



European Economic and Social Committee

NAT/256
Rural Development/EAFRD

Brussels, 9 March 2005

OPINION

of the
European Economic and Social Committee

on the

**Proposal for a Council Regulation on support for rural development by the European
Agricultural Fund for Rural Development (EAFRD)**

COM(2004) 490 final - 2004/0161 CNS

On 10 November 2004, the Council decided to consult the European Economic and Social Committee, under Article 37 of the Treaty establishing the European Community, on the

Proposal for a Council Regulation on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
COM(2004) 490 final – 2004/0161 CNS.

In a letter of 21 December 2004, the European Parliament also stated that on 14 December it had decided to consult the Committee on the proposal.

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 February 2005. The rapporteur was Mr Bros.

At its 415th plenary session, held on 9 and 10 March 2005 (meeting of 9 March), the European Economic and Social Committee adopted the following opinion by 125 votes to six with eight abstentions.

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1. **Introduction**

- 1.1 Agenda 2000, adopted by the Berlin European Council in March 1999, established rural development policy as the second pillar of the Common Agricultural Policy to accompany and complement the reform of market policy throughout the EU. The reform of the CAP in June 2003 consequently confirmed the importance of the second pillar by introducing new measures related to the promotion of products, food safety and animal welfare. This approach should lead to an increase in the financial resources available for rural development.
- 1.2 Reflecting the conclusions of the Salzburg conference (November 2003), the Commission has set three major objectives for future rural development policy in its Communication on the Financial Perspectives and in the proposed Regulation which is the subject of the present opinion, viz.:
 - increasing the competitiveness of the agricultural sector through support for restructuring;
 - improving the environment and the countryside through support for land management;
 - enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural players.
- 1.3 The European Economic and Social Committee attaches particular importance to these proposals. Its own-initiative opinion on *The CAP second pillar: outlook for change in*

*development policy for rural areas*¹ pointed out that rural development links in with wider issues relating to:

- the success of EU enlargement (more than half of the EU-25's population lives in rural areas);
- maintaining a high level of food safety, which is part of a sustainable development approach;
- preserving a European agricultural model that is geared to multi-functionality and permits a harmonious distribution of agricultural activity throughout the European Union.

1.4 To better understand and appreciate the issues involved, the Committee specified in the above opinion the principles that must guide future rural development policy:

- the development of rural areas is important for the territorial cohesion of the EU. Rural development must therefore be one of the top priorities of regional policy;
- the primary purpose of the second pillar of the CAP must be to support agriculture as it adapts to structural changes, and to address public expectations;
- the financial resources made available for this policy must be sufficient for the Community to maintain its commitment to rural areas;
- only a multi-functional approach to agricultural production can help to maintain a living countryside;
- agricultural and rural development issues should be addressed by the same Commissioner.

As a natural continuation of its work in this area, the Committee intends, through the present opinion, to offer the other institutions its views on the Commission proposal on support for rural development.

1.5 The European Commission has widely consulted the players concerned and the Committee was able to put forward its various proposals on a number of occasions, particularly in the context of the advisory committees. This extensive consultation demonstrates the Commission's spirit of openness and the Committee hopes that it will be able to act on the proposals made within the framework of the legislative process now being launched.

1.6 The Committee will draw up a separate opinion on the new legal basis for financing the various EAFRD and EAGF measures (COM(2004) 489 final – 2004/0164 (CNS))². Accordingly, the administrative aspects of the implementation of rural development programmes will be examined in that opinion.

¹ OJ C 302, 7.12.2004, pp. 53-59

² Opinion CESE 126/2005 Rapporteur: Mr Kienle

2. **The Commission proposal**

- 2.1 The Commission proposal is part of the efforts to increase the transparency of Community rural development policy and make it easier to understand. With this in mind, the Commission proposes the setting-up of a specific fund (European Agricultural Fund for Rural Development - EAFRD) contributing to the promotion of sustainable rural development throughout the Community as a complement to the market and income support policies of the CAP, cohesion policy and the common fisheries policy.
- 2.2 To ensure greater consistency between the objectives fixed at European level and the implementation of rural development programmes, the Commission proposes the setting of Community strategic guidelines for rural development strategy, which would be adopted by the Council. Member States would then draw up national strategy plans taking into account the Community guidelines. These plans and rural development programmes should be drawn up in close collaboration between the Commission, the Member State concerned and the authorities and bodies designated by the Member State (local and regional authorities, the economic and social partners and any other appropriate body representing civil society).
- 2.3 To complement programme monitoring, the Commission proposes that each Member State draw up an annual summary report describing the progress made in implementing rural development programmes relative to the indicators set out in the national strategy plan and the results of the ongoing annual evaluations made for each programme. The Commission would submit an annual report to the Council, the European Parliament, the EESC and the Committee of the Regions.
- 2.4 The Commission proposes to incorporate the 26 existing measures and the proposed new measures – such as the funding of NATURA 2000, forest-environment measures or the training of locally elected representatives in devising regional projects – under three priority axes with their own specific goals, with minimum funding for each axis as follows:
- 15% for axis 1 (Improving the Competitiveness of the Agricultural and Forestry Sector) and 15% for axis 3 (Diversification of the Rural Economy and the Quality of Life in Rural Areas);
 - 25% for axis 2 (Land Management).
- 2.4.1 Axis 1 is targeted at improving the competitiveness of the agricultural and forestry sector. Four groups of measures are envisaged:
- improving human potential;
 - restructuring physical potential;
 - improving the quality of agricultural production and products;

- two transitional measures for the new Member States involving support for semi-subsistence farms undergoing restructuring and support for the setting-up of producer groups.
- 2.4.2 Axis 2, *Environment and land management*, focuses on the sustainable use of agricultural and forestry land. The existing "less-favoured areas" measure is redefined in so far as the delimitation of the intermediate zones is concerned (only taking natural criteria into account). In addition, the beneficiaries of the aid must comply with the general condition of respect of EU and national mandatory requirements for agriculture and forestry (cross-compliance requirement for direct aid under the CAP first pillar).
- 2.4.3 Axis 3, *Diversification of the rural economy and the quality of life in rural areas*, is concerned with measures for diversifying the rural economy through support for the creation of non-agricultural activities by farmers or non-farmers, improving the quality of life in rural areas (basic services for the population, infrastructure) and measures relating to skills acquisition and the capacity-building of locally elected representatives with a view to the preparation and implementation of local development strategies.
- 2.5 The LEADER approach is to be applied to all three axes and a minimum of 7% of the total rural development funding available for programming must be reserved for the LEADER element. The Commission proposes that a criteria-based reserve (3% of EAFRD) be earmarked for this programme.
- 2.6 As regards funding, the Commission proposes that resources totalling EUR 88.75 billion be made available for this policy for the period 2007-2013. To this amount must be added the amounts generated each year from modulation, which will be available for all the axes (approximately EUR 8 billion over the same period).

3. **General comments**

- 3.1 The Committee welcomes the Commission's proposal to set up a special fund for rural development (EAFRD) alongside a fund for policy on agricultural product markets and direct payments (EAGF). The Committee also notes that this legislative proposal is consistent with the conclusions of the Salzburg conference, which discussed rural development in the enlarged Union. However, it would draw the attention of the European Parliament and the Council to the changes that need to be made in order to respect the underlying principles of rural development policy which the Committee referred to in its own-initiative opinion.
- 3.2 To begin with, the proposal to set up a single fund for promoting rural development cannot be made without reference to an existing EU policy. The conclusions of the Salzburg conference, the declarations of the Luxembourg Council of June 2003 and the Committee's

recommendations³ emphasise that policy to promote rural development (second pillar of the CAP) must accompany adaptation of agriculture (first pillar of the CAP). The Committee would therefore like Article 3 of the proposal to contain a reference to Treaty Article 33, which defines the general objectives of the Common Agricultural Policy.

3.2.1 Text amendment proposed by the Committee: "Article 3: Missions

1. The Fund contributes to the promotion of sustainable rural development throughout the Community in a complementary manner to and complements the other instruments of the Common Agricultural Policy (the market and income support policies of the Common Agricultural Policy), to Cohesion policy and to the Common Fisheries Policy, thus promoting realisation of the objectives set out in Article 33 of the Treaty.

2. The Fund also complements cohesion policy and the Common Fisheries Policy."

3.3 The Committee believes that the economic development of rural areas depends inter alia on complementarity between agricultural and non-agricultural players. It welcomes the proposed new measures promoting non-agricultural activity and supporting small and micro-enterprises, in line with the European Charter for SMEs; their important role in job creation in rural areas deserves support.

3.4 The processes of evaluating and adapting the objectives of the EAFRD do not take into account the deadlines for the development of the Common Agricultural Policy. The Commission has, in fact, emphasised that the CAP reform decided on in June 2003 will have different effects in different regions, and that in the period 2008-2009 the new Member States will be abandoning the simplified arrangements and the Commission will be evaluating the implementation of the various decoupling systems. It therefore seems necessary for the strategic follow-up of rural development policy at European level to take the deadlines for the first pillar of the CAP into consideration.

3.4.1 Text amendment proposed by the Committee: "Article 13: Annual Commission report

1. For the first time in 2009 and at the start of each year, the Commission shall present an annual report summarising the main developments, trends and challenges relating to the implementation of the national strategy plans and the Community strategic guidelines, as well as to the impact of the CAP on rural areas and how these areas are affected by major trends on the international agricultural produce markets."

3.5 In its own-initiative opinion of 1 July 2004⁴, the Committee considered the Commission's budget proposal to be modest in relation to the stated objectives. The total budget for rural

³ OJ C 302, 7.12.2004, pp. 53-59

⁴ OJ C 302, 7.12.2004, pp. 53-59

development should be nearly EUR 96 bn for an EU of 25 for the period 2007-2013, compared with EUR 65 bn for the current period (EU-15). While the Commission recognises in the explanatory memorandum to document COM(2004) 490 final that over half the EU population lives in rural areas, the budget allocated to the EAFRD will be equivalent to 28% of expenditure earmarked for regional policy and 32.5% of spending on the first pillar of the CAP (allowing for modulation). It is therefore important to prevent the EAFRD from becoming the sole financial instrument for supporting rural areas. This would amount to ghettoising the countryside.

- 3.5.1 This policy must thus be coordinated more closely with regional policy and human resources development policy (European Social Fund). The Committee therefore questions the need for small-scale rural infrastructure to be supported solely by rural development policy, and for a section on skills acquisition of local staff to be introduced, when this is the responsibility of the ESF.
- 3.5.2 The Committee unreservedly welcomes the creation of a minimum budget specifically for regions suffering structural underdevelopment (EUR 31 bn). This sum is higher than that granted for the current period (EUR 21 bn).
- 3.5.3 The budget allocated to LEADER would go up from EUR 2.2 bn to EUR 8.8 bn (7% of EAFRD and 3% of the criteria-based reserve); this is the largest percentage funding increase. The Committee welcomes the integration of LEADER as a fully-fledged axis of rural development policy, which will help secure the permanent involvement of civil society in the development of rural areas. Although the method is as important as the objectives, the Committee notes with regret that the objective to implement innovative or pilot actions is no longer given prominence. Finally, the Committee draws the Commission's attention to the real risk that could be posed by too high a financial obligation. It would be regrettable if, given the restricted budget, the LEADER axis were to be under-utilised for administrative reasons or due to the non-availability of local public finances. For this reason, the Committee proposes that the minimum level imposed be lower for all Member States (a minimum level of 4% would tie in better with current planning). This minimum level does not in any way affect the right of every Member State to push the LEADER approach to the fore.
- 3.5.4 Thus about EUR 50 bn would be left for financing classical rural development measures. This sum will increase by only EUR 8 bn through funds being transferred from the first to the second pillar of the CAP. The Committee therefore asks that funds provided by modulation be allocated only to axes 1 and 2, in order to meet the objective of concomitant adaptation of agriculture. This allocation would in no way prejudice the amounts which each Member State may assign to the various axes when the rural development programmes are adopted. Moreover, the funds provided by modulation should logically meet the principle of cross-compliance defined in Article 10 of Regulation 1782/2003, and cross-compliance can only be applied for activities falling under axes 1 and 2.

Text amendment proposed by the Committee: "Article 70: Resources and their distribution

[...]

6. In addition to the amounts indicated in paragraph 5, the Member States shall take into account for the purpose of programming the amounts resulting from modulation as provided for in Article 12(2) of Regulation (EC) No. .../... [financing of the CAP]. These amounts will be transferred to axes 1 and 2 of Regulation (EC) No. .../... [EAFRD]."

3.5.5 The Commission proposes applying a system of penalties for farmers based on the cross-compliance of funds from the first pillar of the CAP as regards Axis 2 measures. As this cross-compliance requirement applies only to farmers, the Committee cannot endorse the Commission's proposal, which aims to make a distinction that is based solely on profession. The Committee reiterates that it is in favour of the principle of equality in the treatment of beneficiaries of public aid.

3.5.6 Financial calculations presented by the Commission estimate that implementation of the NATURA 2000 network will cost EUR 6.1 bn per annum, a large proportion of which will be provided by the EU in the form of co-financing. The Community contribution could be financed by the rural development fund, e.g. expenditure on the compensation to be paid to land owners and land users. The Committee has issued a separate opinion on the Commission's proposal for financing NATURA 2000⁵. The opinion notes that funding NATURA 2000 is a new, additional task that is being assigned to a financing instrument which (contrary to political promises) is being increased very little. It makes it quite clear that the Commission proposal in its present form is only acceptable if:

- the resources needed to implement NATURA 2000 are additional to the sum earmarked for rural development under the financial perspective (and are not at the expense of existing programmes); and
- these resources are then ringfenced for NATURA 2000 measures (so that they can only be used for this important policy).

3.5.6.1 For this reason, the Committee proposes retaining the measures set out in Articles 36 and 43 regarding compensation for the income forgone as a result of the restrictions imposed by NATURA 2000 status, but deleting the part of Article 53 that concerns support for the operation of the NATURA 2000 network, as this should be covered by a specific programme.

⁵ Opinion CESE 136/2005, rapporteur: Mr Ribbe.

Text amendment proposed by the Committee: "Article 53: Protection, upgrading and management of the natural heritage

The support referred to in Article 49(a)(iv) covers environmental awareness actions, and tourism improvements ~~and the drawing up of protection and management plans relating to NATURA 2000 sites and other places of high natural value.~~"

- 3.6 While welcoming the Commission's acknowledgement of the need to offset the natural handicaps of mountainous regions, the Committee is not convinced by the Commission's proposed solution for areas affected by significant natural handicaps. This entails reducing both the number of eligible areas and the level of Community aid. The Committee points out that natural factors (agriculture, climate, water) must be aggregated when defining areas with a significant natural handicap, as the accumulation of minor natural handicaps really hampers the development of rural areas. For regions that would not be classified as having a significant natural handicap, the Committee also proposes that Community aid be tapered, as provided for with regional policy. This phasing-out programme would make it possible to mitigate the economic disruption for agricultural holdings.

3.6.1 **Text amendment proposed by the Committee (addition of new point 5) of "Article 37: Agri-environment and animal welfare payments**

[...]

5. A five-year phasing-out period is provided for, with decreasing payments to farmers from any areas that are no longer classified as areas affected by significant natural handicaps as defined in Article 47(3)(a) owing to a change in statistical categories."

- 3.7 The Commission's intention (1) not to fix the implementing provisions in the rural development regulation and (2) to apply more flexible financial programming rules should ensure a real improvement in implementing the new regulation. While the Committee supports the principle of setting minimum rates for each axis, it believes that the Commission's proposal is not consistent with its position on this issue. A study has shown current take-up of funds under the rural development regulation to be closely related to the specific features of farming and rural areas of EU countries and regions. The Commission has emphasised that the CAP reform of June 2003 would have varying effects in rural areas. The combined total of the minimum rates for each axis should therefore be less than 50%, to be consistent with the subsidiarity principle and tie in with the various rural situations in Europe.

3.7.1 **Text amendment proposed by the Committee: "Article 16: Balance between priorities**

The Community financial contribution to each of the three objectives referred to in Article 4 shall cover at least ~~45~~10% of the Fund's total contribution to the programme for priority axis I and III referred to in Sections I and III respectively under Chapter I of Title IV and ~~25~~20% of

the Fund's total contribution to the programme for the priority axis II referred to in Section II of Chapter I."

- 3.8 The process of evaluating rural development programmes ensures effective utilisation and more efficient deployment of Community funds. The Committee points out that the objectives of a public policy are set on the basis of future needs and not just according to the results of the various rural development programmes. The administrative simplification proposed by the Commission is thus undermined by imposing a surfeit of evaluation processes and will only have a few direct repercussions for the final beneficiary.
- 3.9 Moreover, the Committee emphasises that the Commission's proposal does not deal with the issue of simplifying administrative procedures for the final beneficiary. Although this matter is largely discussed in the opinion on *Financing the CAP*⁶, the Committee will here summarise its concerns regarding the limited steps to simplify procedures for the final beneficiary. For example, Article 25 of the proposal simplifies conditions for the modernisation of farms by ceasing to make aid for investments in farms conditional on the existence of normal market outlets (type of product, type of investment and expected capacity). However, Article 73 sets a repayment deadline of seven years in cases where the investment undergoes a significant modification. This new rule strengthens monitoring procedures and thus imposes new economic viability criteria on projects that are in the planning stage. Lastly, the planned deadline would appear to be excessively long given the nature and scope of the financed projects.
- 3.10 The Committee is pleased that the preparation, management and evaluation of rural development programmes are to be based on the principle of partnership (Article 6), including consultation with the socio-economic partners. The Committee asks that this provision be made mandatory and that all representatives of economic and social groups in rural areas be fully involved in the rural development network at European, national and regional level. By the same token, the Committee would like to take part, as an observer, in the Rural Development Committee provided for in Article 95, and as permitted under Article 7 of Council Decision 1999/468/EC; this would enable organised civil society to be involved at every stage of implementing Community policies.

3.10.1 **Text amendment proposed by the Committee: "Article 68: European rural development network"**

A European Network for Rural Development for the networking of national networks, representative economic and social organisations, ~~and~~ administrations active in the field of rural development at Community level and the European Economic and Social Committee shall be put in place in accordance with Article 67(1)."

⁶ Opinion CESE 126/2005, Rapporteur: Mr Kienle

3.10.2 Text amendment proposed by the Committee: “Article 69: National rural network

Each Member State shall establish a national rural network, which gathers together all the representative economic and social organisations and administrations involved in rural development as well as the institution representing organised civil society.”

4. Specific comments

4.1 The Committee stresses the clarification achieved by grouping the 26 measures for rural development into three distinct axes. Nonetheless, some of the Axis 1 and 2 measures could more appropriately be included in Axis 3, as their application will increasingly cover all aspects of the management of rural areas. The Committee therefore proposes that the measures set out in Article 28 (Infrastructure related to the development and adaptation of agriculture and forestry), Article 38 (Non-productive agriculture investments) and Article 46 (Non-productive forestry investments) be placed under Axis 3.

4.2 In its 2001 opinion on young farmers⁷, the Committee already stressed the importance of aid to help young farmers to set up and stay in farming. This theme should therefore be one of the priorities of the future strategic plan for rural development, and start-up aid should not be restricted to the single premium proposed by the Commission in Article 21 of the draft regulation. Above all, it is important to ensure that the amounts in question are not reduced.

4.2.1 Text amendment proposed by the Committee: “Article 21: Setting-up of young farmers

(...)

2. The support shall be granted in the form of:

a single premium up to the maximum amount laid down in Annex I;
an interest rebate on loans taken out in order to cover the expenses arising from installation.
The capitalised value of this rebate may not exceed the amount of the single premium.”

4.2.2 Text amendment proposed by the Committee: “Article 23: Use of advisory services

(...)

c) to help future farmers and potential forest holders to cover the costs arising from the preparation of a business plan for the development of their agricultural and forestry activity.”

4.3 The Committee draws attention to the fact that a difficult agricultural transformation is underway in several new Member States, a process which is far from being completed. For this reason, the condition requiring 10 years’ farming activity for support to be granted for

⁷ EESC opinion on *New economy, knowledge society and rural development: what prospects for young farmers?* Rapporteur: Ms Sanchez Miguel, CES 1314/2001 of 17.10.2001; OJ C 36 of 8.2.2002

early retirement is, in these cases, unreasonably stringent. The Committee proposes a transitional period in which a shorter period of farming activity would be sufficient, with an additional condition requiring work in agriculture for the majority of the applicant's working life.

4.3.1 Text amendment proposed by the Committee: Article 22: Early Retirement, Section 2, The Transferor – addition of new point d):

d) In the case of farmers from Member States who joined the European Union on 1 May 2004, a transitional period of ten years applies: carrying out farming activity for the five years preceding transfer along with the applicant having devoted at least half of his working life to farm work as a farm worker during the preceding fifteen years.

4.4 The Commission proposes that support given to investments enable improvements in the competitiveness of agricultural activity, or encourage diversification. The Committee wishes to make it clear that support given to an investment should not only be understood in terms of a physical investment. Intangible investments promoting technological progress or involving the transfer of knowledge in the field of product quality, environmental protection and/or improvements should be included in each of the measures concerned (Articles 25, 27, 31 and 50).

4.4.1 The agricultural sector is notable for the low profile of its female workforce, as Commission figures show. Consequently, men remain the chief beneficiaries of direct aid and structural assistance. There is thus a clear need to raise women's profile in the decision-making process. The EU should therefore adopt measures to remedy the situation and facilitate the setting-up of farms managed by women. The Committee asks that this aspect form a specific point of the Community's strategic plan.

4.5 Article 27 deals with investments adding value to primary agricultural and forestry production. It limits eligibility to aid according to the size of the enterprise concerned. The Committee contends that, given the consolidation of economic activity in rural areas, the proposed limitation is too restrictive to offer a real opportunity for the development of economic activity in rural areas. In reality, enterprises such as agricultural cooperatives or agro-food businesses with a turnover of over EUR 10 million and which number more than 50 employees do not necessarily have easier access to loans than small businesses, yet represent an important source of employment.

4.5.1 Nonetheless, the aid allocated under the EAFRD to give added value to primary agricultural production must be restricted to processing activities that bring real added value to primary local and regional agricultural production and which harness local know-how, conditions and traditions, and innovations. In this spirit, the EAFRD must also have a mission to encourage cooperation and dialogue between the different players of the local agro-food and forestry industry.

4.5.2 **Text amendment proposed by the Committee: "Article 27: Adding value to primary agricultural and forestry production**

(...)

2. Support under paragraph 1 shall be limited to micro-~~and~~, small and medium enterprises within the meaning of Commission recommendation 2003/361/EC, and to associative enterprises set up by producers. In the case of forestry production, support shall be limited to micro-enterprises."

4.6 The wording of Article 28 does not appear to encompass all operations allowed under the current rural development regulation. The Committee therefore proposes that this article clearly stipulate land consolidation. The practice of land consolidation must take into account respect for the countryside and not only concern agricultural aspects.

4.6.1 **Text amendment proposed by the Committee: "Article 28: Infrastructure related to the development and adaptation of agriculture and forestry**

Support provided for in Article 19 (b)(iv), may cover notably land consolidation or operations related to access to farm and forest land, energy supply and water management."

4.7 The Committee emphasises that the wording, particularly in the French version, does not make it clear whether the measures contained in the proposed legislation are mandatory or not. The Committee therefore proposes modifying the wording of Article 37 on Agri-environment and animal welfare measures, to state that these measures remain mandatory, as is the case under the existing regulation.

4.7.1 **Text amendment proposed by the Committee: "Article 37: Agri-environment and animal welfare payments**

Member States must make available support provided for in Article 34 (a)(iv) throughout their territories, in accordance with their specific needs."

4.8 As mentioned in point 3.5, the EAFRD should not represent a default form of financing if other financial instruments are not adapted to rural areas. For this reason, the Committee proposes that points c) and d) be removed from Article 57 on Skills acquisition and animation. The European Social Fund must be able to assist with the training of coordinators and locally elected representatives in charge of local development projects. Furthermore, if the project follows in line with the LEADER procedure, it will be possible to finance part of the local promotional activity.

4.9 The Committee is not in favour of the proposal to implement a criteria-based reserve, as is the case for regional policy, or of allocating it to the LEADER axis. In reality, the implementation of a criteria-based reserve in regional policy has shown that this measure is often considered to be a source of frustration by the Member States rather than a boost.

Although the evaluation criteria, as defined in Article 92, remain deliberately wide, the Commission has not explained how this reserve is related to the strategic objectives set out at Community level. Finally, no decision will be reached regarding the allocation of this reserve at Local Group Action level before 2011. This will only leave two years of planning in which to investigate new projects with not inconsiderable budgets (EUR 2.6 billion) and new national contributions that are not guaranteed at the time of planning. The Committee therefore recommends deleting Article 92, and asks the Commission to pay closer attention to the LEADER approach as part of the Community's strategic plan and the approval phase of the rural development programmes.

- 4.10 The Committee welcomes the Commission's proposal to set up farm relief services. This measure has proven in the past that it can help to make rural regions more attractive and create jobs. Nonetheless, the maximum period of five years seems to be too short a time for guaranteeing the lasting effect of these services.

4.10.1 **Text amendment proposed by the Committee: "Article 24: Setting-up of management, replacement and advisory services**

Support provided for in Article 19 (a) (v) shall be granted in order to cover costs arising from the setting-up and development of management, relief and advisory services. It shall be degressive over a maximum period of ~~five~~ seven years ~~from setting-up~~."

- 4.11 The promotion of entrepreneurship and the strengthening of the economic fabric outlined in Article 49 must not only concern the creation and development of micro-enterprises but also the take-over of existing enterprises and support with the transfer process. In line with the stances it has taken on enterprise policy, the Committee requests that Article 49 (a)(ii) be amended to read "*support for the creation, take-over and development of micro-enterprises ...*".

- 4.12 The agri-environment programme helps to generate positive externalities in environmental terms (e.g. reduction of erosion and desertification, improvement in water quality and water saving, improvement of biodiversity by providing shelter for different species). An incentive payment should therefore be provided, based on recognition of externalities.

4.12.1 **Text amendment proposed by the Committee: "Article 37(4):**

4. The payments shall be granted annually and shall cover additional costs and income forgone resulting from the commitment given, together with an incentive payment to provide compensation for the environmental services rendered through the practice of agri-environment measures; where necessary, they may cover also transaction cost.

Where appropriate, the beneficiaries are selected on the basis of calls for tender, applying criteria of economic, environmental and animal welfare efficiency.

Support shall be limited to the maxima laid down in Annex I."

- 4.13 In order to support and encourage the creation and take-over of small and micro-enterprises in rural areas and in line with the recitals of the Decision of the Council and of the European Parliament of 12 July 2004 on the MAP, the Committee requests that the Commission and the European Investment Fund implement new measures to promote and develop the use of financial instruments, in particular the SME guarantee facility, by enterprises in rural areas. Furthermore, it requests that the EIF and the Commission examine the possibility of complementarity or additionality between the EAFRD, ESF, ERDF and the EIF instruments with a view to providing increased and simplified support for investments made for the setting-up and take-over of enterprises in rural areas.
- 4.14 In its proposal, the Commission stresses that measures in the *Land management* axis must encourage farmers and forest holders in particular to employ land-use methods that are compatible with the need to preserve the landscape. The Committee notes that the Commission has not proposed a re-assessment of the aid ceilings for agri-environmental measures, which remain the same as for the 1999 proposal.
- 4.15 The Committee would expect the regulation to state that measures by the Member States and regions to conserve and utilise genetic resources, especially on farm conservation, may also be supported under the EAFRD programme.

5. **Conclusions**

- 5.1 The Commission's legislative proposal regarding support for rural development is largely in line with the Salzburg conclusions. The Committee has given much attention to this subject and would like to thank the Commission for the level of dialogue that it maintained with the Committee members. Above all, the Committee wishes to emphasise that the EAFRD cannot, by itself, provide a solution to all the problems of rural development. Tie-in with the ERDF and the ESF should be examined further.
- 5.2 The development of rural areas clearly involves the principle of territorial cohesion. All the same, the Committee emphasises that to ensure the economic and social sustainability of these areas, it is necessary to take into account the contribution of the Common Agricultural Policy's two pillars to the maintenance and creation of employment in all the EU's regions, particularly through the development of competitive agricultural or non-agricultural activity, based on innovation. It is for this reason that the Committee asks the Commission and the Council to include the new directions of the Common Agricultural Policy in the mid-term assessment of the Lisbon strategy.
- 5.3 The budgetary issue remains at the heart of the questions raised. The Committee believes the Commission's budgetary proposals to be modest and stable (1.24% of GNI). It is this that has led the Committee to take a critical view of the complete integration of NATURA 2000 into the EAFRD, as this would account for almost one half of the EAFRD budget envelope. At the same time, the tripling of the budget envelope for the LEADER approach is rather surprising

given the developments in national contributions. The Committee also points out that the Commission's financial proposal represents a minimum basis for discussion, without which the future rural development policy could not form an effective part of the sustainable development strategy or of the Lisbon strategy for a competitive EU economy with full employment.

- 5.4 The Committee is also concerned about the repercussions that budgetary discussions may have on the implementation of future rural development policy. In its schedule, the Commission had planned for the rural development programmes to be adopted before the end of 2006 but it could prove difficult in the short term for the Member States to reach an inter-institutional agreement on the financial perspectives. The Committee would therefore like the Commission to present the main points of the Community's strategic plan as soon as possible, even if the regulations are in fact adopted at a much later date.
- 5.5 The Committee would also like to propose several changes to the Commission, the European Parliament and the Council as regards the policy guidelines arising from the Salzburg conference, such as the maintenance of the link between the 1st and 2nd pillars of the CAP, the principle of subsidiarity in planning measures, and greater simplification of procedures for the final beneficiary. The Committee therefore asks the Commission to pay particular attention to this, especially during the approval phase of the rural development programmes, by asking Member States what they have done to simplify procedures for the final beneficiary.
- 5.6 The Committee hopes that it will be closely involved in the decision-making process in the future and during the implementation of this policy in order to give its opinion on the Community's strategic plan and ensure that organised civil society is properly consulted on the development of rural development programmes.

Brussels, 9 March 2005.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Anne-Marie Sigmund

Patrick Venturini

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N.B.: The appendix is overleaf.

APPENDIX
to the Opinion
of the European Economic and Social Committee

The following amendment was defeated but obtained at least one quarter of the votes cast:

Amendment 3

Delete points 3.5.3 and 3.5.4.

Result of vote:

For:	31
Against:	69
Abstentions:	10
