by Member State of the amount for Community support to rural development for the period from 1 January 2007 to 31 December 2013.
[5] Convergence objective: the objective of the action for the least developed Member States and regions according to the Cohesion Fund for the period 1 January 2007 to 31 December 2013.
[6] As provided for in Article 12(2) of Regulation (EC) No 1290/2005.

As for the total EU contribution to IPARD, funding to the three *'enlargement countries'* amounted to **EUR 846 million for the 2007-12** period, of which 77% was allocated to Turkey, 15% to Croatia and 8% to the former Yugoslav Republic of Macedonia.

Breakdown per 'axis'

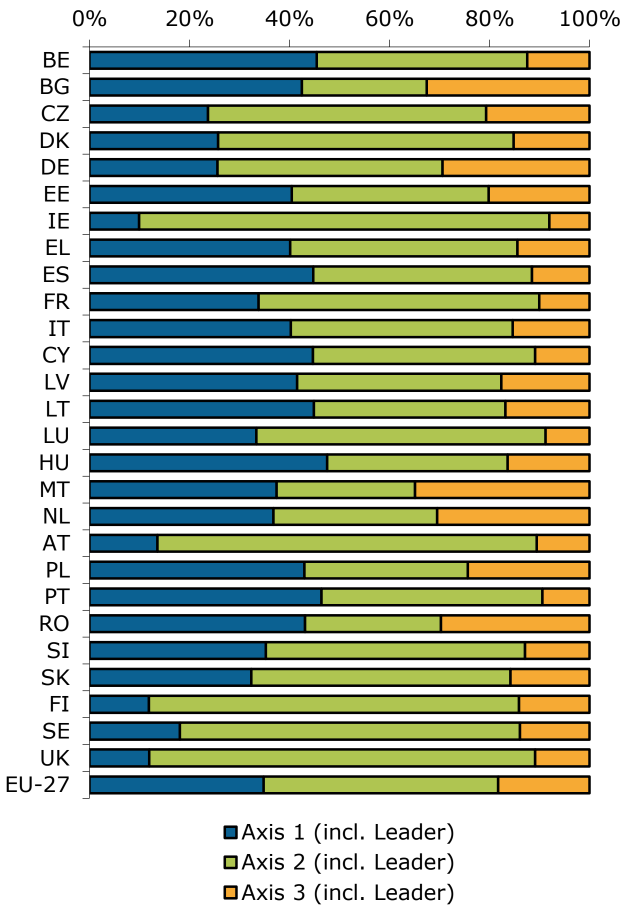
At the EU-27 level, 33% of the total EAFRD contribution is allocated to axis 1, 45% to axis 2 and only 13% to axis 3[7], with significant differences between Member States (see graph 2). Axis 1 receives more than 40% of all EAFRD funding in Belgium, Hungary and Portugal (44%), Cyprus (43%), Spain, Lithuania and in Poland (42%), whereas it accounts for less than 15% in Austria (13%), Finland, the United Kingdom (12%) and Ireland (10%).

Contributions to axis 2 are highest among those Member States that spend the least on axis 1. This is evident in Ireland (80%), the United Kingdom (75%), Austria (74%) and Finland (72%). Axis 2 allocations are lowest in Bulgaria (23%), Romania (25%) and in Malta (26%).

The EAFRD contribution allocated to axis 3 is highest in Malta (33%), followed by Bulgaria (30%) and the Netherlands (30%). The allocation to this axis is at or below 10% in France (10%), Ireland and Luxembourg (8%)[8].

Of the nine measures available under IPARD, the RDPs of Croatia and Turkey contain seven measures and that of the former Yugoslav Republic of Macedonia contains all of them. In these three IPARD-funded RDPs, measures under axis 1 make up more than 60% of the total EU contribution, followed by measures under axis 3, the proportion of which varies between 19% (former Yugoslav Republic of Macedonia) and 31% (Croatia). The share of IPARD funding allocated to axis 2 does not go beyond 5% in any of the three countries.

Graph 2 Relative importance of the three thematic axes by Member State, 2007-13 programming period

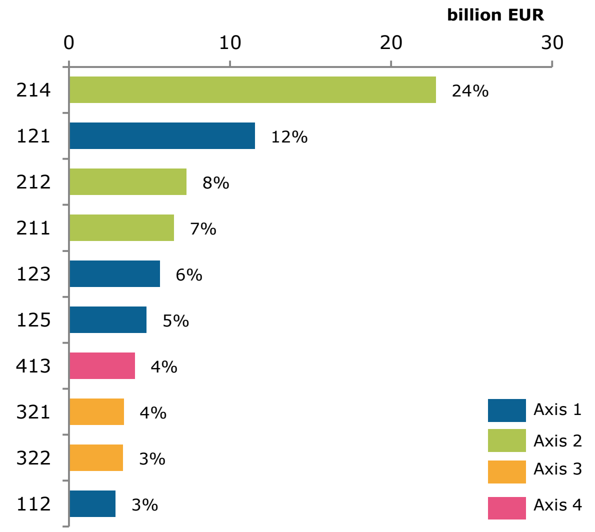


At measure level

Across the EU, measure 214 *'Agri-environmental payments'* accounts for 24% of the total EAFRD endowment, followed by measure 121 '*Modernisation of agricultural holdings'* with 12% and less favoured area payments (with 7% in mountainous less favoured areas (LFAs) and 8% in non-mountainous LFAs). Taken together, these four measures alone account for more than 50% of EU funding for rural development. Within axis 3, the highest proportions go to measures 321 '*Basic services for the economy and rural population*' and 322 '*Village renewal and development*' with 4% and 3%, respectively. In addition, measure 413 '*Local development strategies-quality of life/diversification*' accounts for 4% (see graph 3).

[7] Funds implemented through Leader have been reattributed to the respective axes. This calculation does not take into account measures 421 and 431 because of their 'horizontal' nature; they can contribute to the objectives of any of the three thematic axes.
[8] Please note that measures implemented via Leader can contribute to all axes but mainly to axis 3 (for example in Ireland where axis 3 is implemented mainly via Leader). It should therefore be taken into account when calculating the minimum percentages allocated to different axes.

Graph 3 EAFRD measures with the 10 highest financial allocations in the EU-27 for the 2007-13 period in EUR billion and in %



Within axis 1, measure 121 *'Modernisation of agricultural holdings*' receives the highest financial share (36%) of the EAFRD axis 1 across the EU as a whole and in most of the Member States. It accounts for 81% of axis 1 in Luxembourg, 68% in Hungary and 62% in Belgium. Next in line is measure 123 '*Adding value to agricultural and forestry products*' (18% of axis 1 in the EU-27), which is particularly strong in Romania (30%), Spain (26%), Bulgaria (25%), Slovakia, Portugal and the United Kingdom (all 24%). Very low financial contributions are allocated to measure 115 *'Setting up of management, relief and advisory services*' (0.22%), measure 131 *'Meeting standards based on EU legislation*' (0.25%), measure 132 *'Participation of farmers in food quality schemes*' (0.54%) and measure 133 *'Information and promotion activities*' (0.55%), which are less capital intensive than those measures that support investment in agricultural holdings or in processing and marketing activities.

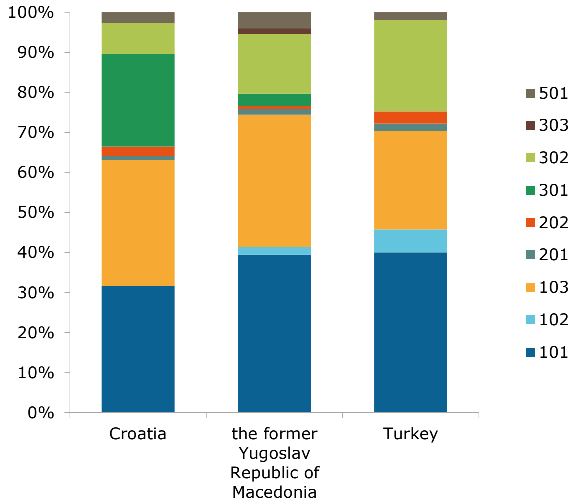
In the context of **axis 2**, the majority of Member States allocate the highest amounts to measure 214 *'Agri-environmental payments'*. Across the EU as a whole, this measure represents 52% of the EAFRD funding allocated to axis 2. The share of axis 2 funding allocated to this measure is highest in Belgium (83%), followed by the UK and Sweden (both 74%). In absolute terms, funds allocated to measure 214 are twice as high as those allocated to measure 121 (described above).

Measure 321 *'Basic services for the economy and rural population'* takes the largest share (27%) of **axis 3** funding in the EU as a whole. Its proportion of axis 3 funding is particularly high in Ireland (100%), Cyprus (67%) and in Portugal (66%) whereas it is at or below 5% in Belgium, Slovenia, Estonia and Lithuania. Malta did not allocate any funding to this measure. This measure is followed closely by measure 322 *'Village renewal and development*', which takes 26% of axis 3 funding across the EU and whose proportion is particularly high in Romania (65%) and in Estonia (44%). No funds were allocated to this measure in Ireland, France, Latvia, Malta or Portugal. It should be noted that if there is no financial allocation to measures within axis 3, the objectives of these measures can still be implemented using the Leader measure 413 (axis 4) *'Local development strategies-quality of life/diversification*.'

At least 5% of the EAFRD total contribution to the programme has to be reserved for **Leader**. The figure is 2.5% for the recently joined Member States (EU-N12). Across the EU, Leader measures represent 6% of the total EAFRD contribution for 2007-13. It takes the highest proportion in Denmark, Spain (11%), Ireland and Portugal (10%).

In **IPARD**, all three countries put the highest emphasis on measure 101 *'Investment in agricultural holdings*', which receives 40% of funding in Turkey, 39% in the former Yugoslav Republic of Macedonia and 32% in Croatia. Measure 103 *'Investment in the processing and marketing of agricultural products*' comes second with 33% in the former Yugoslav Republic of Macedonia, 31% in Croatia and 25% in Turkey. These two measures alone account for 65% of the total EU contribution for the 2007-12 period in the three countries, and for over 90% of the total allocation of axis 1 in each country. Croatia allocates 23% to measure 301 *'Improvement and development of rural infrastructure*' and Turkey puts a lot of emphasis on measure 302 *'Diversification and development of rural economic activities*' (also 23%). The financial allocation to agri-environmental projects is very low compared to EU countries, accounting for less than 2% of the total financial allocation in all countries concerned.

Graph 4 Financial share of IPARD measures in the 2007-12 period



4. How are rural development payments made?

The financial management of the rural development programmes involves various actors, both at EU level and in the Member States.

Managing Authorities are designated by the Member States. They may be public or private bodies in charge of managing the rural development programmes at national or regional level. They are responsible for ensuring that:

- projects for funding are selected in accordance with the criteria applicable to the rural development programmes;
- beneficiaries are aware of the obligations arising from receiving the financial support;
- an adequate monitoring system is in place to record information on how the rural development programmes are implemented;
- evaluations of the programme are carried out according to the rules;
- the Paying Agencies (see below) receive the necessary information to authorise payments.

Paying Agencies are the departments or bodies of the Member States who, in respect of those payments made by them, provide sufficient guarantees that:

- the eligibility of requests and the procedure for allocating aid and their compliance with EU rules, has been checked before payment is authorised;
- accurate and exhaustive accounts are kept of the payments made;
- checks laid down in EU legislation are made;
- documents are presented within the stipulated time limits and form.

Member States' **Monitoring Committees** also play an important role in implementing the programmes[9]. For instance, they can propose to the Managing Authorities to adjust or review the programme, or to improve its management, including the financial management. They can consider and approve any proposal to amend the content of the Commission decision on the contribution from the EAFRD.

Beneficiaries' access to the funds allocated to individual measures is in all cases determined by eligibility criteria (for example, the location and/or size of the farm and how the land is used). For many measures, selection criteria are also defined – which 'rank' eligible potential projects / beneficiaries and help to ensure that funding is focused on those which will deliver the best value for money. The use of the eligibility and selection criteria is important because it enables the EAFRD funds to be targeted to meet the objectives of the RDPs. In most cases, potential beneficiaries apply for funding related to one or more specific measures. These applications are then assessed and, if successful, beneficiaries enjoy EAFRD support, in line with the terms of an agreement with the relevant authority. The exact delivery mechanisms applied differ from Member State to Member State and from measure to measure.

There are three categories of payments made by the Commission to the Member States:

- advance payment(s): advances are provided in the first three years of the programming period (e.g. 2007-9), after adopting a rural development programme. This represents 7% of the EAFRD contribution to the programme concerned[10];
- interim payments: in order to receive reimbursement for the expenditure incurred during the implementation of a rural

[9] See details: Article 78 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the EAFRD.
[10] Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy.

development programme, Member States submit declarations of expenditure to the Commission;

- payment of the final balance: after receiving the last annual execution report on the implementation of a rural development programme, the Commission pays the balance.

Once the final beneficiary of a programme uses the funds for a project and submits the relevant expenditure declarations to the managing authorities, several steps are taken to check eligibility and certify the expenditure. This process results in a delay between the implementation in the field and the financial execution. Estimating this delay is difficult and the processes for submitting claims vary between Member States. As a consequence, payments are not in real-time.

5. Financial implementation of EAFRD programmes

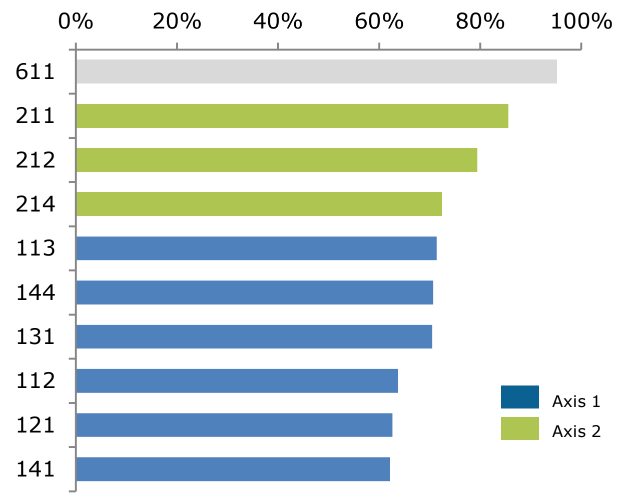
By the end of 2012, the European Commission had received declarations of expenditure to the value of EUR 57.5 billion, which is 59% of the financial plans for the 2007-13 period for the EU-27. The ratio between the cumulated declared expenditure and the planned expenditure (financial plans) for the whole programming period gives an idea of how the programme implementation is progressing.

As regards measures, the highest absolute amounts were declared for three measures under axis 2, namely measure 214 *'Agri-environmental payments'* (EUR 16.5 billion), measure 212 *'Payments to farmers in areas with handicaps, other than mountain areas'* (EUR 5.8 billion) and measure 211 *'Natural handicap payments to farmers in mountain areas'* (EUR 5.6 billion). These measures also show the highest implementation rates in relation to the financial plans (surpassed only by measure 611 *'Complements to direct payments for Bulgaria and Romania'* with an implementation rate of 95%): 86% for measure 211, 79% for measure 212 and 72% for measure 214. The success of these measures could lie in the fact that they can be disbursed in a regular (annual) fashion through relatively simple systems, based on multi-annual contracts. They are also well known among potential beneficiaries.

Other measures with implementation rates above 50% include measure 113 *'Early retirement of farmers and farm workers'*, measure 144 *'Holdings undergoing restructuring'* and measure 131 *'Helping farmers to adapt to demanding standards based on EU legislation'*. The implementation rate is below 15% for measure 421 *'Transitional and inter-regional cooperation'* (12%), measure 412 *'Local development strategies - environment/land management'* (9%) and measure 222 *'First establishment of agroforestry systems on agricultural land'* (2%), all of which require prior co-ordination and/or careful planning by several actors and therefore might need more time to establish.

The implementation rate of axis 3 measures is between 31% (measure 313 *'Encouragement of tourism activities'*) and 59% (measure 322 *' Village renewal and development'*). In general, implementing axes 3 and 4 measures requires a considerable amount of preparatory work. For investment projects, particularly infrastructure or construction/renovation projects, there is a considerable delay between the signing of the contract, the execution of the work and the reclaiming of costs. The same concerns the measures under axis 4 (Leader) since selecting Local Action Groups[11] also takes time before the project can actually be implemented. Graph 5 shows the *'top 10'* EAFRD measures concerning the rate of implementation as of the end of 2012.

Graph 5 EAFRD measures with the 10 best implementation rates in the EU-27 (ratio between the declaration of expenditure received by the European Commission by the end of 2012 and financial plans for the 2007-13 period)



[11] Local Action Groups are essential in implementing Leader actions as they support integrated local development strategies of a pilot nature, based on a bottom-up approach.

The implementation rate at Member State level is highest in Ireland (84%) and in Luxembourg (80%) while the lowest rates can be found in Bulgaria, Greece (both 46%) and in Romania (44%).

There are differences in the rate at which programmes are implemented between and even within each Member State. The ratio between actual declarations of expenditure and planned financial allocation varies from 34% (Guadeloupe and Reunion) to 84% (Flanders and Ireland). Within Member States implementation rates can also vary significantly. For example, rates in Germany range from 54% (Hamburg) to 81% (Baden-Württemberg); in Italy from 41% (Campania) to 80% (Provincia Autonoma Bolzano); and in Spain from 40% (Extremadura) to 80% (Principado de Asturias).

6. Financial implementation of IPARD programmes

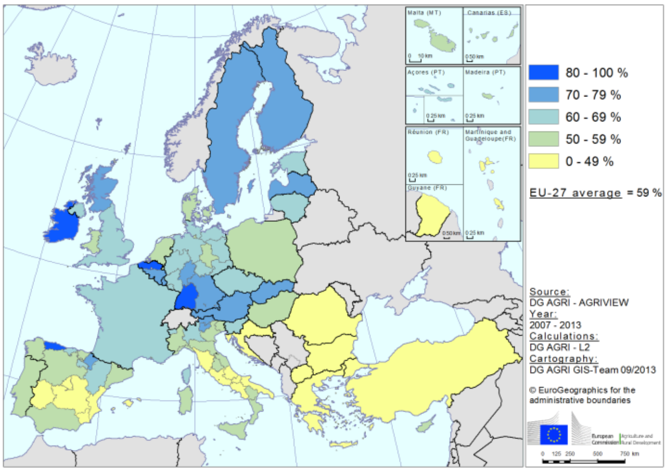
The IPARD countries are now in different phases of preparation for the national accreditation and conferral of management. Since setting up the institutional, administrative, management and control frameworks to implement the programme takes time, the actual financial execution is delayed. By the end of 2012 only 4% of the total EU contribution had been paid to final beneficiaries in the three countries. The level of execution varies per country: 11% in Croatia, 3% in the former Yugoslav Republic of Macedonia and 2% in Turkey.

As regards the measures, the two investment measures (101 *'Investment in agricultural holdings'* and 103 '*Investment in the processing and marketing of agricultural products'*) account for the bulk of payments to the final beneficiaries (97% by the end of 2012). The remaining 3% is paid for projects under measure 302 *'Diversification and development of rural economic activities'*. In Croatia and in the former Yugoslav Republic of Macedonia, measure 103 has the highest execution rates, at 56% and 79% respectively, while in Turkey measure 101 *'Investment in agricultural holdings'* stands at 82%. There was no payment to other measures during the period under review.

We have to keep in mind the fact that during the implementation period can be a tendency to modify the programmes, to re-allocate funds to increase the rate of spending can be observed. Funds have been shifted into those measures already spending well and measures with low or no spending have been dropped. This can be fully justified where unforeseen problems have arisen due to changed economic conditions or due to the wider policy/legislative context but should not lead to a less targeted approach.

Map 1 shows how rural development programmes for the 2007-13 programming period were implemented, based on the ratio of declarations of expenditure to planned financial allocation at programme level. Please note that the periods under review for EAFRD and IPARD differ[12].

Map 1 Financial execution of rural development programmes in the 2007-13 programming period – EAFRD and IPARD – per programme in percentages



7. Factors determining the implementation of rural development programmes

Rural development policy is a highly flexible policy which uses a range of tools to offer targeted solutions to the very diverse challenges faced by the EU's rural areas. This essential characteristic is reflected in various aspects of its management and structure. The policy is implemented under shared management between the Commission and the Member States, which may delegate tasks further to regional or sub-regional levels. It is elaborated and implemented through multi-level governance mechanisms, with a legal basis common to all Member States. However, implementation procedures are to a significant extent specific to national and regional administrations. In addition to the Commission and the national administrations, social and economic partners are also

[12] EAFRD: ratio between declarations of expenditure by the end of 2012 and financial plans for the 2007-13 period. IPARD: ratio between payments to final beneficiaries (declared to the European Commission) and financial plans for the 2007-12 period.

involved in the preparation, monitoring and evaluation of the policy.

Due to the flexibility offered by the shared management approach and the differences in the administrative structures of the Member States, the rural development policy delivery mechanism – including the financial implementation - varies significantly across countries and regions. Generalisation on the subject can thus only be made cautiously[13].

As in the case of most or all EU funds under shared management, there are many factors, varying from one Member State or region to another, which determine and help to understand the speed of financial implementation in the current period:

- **Strategic approach and programming procedure** within a Member State. The definition of the National Strategy Plans and the drafting of rural development programmes, often in parallel, required a certain amount of time so that the results is high-quality programming which addresses the challenges of the territory as effectively as possible. The **timing of programme submission to the Commission and the quality of the programmes submitted** influence the length of the programme approval procedure and the start of implementation[14].
- Member States, which are responsible for the delivery of rural development programmes, set up their own detailed procedures and structures within their own national legislative frameworks. Thus the **implementation mechanisms,** the **institutional set-up** for the implementation procedure also has an influence on the speed of implementation. Across the EU-27 implementation procedures vary, mainly because of a) the institutional level at which the policy governance takes place; and b) the extent to which operational responsibilities for the delivery of the rural development programmes are devolved or delegated to subordinated agencies or bodies.
- The **choice and design of measures** as such has an impact on the speed at which they can be implemented. More complex measures which may address the specific requirements of given regions can take longer to implement but sometimes produce especially strong results – e.g. certain more ambitious and highly 'targeted' agri-environment measures.
- **Experience with the process and/or with individual measures** is a determinant of the speed at which programmes can become operational and funds can be disbursed.
- The level and speed of financial execution is also associated with **administrative, human resource and managerial capacities**, including the existence of adequate monitoring systems. Administrative and human capacity constraints can cause delays in one or more of the elements of the delivery process. Furthermore, managing two overlapping programmes, i.e., implementing and closing the previous programme and preparing the new programme according to new regulations and rules with largely the same administrative and human resources, can put additional strain on the responsible institutions.
- In addition, the economic downturn has caused **budget constraints**. Member States' budget consolidation strategies have created challenges in terms of ensuring the necessary co-financing for the rural development programmes. To help countries facing particular difficulties to manage public debt/deficits and to ensure financial stability, the Commission proposed to provide supplementary EU co-financing (up to 95%) for rural development projects in Greece, Ireland, Latvia, Portugal and Romania[15].
- Concerning IPARD programmes, countries need to **set up the institutional background** in accordance with the regulations with a view to managing future rural development programmes after accession. Decentralised implementation can only start when the candidate country puts in place the administrative and control structures necessary to manage the programmes.

[13] See more details on the site of the European Network for Rural Development: http://enrd.ec.europa.eu/policy-in-action/improving-implementation/delivery-mechanisms/en/delivery-mechanisms_en.cfm

[14] Besides the official act, the date of approval (Commission Decision) corresponds to the advance payment from the Commission to the Member State.

[15] Council Regulation (EC) No 1698/2005, Article 70 4c.

Finally, it must be firmly emphasised that the financial execution of rural development programmes is just one element for assessing the performance of the policy. This brief addresses financial issues; however, spending money is a means to an end, not an end in itself, and the policy must be judged above all on the results which it achieves. This is why comprehensive evaluations are undertaken at different times during the programme cycle which demonstrate the progress and achievements of rural development policy and assess the impact, effectiveness, efficiency and relevance of rural development policy interventions.

Methodological notes

Financial information has been obtained from AGRIVIEW, DG Agriculture and Rural Development's data warehouse for analytical purposes (and may therefore contain data which are slightly different from those held in accountancy systems). The data were extracted in February 2013 and due to the different stages of approval of the programme modifications – and conferral of the management in the case of IPARD – these may have changed. Data are published with an overview of the EU rural development policy on the Europa website (http://ec.europa.eu/agriculture/statistics/rural-development/2012/index_en.htm). EAFRD data include voluntary modulation for the Member States that choose to apply it, while advance payments are excluded. In addition, not all public funds are covered in this overview, notably the support provided in the framework of State aid.

Programme information contains the latest versions of financial plans that have been approved by the Commission and financial execution data are based on declarations of expenditure that the Commission received by the end of 2012. Advance payments were not taken into account in either the EAFRD or IPARD-related analyses.

Although IPARD concerns the 2007-13 programming period, financial data for Croatia, the former Yugoslav Republic of Macedonia and Turkey only cover the 2007-12 period. For IPARD, financial execution data are payments made to final beneficiaries and declared to the European Commission by 31 December 2012.

In Map 1, which shows the implementation per programme, only (regional) rural development programmes were taken into account. National framework and network programmes were excluded from the calculation.

Policy background:	http://ec.europa.eu/agriculture/rurdev/index_en.htm
	http://ec.europa.eu/enlargement/instruments/overview/index_en.htm
Funding the CAP:	http://ec.europa.eu/agriculture/cap-funding/index_en.htm
Statistics, analyses:	http://ec.europa.eu/agriculture/statistics/rural-development/index_en.htm
Evaluation:	http://ec.europa.eu/agriculture/evaluation/index_en.htm

Contact: DG Agriculture and Rural Development, Unit Economic Analysis of EU Agriculture
Tel: +32-2-29 91111 / E-mail: Agri-L2@ec.europa.eu
http://ec.europa.eu/agriculture/rural-area-economics/index_en.htm