

EUROPEAN UNION



Committee of the Regions

NAT-VI-004

5th Commission meeting, 21 September 2015

DRAFT OPINION

Commission for Natural Resources

Innovation and modernisation of the rural economy

Rapporteur: **Randel Länts (EE/PES)**
Member of Viljandi City Council

This document will be discussed at the meeting of the **Commission for Natural Resources** to be held **from 11 a.m. to 6 p.m. on 21 September 2015.**

Reference document

**Draft opinion of the Commission for Natural Resources –
Innovation and modernisation of the rural economy**

I. BACKGROUND

1. The Europe 2020 strategy views towns and cities as the main engines of economic growth. However, it will not be possible to attain the goals of this strategy and preserve territorial cohesion without harnessing all the available potential, which includes the potential offered by rural areas.
2. Rural and intermediate regions constitute 91% of the EU's area, are home to 60% of the EU's population, produce 43% of gross value added and host 56% of the EU's jobs.
3. Rural life boasts a rich cultural, architectural, natural, social, culinary and economic heritage. Thus rural areas are of prime importance in new political approaches that foster sustainable development and territorial cohesion.
4. Many rural areas in Europe are faced with similar problems: physical accessibility, distance from centres of decision-making and research, and inadequate technological infrastructure. This causes the technology gap to grow even wider. Labour market participation is lower in rural areas and fewer jobs are created there. On the other hand, rural areas also offer a whole range of advantages: countryside, a pleasant living environment and lower levels of pollution, to name but a few.
5. It should, however, be noted that rural areas can be very diverse in terms of their characteristics and challenges. Some areas are suffering from rural exodus and an ageing population, while others that are closer to urban areas are under increasing pressure due to a rising demand for building plots and demographic developments. Decreased agricultural activity means that some areas are struggling with an economic downturn; others are meeting with increasing success due to the attributes of their natural surroundings or other qualities related to their living environment, tourism, and/or an influx of people coming to live in those areas. Some areas have a relatively well developed road network and good information and communications infrastructure, while others are relatively isolated.
6. What they all have in common is that the level of development in rural areas is lower than that of the EU, particularly compared to development levels in urban areas – and the gap is widening.
7. Maintaining high quality public and private services often requires significant political, civic and financial investment and more solidarity between town and country. At the same time, the development of public services or products can spur businesses on to greater efforts: for example, the conditions for the award of public contracts can create incentives for businesses to seek new and innovative solutions.
8. In comparison to the previous period, funding available under the CAP has been cut from EUR 96 319 billion to EUR 84 936 billion. In addition, Member States are able to transfer up to

25% of the funds from the second to the first pillar; in some Member States this has already led to a significant reduction in funding for the second pillar.

9. It is impossible to envision a genuine policy for rural development without taking all the stakeholders into account. Member States should decide to dedicate a significant portion of their budget for rural development programmes to social integration, the fight against poverty and the promotion of rural economic growth. Unfortunately, most of their budgetary resources are currently directed towards agriculture.
10. Only 5% of the EAFRD budget is put towards the LEADER programme, which will not be sufficient to revive investment. Meanwhile, the LEADER programme has helped to create up to 150 000 jobs since 1991, and is virtually the only instrument that stimulates employment, thereby helping to preserve the socio-economic fabric.
11. In addition to funds being increased, the scope of local development should be enlarged to encompass all projects for stimulating economic and social development in rural areas. Cooperation among small producers should be supported with the aim of boosting their production capacity and the performance of local markets, overcoming problems related to short supply chains, and promoting product development and collaborative marketing. Measures like this can also enhance cooperation with regional educational and vocational training institutions, LEADER networks and other forms of local cooperation.
12. A study carried out by the European Commission's Directorate-General for Regional Policy to support local development under cohesion policy, best practice and future policy options recommends setting up a coordination platform for local development with the task of incorporating the local dimension of development into the Europe 2020 strategy. The platform should focus on simplifying procedures and examine whether the various sector-specific policies are consistent. In practice, the platform should take the form of a Commission inter-service working group, which could potentially be enlarged with representatives of other EU institutions.
13. During the previous programming period (2007-2013), rural development was supported with EUR 91 billion from the EAFRD and EUR 85 billion from other Structural Funds. However, the new ERDF Regulation is principally concerned with urban areas; it does not even mention rural areas. Thus the question arises as to what real possibilities remain for co-financing development projects in rural areas using the other Structural Funds (the ERDF and ESF in particular), given that most measures in the EAFRD Regulation are reserved for agriculture.
14. An initial overview of the implementation of the operational programmes shows that only 25% of ERDF funds benefits rural areas. Final data on the allocation of ERDF funds for the 2014-2015 programming period will be available towards the end of the year.
15. On 23 March 2015, the European Commission and the European Investment Bank (EIB) presented a guarantee fund model for agriculture intended to ensure better access to loans in rural areas so that farmers and other players in rural areas can get loans more easily.

16. Population decline and the exodus of young people from rural areas to towns and cities is a serious problem throughout Europe. The main reasons for leaving are a lack of jobs, low wages and a general lack of appeal. At the same time, rural businesspeople complain that they are unable to find new, skilled young workers. Therefore rural vocational training must be rapidly improved, both in terms of initial vocational training, which evidently does not correspond to the needs of businesses, and in terms of further vocational training.
17. Vocational training institutions in rural areas must develop much more effective approaches to involving local small businesses in the development of curricula – they often lack significant administrative and financial resources for cooperation with educational institutions. Training in areas where there is a need for it must be provided flexibly, rapidly and on a scale that is appropriate to a given region. It is, of course, more difficult to provide vocational training in rural areas than in urban areas, because learners are widely dispersed in terms of where they live and have different needs. One of the easiest ways to engage educational institutions and businesses is to take on trainees; however, without external support this may be too burdensome for small businesses. Consideration should be given to plans for supporting companies that take on trainees. Regional vocational training institutions and other educational institutions should be provided with comprehensive resources and should have clear missions relating to further training and retraining.
18. Fast telecommunications networks are vitally important for competitiveness and economic growth. Digital services can only be offered if fast and reliable internet is available. Although broadband coverage in the EU has greatly improved over the past few years, and the necessary infrastructure is now in place in some areas, many places are still lagging far behind. The contrast between rural and urban areas is particularly visible in this regard.
19. In addition to the availability of infrastructure, it is important to ensure that the general public and businesses make good use of this potential. Studies show that, even with good internet access, most people make only relatively limited use of the possibilities on offer. Training and the dissemination of information on the various possibilities – in particular, on the use of ICT in small businesses for developing products – could be an opportunity for rural areas.
20. Today, the concept of "smart cities" is usually associated with big cities, where changes play out and development prospects are sought. However, rural areas, too, would be well advised to be receptive to this concept. "Town" and "country" should not be seen as opposites; rather, there should be a synergy between them, which new technologies and their practical implementation can help to foster. We should be talking about "smart regions" or "smart areas".
21. The European Innovation Partnership is an innovative approach to addressing weaknesses, shortcomings and obstacles that hinder or slow down the development and marketing of good ideas arising from European research and innovation. Solutions must be found, in particular with regard to under-investment, outdated regulations, a lack of standards, and problems due to market fragmentation.

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

22. takes the view that the economic, environmental and social problems emerging in all European regions, and particularly in rural areas, can only be solved by integrated policy approaches and therefore wishes:
23. to continue harmonising the rules for the Structural Funds by means of a common strategic framework, in order to better plan and steer rural development;
24. to draw attention to the fact that austerity measures and the general funding cuts for agriculture threaten the future viability of rural areas;
25. to work towards making more EU funds available for local development in the 2014-2020 programming period;
26. to strive for more differentiated approaches and take rural interests into account in all EU policy areas, as is currently the case for cities;
27. to support the call made by the enlarged Intergroup on Rural, Mountainous and Remote Areas to the Commission to draw up a white paper to serve as the starting point for a post-2020 development policy for rural areas;
28. to express its firm support for the local development coordination platform to be set up by the European Commission;
29. to emphasise the importance of rural areas as hubs for development and innovation, which contribute to the Europe 2020 strategy;
30. to counter the principle of macroeconomic conditionality for the allocation of EU funding: social and environmental indicators must also be taken into account;
31. to work towards gearing agricultural innovation programmes and scientific research primarily to areas with livestock farming, natural handicaps and small agricultural holdings;
32. to underline the importance of the Innovation Partnership for modernising the rural economy;
33. to strongly deplore the fact that rural areas are not included among the primary target group of the European Commission's Innovation Partnership for Local Development;
34. to strongly criticise the fact that the new ERDF Regulation is only concerned with urban areas;
35. to modernise the vocational training opportunities on offer in rural areas and to tailor this to worldwide competition conditions and the needs of local businesses;

36. to enhance cooperation between businesses and regional educational and vocational training institutions;
37. to develop measures to stimulate small businesses' product development and tackle market barriers;
38. to call for more intensive efforts to develop high-speed internet in rural areas;
39. to emphasise that fundamental ICT knowledge must be improved.

Brussels, ...

III. PROCEDURE

Title	Innovation and modernisation of the rural economy
Reference(s)	
Legal basis	Article 307(4), Treaty on the Functioning of the European Union
Procedural basis	Own-initiative opinion
Date of Council/EP referral/Date of Commission letter	Not applicable
Date of Bureau	2 June 2015
Commission responsible	Commission for Natural Resources
Rapporteur	Randel Länts (EE/PES), Member of Viljandi City Council
Analysis	July 2015
Discussed in commission	Scheduled for 21 September 2015
Date adopted by commission	Scheduled for 24 November 2015
Result of the vote in commission (majority, unanimity)	
Date adopted in plenary	Planned for 10-11 February 2016
Previous Committee opinions	CdR 65/2012 fin – Opinion on <i>Legislative proposals on the reform of the common agricultural policy and rural development policy post-2013</i> ¹ CdR 1684/2012 fin – Opinion on <i>Community-led Local Development</i> ² CdR 1749/2012 fin – Opinion on <i>The European Innovation Partnership: Agricultural productivity and sustainability</i> ³ CdR 3765/2013 fin – Opinion on <i>The sustainability of rural areas</i> ⁴
Date of subsidiarity monitoring consultation	Not applicable

1 [OJ C 225, 27.7.2012, p. 174–199.](#)

2 [OJ C 17, 19.1.2013, p. 18–24.](#)

3 [OJ C 17, 19.1.2013, p. 51–55.](#)

4 [OJ C 356, 5.12.2013, p. 80–85.](#)