



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.7.2004  
SEC(2004) 931

**COMMISSION STAFF WORKING DOCUMENT**

**Proposal for a Council Regulation on support to Rural Development by the  
European Agricultural Fund for Rural Development**

***EXTENDED IMPACT ASSESSMENT***

{COM(2004)490 final}

## TABLE OF CONTENTS

INTRODUCTION.....	3
PART 1 : WHAT ‘PROBLEM’ DOES RURAL DEVELOPMENT POLICY ADDRESS?.....	4
1. Historical evolution.....	4
2. Current situation.....	6
3. Main features of rural areas.....	9
3.1. The policy area.....	9
3.2. Socio-economic features.....	10
3.3. Environmental features.....	12
3.4. Structural features of farming.....	14
4. Implications for policy.....	16
PART 2 : SETTING THE OBJECTIVES.....	18
PART 3 : ACHIEVING THE OBJECTIVES.....	21
1. Introduction.....	21
2. Improved status quo (option 1).....	21
2.1. Programming.....	21
2.2. Scope and eligibility conditions of the RD measures.....	22
2.3. Monitoring and evaluation.....	22
2.4. Financial management and control.....	22
3. A more strategic approach (option 2).....	23
3.1. Programming.....	23
3.2. Scope and eligibility conditions.....	27
3.3. Monitoring and evaluation.....	27
3.4. Financial management and control.....	27
4. A more territorial approach (option 3).....	28
5. Assessment of the options.....	29
PART 4 : STAKEHOLDER CONSULTATION.....	31
PART 5: CONCLUSIONS.....	34
1. Policy content.....	34
2. Policy delivery.....	34
3. Policy proposal.....	36
ANNEX 1 : TABLES.....	40
ANNEX 2: MAPS.....	57
ANNEX 3 : METHODOLOGY.....	58
ANNEX 4 : Written contributions from the organisations represented in the Rural Development Advisory Committee.....	59

## INTRODUCTION

In 2002 the Commission decided to launch impact assessments as a tool to improve the quality and coherence of the policy development process. Impact assessment will contribute to an effective and efficient regulatory environment by identifying the positive and negative impacts of proposed policy actions, thus enabling informed political judgements to be made about future policy proposals.

In its legislative and work programme for 2004, the Commission decided to carry out an extended impact assessment for the new Rural Development Policy post 2006. EU rural development policy can have an important impact in rural areas, in economic, social and environmental terms.

This complete extended impact assessment for rural development will consist of 5 parts :

Part 1 highlights the evolution of the policy and the challenges faced by rural areas, based on a description of the main economic, social and environmental features of these areas.

Part 2 presents the objectives of the future policy in relation to the challenges and problems rural areas are facing.

Part 3 presents the options for achieving the objectives set out in part 2.

Part 4 will deal with the results of external consultations with the stakeholders of rural development.

Finally, part 5 will present the conclusions of the impact assessment including the proposed option on policy mix and delivery system.

The impact assessment has been elaborated by DG AGRI on the basis of the discussions and contributions of an Inter-service Group (ISG) comprising 14 Directorates General and Services, within the Commission.

## **PART 1 : WHAT ‘PROBLEM’ DOES RURAL DEVELOPMENT POLICY ADDRESS?**

### **1. HISTORICAL EVOLUTION**

The EU’s rural development policy in its current form has evolved as part of the historical development of the Common Agricultural Policy (CAP) from an agricultural structures’ policy dealing with the structural problems of the farm sector to a policy looking at the multiples roles of farming in society and placing the farm sector in its wider rural context.

At its inception in the late fifties and early sixties the CAP was set up to encourage food production in the post war era in the then MS through direct support to agricultural production and by focusing on the modernization of agriculture through structural improvement. For the market support component (mainly price support for the main agricultural commodities) the Guarantee section of the EAGGF was created, while for the structural component the Guidance section was introduced.

In the mid sixties Guidance financed the adaptation and improvement of:

- the production structures of agricultural holdings
- the structures and conditions for processing and marketing of agricultural products,

so the focus was on support for physical capital (investments) in the farm and downstream sector, two basic measures of the agricultural structural policy, which have continued to be developed over time. The support for processing and marketing was intended to help the integration of the food chain from production through to marketing and contribute to the further improvement of agricultural structures and of the competitiveness of the primary sector.

In the early seventies, as part of the Mansholt plan, attention also turned to human capital in the form of early retirement and vocational training.

A first territorial element, still as part of the Mansholt plan, was added in the mid seventies in the form of the Less Favoured Areas Directive. It laid down a series of criteria enabling the delimitation of territories eligible for special measures. The aim was to stop the agricultural and rural exodus, which threatened the survival of certain rural areas and the preservation of the natural environment and landscape. The Directive represented an important innovation for agricultural structural policy: for the first time an explicitly territorial approach was introduced, and this for reasons of economic, social and environmental balance.

Towards the end of the seventies a more or less full blown agricultural structural policy as a second component of the CAP was in place (although much less important in financial weight than the market component). The main objective during this first period was, on the one hand, the transformation of small farms into well-equipped professional family farms and, on the other hand, the connection of the farms with the market. Elderly farmers with little prospect of becoming competitive

in the marketplace were offered the possibility to retire and hence abandon farming activity, while farming in disadvantaged areas was supported through compensatory allowances. It is worth noting that, at the time, policymaking was exclusively targeting the agricultural sector.

During the eighties the territorial dimension of the policy started to gain more weight. First attempts were made at integrated approaches with the other Structural Funds (Regional and Social) in Scotland (Western Isles), France (Lozère) and Belgium (less favoured areas) and through the Integrated Mediterranean Programmes. With the 1988 reform of the Structural Funds agricultural structural policy was integrated into the structural policy for Objective 1 regions and enhanced in scope for Objective 5b areas to support for rural development and encouraging the adaptation and diversification of agricultural production.

In its communication on the future of rural society in 1988 the Commission presented a policy concept of rural development going beyond the farm sector.

Also the Community Initiative LEADER experimented with local integrated rural development strategies developed through a bottom up approach, building on local partnerships.

In the beginning of the nineties the market support component of the CAP, which had reached its limits in stimulating the production of the main agricultural commodities, was to undergo its first major reforms. To accompany the market reform process three measures of a more structural nature to be financed by the Guarantee section throughout the Community were introduced and/or reinforced:

- early retirement
- agri-environment
- afforestation of (marginal) agricultural land

By the mid nineties the Community had a range of different tools and instruments that reflected objectives such as agricultural restructuring, territorial/local development and environmental integration. However, these instruments, conceived at different moments to address specific issues, were in need of being put together into a more coherent framework. The pressure for change came from three sources:

- The first was from rural areas and stakeholders themselves. In Ireland in November 1996 Commissioner Fischler hosted the European Conference on Rural Development. This conference issued the Cork Declaration which among other things called for a simpler, more integrated rural development policy;
- The second pressure came in the form of the need for a further set of reforms of the Common Agricultural Policy and Structural Funds – Agenda 2000 - to increase the competitiveness of European agriculture, integrate environmental concerns and prepare for enlargement.
- A third, linked to the first two as well as to international concerns was a changing understanding of the role of agriculture in Europe. In addition to producing

commodity outputs, agriculture also has a role in producing environmental and social public goods.

By the end of the nineties the need for a more comprehensive rural development policy was felt, which besides agricultural restructuring, addressed environmental concerns and the wider needs of rural areas.

## 2. CURRENT SITUATION

Under Agenda 2000 rural development policy was to officially become the 2<sup>nd</sup> pillar of the CAP, on the one hand to accompany the further reform of market policy across the whole of European territory and on the other integrated with Structural Funds policy in Objective 1 regions.

All existing measures and instruments were brought into a single legal framework based on multi-annual programming. The rural development regulation 1257/99 offers MS and regions a menu of 22 measures (extended to 26 with the mid term review CAP reform, see diagram p.10) from which they can design their rural development programmes in function of their needs in terms of agricultural restructuring, environment and rural development beyond the farm.

In addition to the mainstream rural development programmes, the Community Initiative LEADER continued in its 3<sup>rd</sup> generation (LEADER+), fostering innovative and bottom up approaches to local integrated rural development.

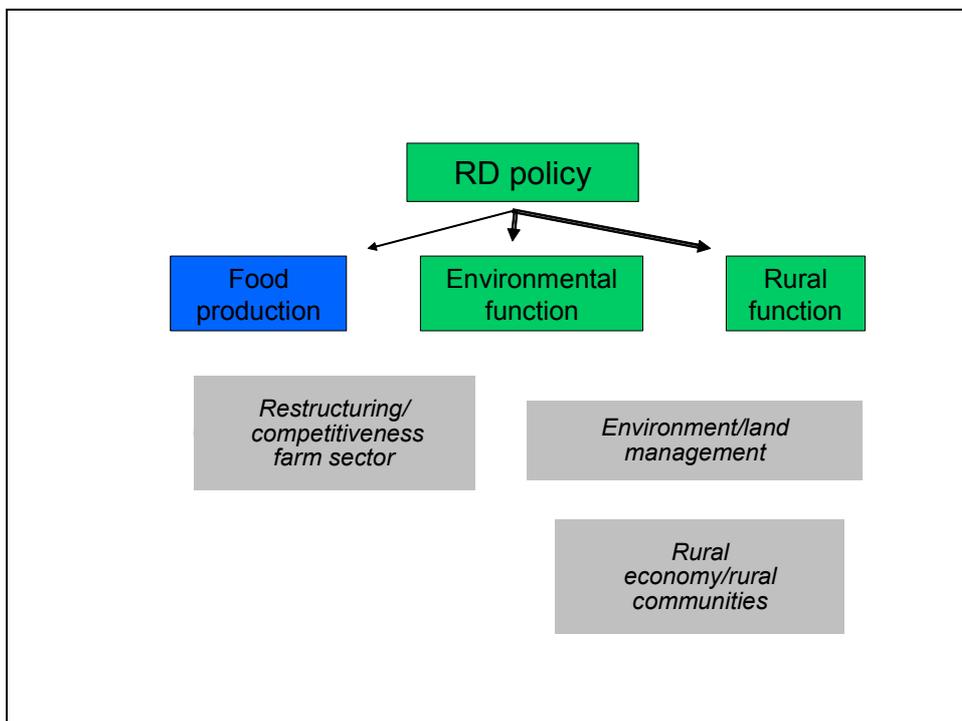
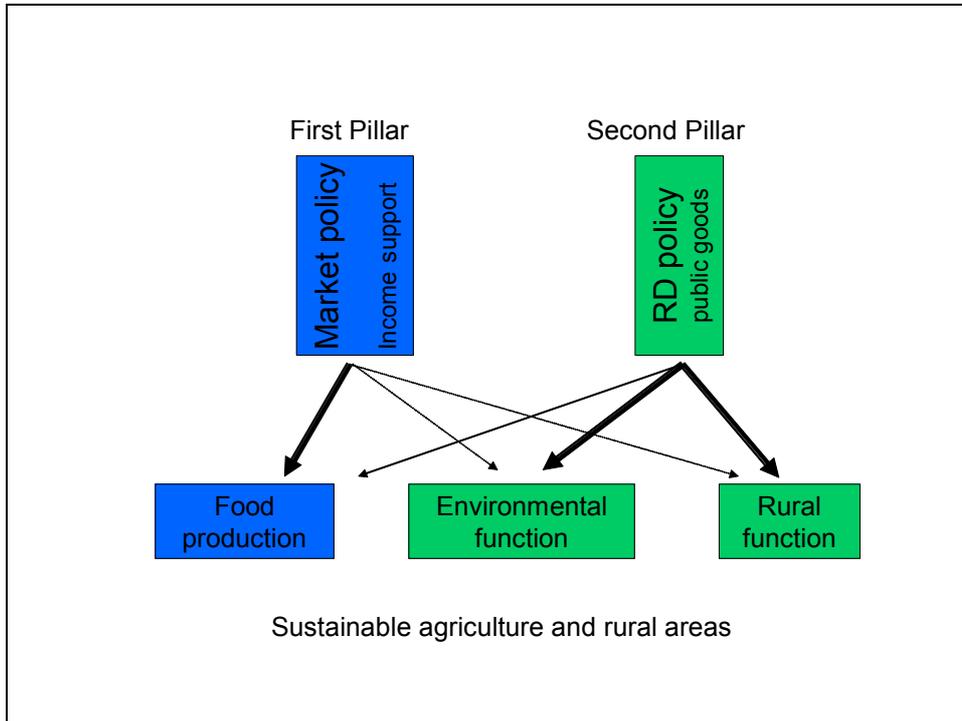
The mid term review (MTR) of the CAP, built in in Agenda 2000, brought further important decisions in 2003 on reform of the 1<sup>st</sup> pillar, introducing a further decoupling of support from production in the form of the Single Farm Payment (SFP) based on an historical reference, cross compliance (statutory and other conditions to be respected by the farmer to receive his full SFP) and a Community modulation scheme (reducing SFPs and allowing a transfer of funds from the 1<sup>st</sup> to the 2<sup>nd</sup> pillar).

For rural development policy, being only half way the programming period, it was decided not to fundamentally alter the basic framework, but to add two new chapters to the rural development regulation on helping farmers to meet demanding standards and on food quality and to extend the agri-environment chapter to include animal welfare. In the light of consumer concerns about food safety and quality and about production methods an expansion of the available rural development tool kit was deemed necessary, complementing and reinforcing the 1<sup>st</sup> pillar reforms.

With the reformed CAP, to be implemented from 2005 onwards, the 1<sup>st</sup> pillar concentrates on providing a basic income support to farmers, who are further free to produce in function of market demand. To receive this support farmers must respect statutory requirements (18 standards in the field of environment, public, animal and plant health and animal welfare) and keep their land in good agricultural and environmental conditions (also when deciding not to produce).

Beyond these baseline requirements, as 2<sup>nd</sup> pillar of the CAP rural development policy supports agriculture and rural areas, in particular agriculture as a provider of public goods in its environmental and rural functions. Three main domains of intervention can be identified: agricultural restructuring, environment/land management and wider rural development.

The following diagrams show in a very schematic way the relations between the 1<sup>st</sup> and the 2<sup>nd</sup> pillar.



For the ten new MS, joining in 2004, certain adaptations of the CAP in the light of their situation have been necessary. The 1<sup>st</sup> pillar direct payments are only gradually phased in, while they have received a considerable rural development allocation to help face their restructuring needs. In addition, several specific rural development measures are available such as support for semi-subsistence farming.

For the implementation of rural development policy under Agenda 2000 a rather complex design has been followed in an attempt to reconcile the geographic concentration principle of the Structural Funds and the need for rural development policy as 2<sup>nd</sup> pillar to accompany the CAP reform process in all rural areas.

For the current programming period 2000-2006 two funding sources are available for rural development (RD) measures: EAGGF Guarantee and EAGGF Guidance.

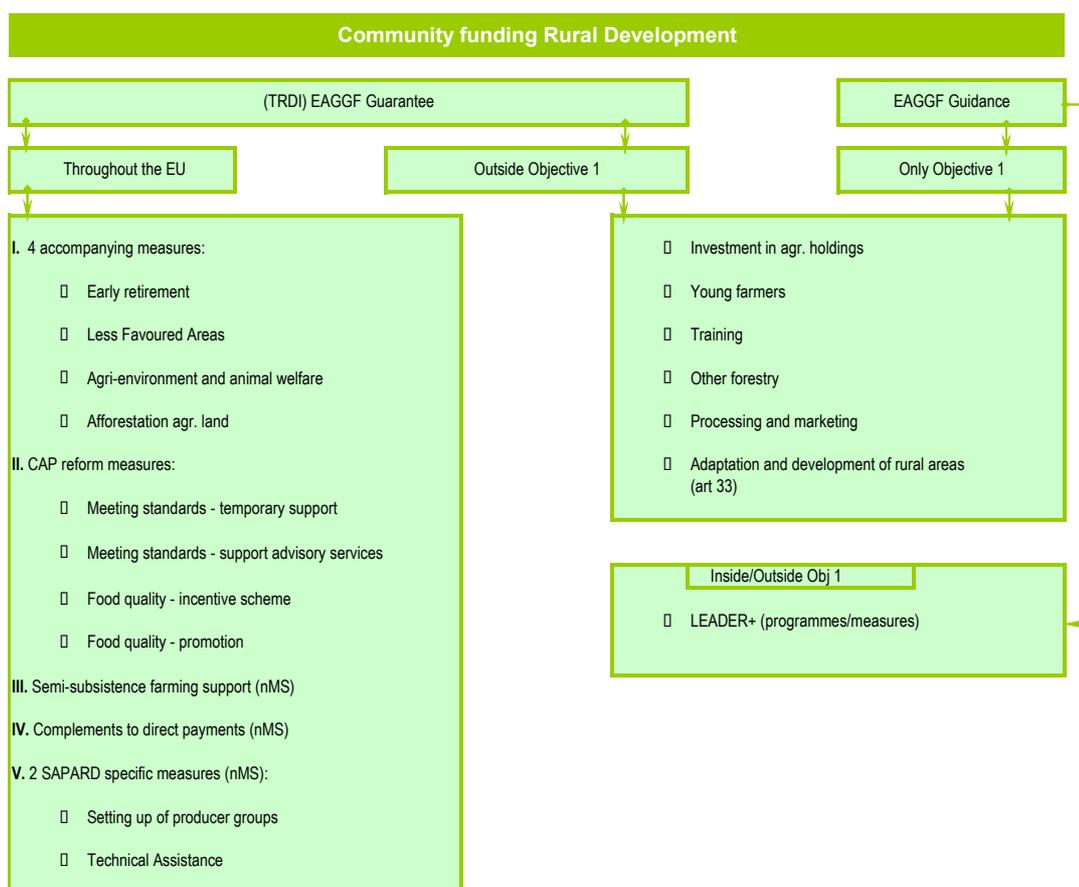
Outside of Objective 1 regions RD is co-financed by EAGGF Guarantee under heading 1b of the financial perspectives. In Objective 1 regions RD measures (except the 8 so-called accompanying measures) are co-financed by EAGGF Guidance as a Structural Fund (SF) and fall under heading 2 for structural actions. The Community Initiative LEADER+ is funded by Guidance and falls under heading 2.

Four types of programming for rural development can be distinguished with two different financial management and control systems (the Guarantee system and the SF system):

- Guarantee Rural Development Programmes (68 RDPs): outside of Objective 1 the RDPs can contain in principle all 26 RD measures, in Objective 1 regions they are limited to the 8 accompanying measures (early retirement, less favoured areas, agri-environment, afforestation of agricultural land, 2 quality measures, 2 meeting standards measures);
- In Objective 2 regions MS have the option to integrate the non-accompanying RD measures in their Objective 2 programming, although they are co-financed by Guarantee which is not a SF and follow the Guarantee financial management and control rules. This is the case for 20 Single Programming Documents (SPDs) of one Member State;
- In Objective 1 regions the non-accompanying measures are integrated in the Objective 1 programming and co-financed by Guidance, following the SF financial management and control rules (69 programmes);
- The Community Initiative LEADER+ has its own separate programming and follows the SF rules (73 programmes).

For the new MS 10 RDPs and 9 Objective 1 programmes (SPDs/SOPs, sectoral operational programmes) will be added for the programming period 2004-2006. For the implementation of the RDPs a new transitional financial instrument has been created under Guarantee with differentiated appropriations. LEADER+ will not have a separate programming, but can be integrated as a measure in the mainstream programmes under special transitional provisions in the Accession Treaty.

The complicated funding architecture for the current programming period is shown in the following diagram.



The large number of programmes, programming systems and different financial management and control systems have considerably increased the administrative burden for the MS and the Commission and decreased the coherence, transparency and visibility of rural development policy.

A main objective for the next period is therefore to simplify the implementation of the policy.

### 3. MAIN FEATURES OF RURAL AREAS

#### 3.1. The policy area

In its evolution from a sectoral policy (agricultural structures policy) to a policy with a strong territorial dimension the information needs of rural development policy have also evolved. The “policy area” now covers agriculture, forestry and natural areas or all what is not urban.

So far a common (policy) concept at EU level of what constitutes a rural area has not been developed, although several definitions, mainly based on population density, have been used in other contexts (e.g. the OECD definition, see point 3.2, p. 11). To collect statistics on the main economic, social and environmental features of rural areas a territorial entity is needed to which the statistical data can be linked.

The maps (see annex 1: maps 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5) show the potential area rural development policy covers, starting with agriculture, forestry and natural areas and the accumulation of the three (see annex 2: table 3.1.1). The importance of agriculture and forestry for land use in the EU appears from the fact that combined they make out 90% of the territory of the EU-25.

To link to a territorial administrative unit and illustrate the potential policy area in EU-25, the land cover approach was applied at municipality or communal level (LAU 1 or 2, ex NUTS 4 and 5). Municipalities which have at least 90% or more of their territory classified as agricultural, forestry or natural are flagged as rural (detailed explanations can be found in the methodological annex 3). The green areas on the map show the potential policy area, while the red spots indicate the non-rural or urban municipalities (which have more than 10% of their territory classified as non-rural).

### **3.2. Socio-economic features**

Socio-economic data are usually only available at a higher aggregation level of territorial administrative units, e.g. NUTS 3. NUTS 3 regions, however also include urban agglomerations, which tend to fall outside the scope of rural development policy. To still have an approximation of the potential policy area at this higher aggregation level, the OECD definition based on population density has been used. This definition has proven to be useful in making international comparisons of rural conditions and trends. The OECD identifies local areas (municipalities) as rural if the population density is below 150 inhabitants per square kilometre. At regional level (NUTS 3) the OECD distinguishes:

- Predominantly rural regions: over 50% of the population lives in rural communes (with less than 150 inhabitants/ km<sup>2</sup>)
- Significantly rural regions: 15 to 50% of the population living in rural communes
- Predominantly urban regions: less than 15% of the population living in rural communes

When applying this definition 57% of population in the EU-25 lives in rural regions, which cover over 90% of the territory (see annex: table 3.2.1 a and b, map 3.2.1). Population density varies from 38 inhabitants per square kilometre in predominantly rural regions, to 125 in significantly rural regions and 614 in predominantly urban regions (see annex: table 3.2.2, map 3.2.2).

Population growth between 1990 and 2000 (only available for EU-15) in the predominantly rural regions amounted to 2.2%, 4.6% in the significantly rural regions and 2.2% in the predominantly urban regions (see annex: table 3.2.3, map 3.2.3). GDP/capita (EU-25=100, average 1999-2001 in purchasing power standard) in the predominantly rural regions amounted to 71, in the significantly rural regions to 86.8 and in the predominantly urban regions to 124.7 (see annex: table 3.2.4, maps 3.2.4 a, b, c). In the new MS the income differential between rural and urban regions is even more marked. Unemployment rates (average 1999-2001, in % of active population) reached 11.1% in the predominantly rural regions, 10.7% in the significantly rural regions and 8.1% in the predominantly urban regions (see annex:

table 3.2.5, map 3.2.5). Demographic labour pressure (ratio of population aged 5-14 to population aged 55-64, i.e. young people which will be coming on to the labour market compared to older people which will be leaving the labour market) tends to be much higher in predominantly rural regions (1.24 for EU-25), in particular in the new MS, than in significantly rural regions (1.07) and urban regions (1.03) (see annex: table 3.2.6, map 3.2.6). The percentage of people over 65 does however not differ so much between rural and urban regions (see annex: table 3.2.7, map 3.2.7).

Agricultural employment (percentage of the labour force working in agriculture, hunting, forestry and fisheries) in the EU-25 is significantly higher in the predominantly (13.1%) and significantly (6.6%) rural regions than in the urban regions (2.0%) (see annex: table 3.2.8, map 3.2.8). The highest share of employment in rural areas is in services even in predominantly rural regions (56.7%), although lower than in significantly rural (63.1%) and in predominantly urban regions (70.2%) (see annex: map 3.2.9). There are indications that the share of public employment in services is higher in the more rural areas. Industry is the second sector with 29.9% of employment in predominantly rural areas, lower than in significantly (30.4%) rural regions, but higher than in urban regions (27.9%).

Gross Value Added (GVA) even in significantly rural areas, depends largely on the manufacturing and service sectors, with services dominating and rising to a level not significantly lower than in more urbanised areas. At NUTS 3 level for the EU-25<sup>1</sup>, the share of GVA of the different sectors in the predominantly rural regions is 5.8% for agriculture, 31.9% for industry and 62.3% for services. For significantly rural regions the weights are 3.5%, 29.8% and 66.7% compared to the urban shares of 0.9%, 25.9% and 73.3% (see annex : map 3.2.10).

Behind the general picture which arises at EU-25 level of rural regions having lower incomes, higher unemployment rates and a relative higher dependency on the primary sector than urban regions, lies a wide diversity of situations in rural regions and areas between MS (as appears from the tables in annex) and within MS.

In more qualitative terms and somewhat stylized, the rural areas and communities in the predominantly rural regions would tend to be more *remote* with low population densities, (the lowest incomes, weak basic infrastructure and services of general interest and difficulties to keep the younger population attracted to the area. In the still significantly rural regions would tend to be the *intermediate* rural areas and communities, still relatively distant from urban centres with a varying mix of economic activities and sometimes characterised by large scale farming. In the predominantly urban regions, the *peri-urban* rural areas and communities would tend to be well integrated with the urban centres, but land use - still largely characterised by farming - is under pressure from competing activities (industrial, residential, recreational) and the environmental, social and cultural heritage of the rural areas is under threat of being lost.

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<sup>1</sup> NUTS 3 for EU 24, excluding the UK where the data is not available, year 2001 except for France where data is only available for the year 2000.

### 3.3. Environmental features

With nearly 90% of land use in the EU-25 determined by agriculture and forestry the importance of these sectors for the environment and landscapes in Europe can hardly be underestimated.

Farming has contributed over the centuries to creating and maintaining a variety of valuable semi-natural habitats and today shapes the majority of the EU's landscapes. The links between the natural environment and farming practices are complex. While many valuable habitats in Europe are maintained by extensive farming, and a wide range of wild species rely on this for their survival, agricultural practices can also have an adverse impact on natural resources. Pollution of soil, water and air, fragmentation of habitats and loss of wildlife can be the result of inappropriate agricultural practices and land use. However, abandonment of farming activities can also endanger the EU's environmental heritage through loss of semi-natural habitats and the biodiversity and landscape associated with them.

Many of the high nature value farming systems, maintaining important habitats both on cultivated or grazed land (such as cereal steppes and semi-natural grasslands) and features such as hedgerows, ponds and trees, can be found in Less Favoured Areas. A large proportion of Europe's surviving area of semi-natural vegetation is found on low intensity farmland.

Many agricultural production systems which are beneficial to the environment are economically marginal. Difficult soils and terrain, harsh climates and other external factors limit productivity. In the EU-15 about 56% of agricultural area is classified as less favoured. The valuable agri-ecosystems can in particular be found in the areas with natural or physical handicaps such as mountain and hill farming and areas with special handicaps such as wetlands (see annex 2 : map 3.3.1).

The Natura 2000 network identifies the sites which are of European interest as habitats for fauna and flora. Protected agricultural sites make out 15% of the terrestrial part of Natura 2000 (which also identifies marine habitats), i.e. 2% of the EU-15 territory is protected agricultural land for its high nature value with however important differences between the MS (see annex 2: map 3.3.2).

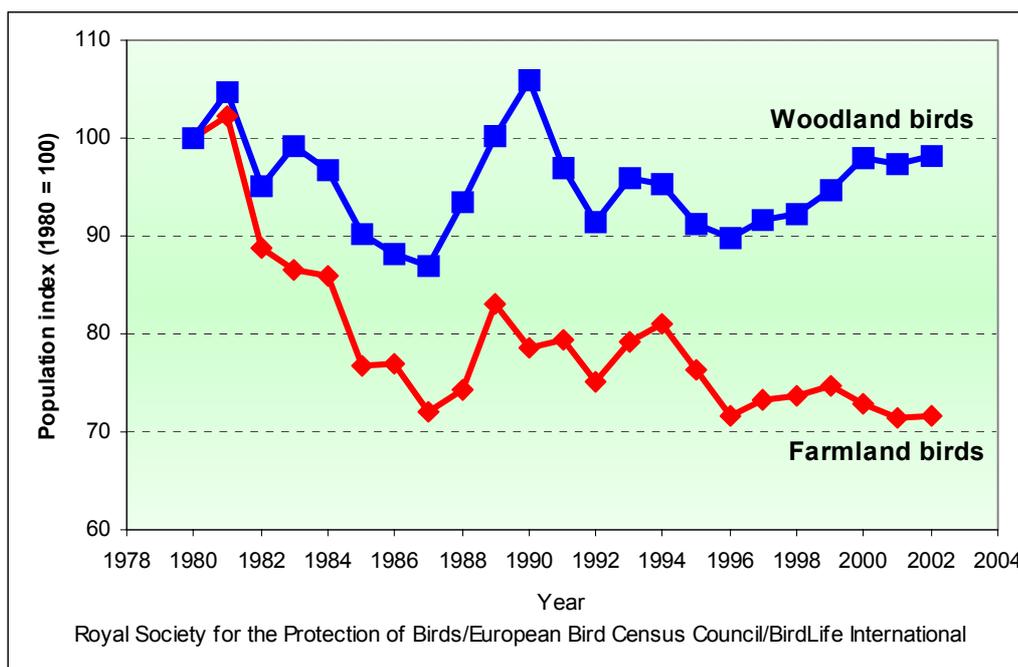
Throughout agricultural production processes occur that can have an impact on the natural environment. For example, heavy use of fertilisers and pesticides, incorrect drainage or irrigation practices, a high level of mechanisation or unsuitable land use can produce environmental degradation. Designation of Nitrate Vulnerable Zones (NVZ) in accordance with the Nitrates Directive with adapted farming practices aim at reducing and preventing water pollution from nitrates from agricultural sources. In the EU-15 38% of the area has so far been designated as NVZs (see annex 2: map 3.3.3).

The Water Framework Directive provides an integrated framework for assessment, monitoring and management of all surface waters and groundwater based on their ecological, qualitative and quantitative status. The directive requires measures be taken to reduce or eliminate emissions, discharges and losses of hazardous substances such as active components in pesticides, for the protection of surface

waters. Management plans for the EU's river basins, including agriculture, will be implemented in coming years (see annex 2: map 3.3.4).

Erosion by running water has been identified as the most severe hazard threatening the protection of soil in Europe. By removing the most fertile topsoil, erosion reduces soil productivity and can, where soils are shallow, lead to an irreversible loss of natural farmland. For an assessment of soil erosion risk see map 3.3.5 in annex 2.

Birds can be excellent barometers of the health of the wider environment and of the sustainability of human activities. They occur in a range of habitats in considerable numbers, reflect changes in other biodiversity (e.g. animals & plants), and are responsive and sensitive to environmental change. On average, populations of common and widespread woodland birds in Europe have remained stable over the last twenty years, although their numbers have fluctuated in response to winter conditions (trend 1980-2002 = -2%). Populations of common and widespread farmland birds, in contrast, have declined sharply, especially in the 1980s, and the downward trend continues at a slower rate (trend 1980-2002 = -29%). This reflects a deterioration in the quality of farmland habitats, affecting both birds and other elements of biodiversity. Such degradation does not relate to the rarest species, nor to special protection areas (both of which are critical elements of biodiversity); rather, it relates to biodiversity in the wider countryside. There is evidence that declines among farmland birds in Europe have been driven by agricultural intensification.



The environmental benefits of forestry are widely recognised. Forests provide the raw material for renewable and environmentally friendly products and play an important role for the natural landscape, biological diversity, erosion control, the global carbon cycle and water balance. They are of particular importance for the protection of water and soil. Their capacity of water retention reduces the risks of flooding. The importance of forests for biodiversity is underpinned by the fact that almost a third of the designated Natura 2000 - sites is forest.

Forests are essential for providing environmental, protective, social and recreational services, especially in the light of an increasingly urbanised society. They also play a role in offsetting the greenhouse effect and the threat of global warming. Forests are an important resource for rural development providing livelihoods for a diverse workforce, rural communities, millions of forest owners as well as forest-related enterprises.

All these functions have been commonly underlined by the EU and the Member States at the Fourth Ministerial Conference on the Protection of Forests in Europe (Vienna, April 2003), which emphasized also the importance for rural development and which identified economic viability of sustainable forest management, forest protection and climate change and biodiversity conservation as the main areas for action at Pan-European level.

38 % of the EU's surface is covered by forests and other wooded land. For the share of forests in total land area in the EU see map 3.3.6 in annex 2. Map 3.3.7 shows medium and high fire risk forest areas.

### **3.4. Structural features of farming**

In the EU-15 86% of farms and 87% of agricultural area lie in rural municipalities as defined under section 3.1. In some MS (B, S, NL, UK, LUX, FIN), a large part of agricultural activities still takes place in 'urban' municipalities (see annex 1: table 3.4.1).

There is no systematic difference of type of production between rural and urban municipalities. In most MS, the share of arable crops is lower and the share of permanent pastures is higher in rural municipalities. It is more evident, that there are relatively more farms specialised in horticulture and less farms specialised in grazing livestock in urban municipalities (see annex 1: table 3.4.2).

On average, farms are larger (in area) in rural municipalities (except in SE). Also, in most Member States (except in EL, I and SE), the size of the herd is higher (see annex 1: table 3.4.3).

In general, in comparison with urban areas, agriculture in rural municipalities seems based on lower productivity compensated by a larger scale of production. The economic size per ha, that measures roughly the potential value added per ha, is lower. As the number of hectares per annual work unit is higher in rural municipalities, it leads to a potential value added per labour unit that is higher than in urban areas in many Member States (see annex 1: table 3.4.4).

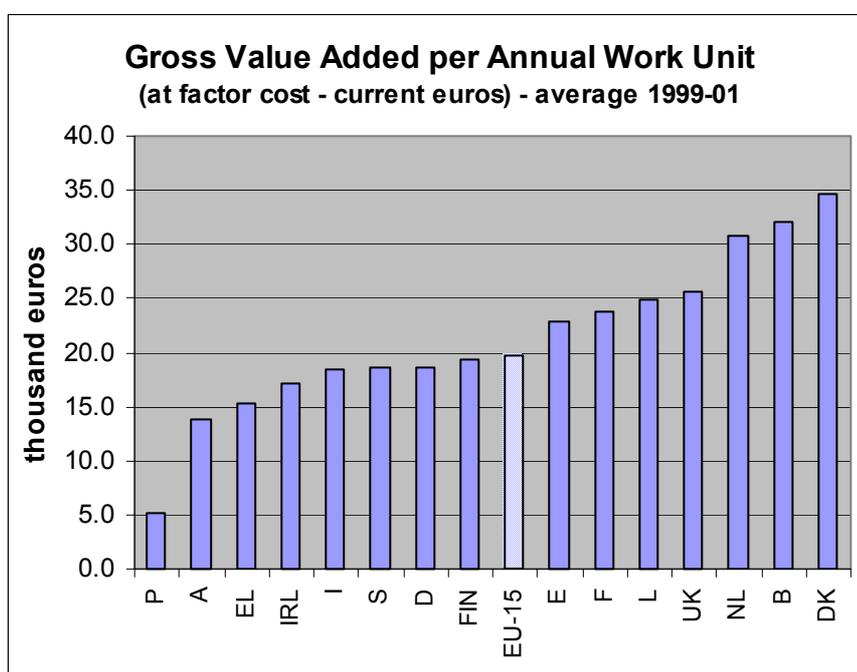
In most Member States, there are more young farmers and less old farmers in rural municipalities. Concerning the gender of the holder, the variability seems much higher between Member states than between rural and urban municipalities (see annex 1: table 3.4.5).

At EU-15 level less than 25% of farmers are working full time in agriculture. There is a huge variability between MS (from 12% in Italy to 61% in The Netherlands). More than 60% of farmers are working less than half-time in agriculture. This share is only 20% in the Netherlands, but is higher than 50% in Mediterranean countries

and in Sweden. It is therefore not surprising to find 30% of farmers with another gainful activity (26% as the major activity). For these aspects, there is no clear distinction between rural and urban municipalities (see annex 1: table 3.4.6).

In more than 40% of holdings, the spouse is also working on the farm. This proportion varies from 31% in Spain to 70% in Portugal, but is systematically higher in rural municipalities than in urban areas. Nevertheless, the involvement of spouses is limited as only 10% of them are working full-time in agriculture and 74% of them less than half-time. Therefore, more than one quarter of spouses working on the farm have their major activity outside. Between MS this share varies from 8% in the Netherlands to 75% in France (see annex 1: table 3.4.7).

The profitability of farming differs considerably between the old MS as shown in the following graph (see also map 3.4.1 in annex 2).



In the new Member States (EU-12, including accession countries Romania and Bulgaria) the duality of farm structures is one of the specific features of agriculture. This holds with regard to land fragmentation, the size of farms as well as to the ownership and age structure. On one hand, there are many small farms (mostly individual), often subsistence and part-time oriented; on the other hand there are very large enterprises owned by commercial companies or co-operatives.

The farms below 5 ha strongly dominate in number (82%, on a total of 9.2 mio farms in the EU-12), but not with regard to the share of cultivated farm land (27%, on a total of 50 mio ha of agricultural area in the EU-12). The majority of them should be classified as subsistence or part-time farms which cannot provide sufficient income for the farm household. Hence, off-farm activities and social payments are required for additional income. It is assessed that only few of them can grow to a commercially viable size.

The medium-size farms (5 to 20 ha), constituting 15% of the total number of farms, cultivate the same share of land as those belonging to the group below 5 ha. These farms, with an average size of 9 ha, have a potential both to earn a substantial part of family income from agricultural production and to grow in the future so as to remain economically viable.

The farms of size ranging from 20 to 50 ha constitute only 2% of the total number of farms and cultivate approximately 9% of the land. They are mostly fully commercially oriented. The largest farms (above 50 ha) are few (only 1% of the total number of farms), however they cover 38% of farm land. This group mainly consists of already large-scale commercial companies and co-operatives.

In terms of ownership, in all countries the privatisation process has led almost completely to the disappearance of state farms. Large scale farming is still, however, an important feature of agriculture in a number of the new MS. High shares in total land cultivated by co-operatives and commercial companies characterise the farm sector in Slovakia (76%), Bulgaria (74%), the Czech Republic (72%) and Hungary (50%). On the other hand, in countries like Slovenia (94%), Latvia (90%) and Poland (86%) small individual farms cover most of the cultivated land.

The agricultural age structure is not homogenous across EU-12. On average, the largest part of the agricultural workforce is between 31-55 years of age. However, in Poland, Slovenia and Romania, 20% of those active in agriculture are more than 64 years of age, while in the remaining countries the percentage share of this age group is significantly lower (2-10%).

#### 4. IMPLICATIONS FOR POLICY

With over half of the population in EU-25 living in rural areas, which cover 90% of the territory, rural development undoubtedly remains an important policy domain. Although the economic weight of agriculture and forestry in terms of contribution to GDP and employment has become small even in the predominantly rural regions, farming and forestry remain of overriding importance for land use and the management of natural resources in the EU's rural areas and important as a platform for economic diversification in rural communities. For many farmers and their families agriculture is no longer the only income source and quite often no longer the most important income source.

The 'problems' and challenges to be addressed by rural development policy can be summarised as follows:

- **Economic** :Rural areas have a significantly lower income than the average, an ageing working population, and a greater dependency on the primary sector.
- **Social** :There is clear evidence of higher unemployment in rural areas. Low population density and depopulation in some areas, may also increase the risk of problems like poor access to services, social exclusion, and a narrower range of employment options.

- Environmental : the need to ensure that agriculture and forestry make a positive contribution to the countryside and the wider environment requires a careful balance to be struck.

An EU rural development policy could never hope to deal with the full range of problems facing rural areas. Some are best addressed by national, regional or local action. Others may be tackled in the framework of other EU policies.

The focus of EU rural development policy will inevitably be conditioned by the context in which the policy has evolved. It cannot be divorced from its role as 2<sup>nd</sup> pillar of the *Common Agricultural Policy*, with emphasis on the word ‘common’, i.e. the choice that has been made to organise the agricultural sector at EU level. Further implementation of CAP reform implies a need for a continued **sectoral** component in EU rural development policy. In addition, the duality of farm structures and sometimes still high share of agriculture in employment in many of the new MS implies a further important need for the policy to accompany restructuring in agriculture and in rural areas.

The **territorial** components of EU rural development policy to respond to the economic, social and environmental challenges facing rural areas, lie in accompanying agriculture and forestry in their important land management function and in embedding agriculture and forestry in a diversified rural economy.

The wide diversity in rural situations, from remote to intermediate to peri-urban, and the search for value added of action at EU level, makes that the objectives for EU rural development policy need to be clearly set and that the toolkit has to be broad enough to cope with the diverse situations. This will be dealt with in parts 2 and 3.

## PART 2 : SETTING THE OBJECTIVES

Taking into account the evolution of the CAP and the shift in society's demands as described in part 1 the proposed *strategic policy goal* for the EU's rural development policy is:

“to accompany and complement CAP market policies in the overall aim of supporting the sustainable development of all rural areas throughout the enlarged EU”

As 2<sup>nd</sup> pillar of the CAP, RD policy follows the overall orientations for a sustainable agriculture in line with the conclusions of the Lisbon (March 2000) and Göteborg (June 2001) European Councils. While the Lisbon conclusions set the target of making the European Union the most competitive knowledge-based economic area by 2010, the Gothenburg conclusions added a new emphasis on protecting the environment and achieving a more sustainable pattern of development. The latter conclusions also highlighted the fact that in the context of Agenda 2000, European Agricultural policy had “become more oriented towards satisfying the general public's growing demands regarding food safety, food quality, product differentiation, animal welfare, environmental quality and the conservation of nature and the countryside”. The reform of the CAP in 2003 gave a further impulse to this through the introduction of a series of new measures in the rural development regulation.

Reflecting the Salzburg conference conclusions and the strategic orientations of the Lisbon and Göteborg European Councils emphasising the economic, environmental, and social elements of sustainability, the Commission spelled out three major objectives for RD policy in its Communication of on the Financial Perspectives for the period 2007-13:

- Increasing the competitiveness of the agricultural sector through support for restructuring;
- Enhancing the environment and countryside through support for land management (including RD actions related to Natura 2000 sites);
- Enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and other rural actors.

In addition to describing these three objectives of RD policy from the concept of sustainability, further orientations about how it should be able to best achieve these aims had to be developed. First ideas were put forward notably by the stakeholders at the Salzburg conference, including calls for a significant simplification of the delivery system and the strengthening of the partnership between public and private organisations and civil society in order to respond fully to local and regional needs. A greater consistency between measures and internal coherence of programmes was necessary. More emphasis should be placed on shared responsibility and good governance, as well as on increased transparency and accountability, ensured by a strengthened approach to monitoring and on-going evaluation. What is needed is a

structured dialogue between all levels of stakeholders, networking and exchange of good practice in Rural Development, and, where necessary, training and capacity building as pre-conditions for effective bottom-up and territorial approaches in programme development and implementation. In this context, the lessons of the LEADER Community Initiative should be taken into account.

The Communication on the Financial Perspectives stated the need to simplify the policy instruments, and as regards RD it clearly spelled out the need to regroup all RD measures under a single instrument, with the same degree of concentration as at present on the regions covered by the convergence programmes, thus contributing also to economic and social cohesion.

With RD policy no longer being part of, but still making an important contribution to cohesion policy, the coherence and complementarity between both policies needs to be assured. In their implementation mechanisms both policies should therefore to the extent possible remain close and build in procedures to ensure complementarity.

For each of the three strategic objectives a number of sub-objectives can be identified, which will have to be pursued through different development strategies responding to the different particular needs of diverse rural areas.

### **Objectives of axis 1: competitiveness**

Agriculture is losing importance as predominant activity in an increasing number of rural areas, but still remains important in the management of the EU territory, in its contribution to rural economies, and in supplying food and public goods and services. Therefore, increasing competitiveness is a key aim, but it must take account of the diversity of agricultural potential in different rural areas, especially regarding the new Member States, where rural areas will continue to undergo far-reaching structural change. Competitiveness is the very basis of economic viability, but it must be embedded into the wider context of sustainable development, which requires that a reasonable balance is found between farm viability, environmental protection, and the social dimension of rural development.

Pursuing the competitiveness aim on the one hand means an improvement of the economic performance of agriculture by factors such as reduction of production costs, increasing the economic size of holdings; introduction of innovation and more market orientation. In this perspective, both the support measures for physical investments (farm investments, processing/marketing; agricultural infrastructure) and the measures related to human capital (early retirement, young farmers, training and advisory services) must be rendered more effective, hereby opening agriculture within its rural economy context to the new Information and Communication technologies.

Increasing competitiveness must on the other hand also take advantage of the opportunities offered through diversification of economic activities, an orientation towards quality and value added products that consumers demand, including non-food products or biomass production, as well as cleaner and more environmentally friendly production techniques.

## **Objectives of axis 2: land management/environment**

With nearly 90% of land use in the EU-25 sustainable land management is a key policy aim for agriculture and forestry management.

Payments under axis 2 aim at ensuring the delivery of environmental services by agri-environment measures in rural areas, preserving land management also in areas with physical and natural handicaps, and increasing the coherence of RD measures with the EU forestry strategy. Thus, activities under axis 2 contribute to sustainable rural development by encouraging the main actors (farmers, foresters) to keep up land management in view of preserving and enhancing the natural space and landscape, of protecting and improving the environmental resources, and of ensuring the sustainable use of forestry resources. They also help prevent the abandonment of agricultural land use through payments to compensate natural handicaps or handicaps resulting from environmental restrictions. The co-financed activities should clearly target EU priorities such as combating climate change, enhancing biodiversity and water quality, or reducing the risk or impact of natural disasters.

## **Objectives for axis 3: the wider rural economy**

A central objective of axis 3 is to have a ‘living countryside’ and to help maintain and improve the social and economic fabric, in particular in the more remote rural areas facing depopulation, but also to keep the peri-urban areas ‘liveable’. Investment in the broader rural economy and rural communities is vital to increase the quality of life in rural areas, understood as improved access to basic services and infrastructure as well as a more healthy and diverse environment. Making rural areas more attractive also requires promoting sustainable growth and generating new employment opportunities, particularly for young people and women, as well as facilitating the access to up-to-date information and communication technologies. In doing so, investments must help exploit the potential of rural areas to supply public goods for broader society. Territorial approaches to local and regional development strategies, which foster the emergence of synergies between rural development and other EU and national policies, impose themselves particularly but not exclusively for axis 3. On-farm diversification towards non-agricultural activities, assistance for off-farm activities, and strengthening the links between agriculture and other sectors of the rural economy play an important role in this.

## PART 3 : ACHIEVING THE OBJECTIVES

### 1. INTRODUCTION

In the following, three basic options for the implementation of rural development policy – the policy delivery system - will be worked out: an improved status quo (option 1), a more strategic approach (option 2) and a more territorially based approach (option 3). All three options take as a basis the policy orientations in terms of objectives and implementation as discussed at the Salzburg conference and proposed by the Commission in the communication on the financial perspectives 2007-2013. The three main objectives around which the policy will be structured have been discussed in part 2. For the delivery system – programming, monitoring/evaluation, financial management and control – the starting point is the major simplification the Commission is proposing in the Financial Perspectives by moving to one programming and funding system for rural development.

### 2. IMPROVED STATUS QUO (OPTION 1)

The main elements of this option are the following.

#### 2.1. Programming

Member States design their rural development programmes for 2007-2013 by choosing from the current menu of measures grouped according to the three policy axes: competitiveness, land management/environment and wider rural development. MS can choose the geographic level of programming, either one national RD programme for their territory or several regional programmes covering the territory. Each programme is based on an ex- ante evaluation and a SWOT analysis of the rural areas covered and is designed by the competent authority taking into account the results of stakeholder consultation. For each axis quantified objectives are determined where possible and appropriate.

None of the mainstream rural development measures is compulsory with the exception of agri-environment and animal welfare in axis 2.

For two of the four measures in axis 3 (basic services and tourism and crafts) the MS has to indicate whether it wishes to include them in its rural development programming or in its Cohesion Objective 1 or 2 programming.

Each RD programme includes in axis 3 a LEADER type measure for which an amount of at least [4%] of planned programme expenditure is reserved. The LEADER measure supports the best integrated local development strategies presented by Local Action Groups (public/private partnerships) in the programme area. Within the LEADER measure an amount can be reserved for inter-territorial and transnational cooperation projects between LAGs and for a national network. The LEADER measure can in particular be used to implement axis 3.

Each programme (and major programme modification) is approved by the Commission.

## **2.2. Scope and eligibility conditions of the RD measures**

In principle the current scope, eligibility conditions and maximum aid rates of the 26 RD measures are maintained.

For the three types of LFA, the delimitation criteria for the intermediate zones (partially defined on the basis of socio-economic criteria) are adjusted to reflect areas in danger of abandonment of land use, used mainly for extensive livestock grazing.

The concept of the minimum standards for investments/processing and marketing as well as good farming practice for agri-environment and LFA will remain applicable for these rural development measures. Most Member States have developed their codes of Good Farming Practice encompassing all relevant farming issues, such as plant protection, water and waste management, biodiversity, and in particular regarding nutrient management. This approach of Good Farming Practice dealing with the issues remains a requirement of the RD Regulation. Cross compliance will remain a separate concept to be applied to first pillar payments only.

For the LEADER type measure the scope encompasses rural development, but also Regional Fund and Social Fund type interventions.

## **2.3. Monitoring and evaluation**

During the implementation of the programme MS present annual progress reports based on a common set of monitoring indicators, including realised expenditure per measure and realised controls. An independent mid term evaluation of each programme is carried out to assess achievements in the 1st half and the need for any major programme adjustments for the 2<sup>nd</sup> half of the programming period. An ex post evaluation is carried out by the Commission.

A European Rural Development Observatory is set up by the Commission to follow the implementation of the programmes, to encourage the exchange of best practice and to lend technical support, in particular for the LEADER measure.

## **2.4. Financial management and control**

Based on objective criteria, each MS will receive a RD envelope for the period 2007-2013 with a breakdown of annual allocations respecting the spending profile of the Financial Perspectives (in commitment terms). Programming and financial year will be the calendar year. The financial management of the programmes will be based on differentiated appropriations and the n+2 rule (automatic decommitment if payments by the end of n+2 do not exhaust the appropriation commitment made in year n).

The financial table for each RD programme indicates the planned total expenditure per year in commitment terms (public, distinguishing the Community contribution, and private funding to be mobilised). The planned annual Community contribution for all programmes over the period respects the total RD envelope. The financial table further shows the planned public expenditure per axis for the period with an indicative breakdown per measure within an axis. For each axis the EU cofinancing

rate is indicated (maximum 50% of public expenditure outside Objective 1, maximum 75% in Objective 1 regions). Within an axis a MS is free to shift planned (i.e. future) expenditure between measures. To change the allocation between the axes a new Commission decision is needed.

Each MS receives a payment on account of [7%] of its envelope, which is financially cleared at the end of the programming period. During the implementation of the programme the MS can declare its expenditure on a regular basis. These intermediate payments plus the payment on account are cumulative up to 95% of its envelope. The final payment of maximum 5% is based on a certification by an independent body of the regularity and legality of all expenditure during the programming period. In addition to the certification body the MS designates the bodies responsible for programme implementation and monitoring and for the financial operation of the programme.

For each RD measure the minimum control requirements are set out in the regulation. The Commission checks the control systems of the MS against the minimum requirements. Where insufficiencies are found (flat rate) financial corrections can be applied.

### **3. A MORE STRATEGIC APPROACH (OPTION 2)**

The main elements of this option are the following.

#### **3.1. Programming**

One of the messages coming out of the mid-term evaluations of the current generation of RD programmes tends to be that many programmes lack focus and a clear strategy and tend to be a collection of (too many) measures without much coherence between the measures. Without clear objectives and a well defined strategy which links objectives and the means to achieve the objectives programme results are difficult to evaluate. At EU level it is even more difficult to assess and account for the outcomes of the policy.

Under option 2 a first step in the programming phase would be the preparation by the Commission of a strategy document setting out the EU priorities for the three policy axes. It would identify strengths and weaknesses at EU level and core indicators to measure progress in achieving the EU priorities. The EU rural development strategy would be adopted by the Council after opinion of the European Parliament and would form the basis for the national rural development strategies of the MS. The national rural development strategy would translate the EU priorities to the national situation after stakeholder consultation, set core result indicators and demonstrate the complementarity of rural development programming with other EU policies, in particular cohesion policy. Depending on the level of geographic programming chosen by the MS the national strategy would be embodied in the national rural development programme or would be a separate document detailing the strategy in number of programmes and financial allocations. [In the latter case the national strategy would be subject of an agreement between the MS and the Commission through an exchange of letters]. The RD programmes would be subject to Commission approval.

The programmes would articulate the national strategy into a strategy for each of the three axes with quantified objectives and core result indicators (comprising as a minimum the relevant EU common indicators) and using as building blocks for each axis the measures as outlined below. To ensure a balanced strategy a minimum funding for each axis of at least [20%] of total programme funding would be required.

### 3.1.1. *Axis 1: competitiveness*

For axis 1 two blocks of framework measures would be available, one targeting human resources (human capital) and one physical endowments (physical capital). In addition, the meeting standards and food quality measures introduced with the 2003 CAP reform would be kept.

The **human resources** block would contain setting up of young farmers linked to a business development plan (outlining investment needs, advisory service and training needs), early retirement linked to setting up of a young farmer/restructuring of the holding, training (focusing on ICT/new technologies, environmental technologies, entrepreneurial skills) and services (advisory/extension/demonstration projects). For the services it would be a contribution to the cost for the farmer of obtaining the service.

For the **physical capital** aids to farm investments and investments in adding value to agricultural products (such as processing and marketing) would be retained for micro and small enterprises as well as support for infrastructure related to agriculture (e.g. access, water management, land improvement). Restoration and prevention measures for natural disasters would be covered under this block.

The contribution to the cost of farm advisory services (beneficiary = farmer) under meeting standards would be merged in the general support for services for farmers under the human resources block.

For the **forestry sector** investment support to enhance the economic value of forests of private owners and for the improvement and rationalisation of harvesting, processing and marketing of forestry products would be available. The investment aid for processing and marketing of forestry products would be limited to micro-enterprises.

### 3.1.2. *Axis 2: land management/environment*

For axis 2 MS would develop a targeted territorial strategy taking into account the following types of zoning.

For **agriculture** these would be:

- areas with natural/physical handicaps (mountains and hills objectively defined by altitude and slope) for which farming is important for the upkeep of the land. In these areas *natural handicap payments* to farmers would be available, taking into account the degree of handicap.

- areas of particular environmental relevance as defined under EU legislation, i.e. Natura 2000 agricultural areas. *Natura 2000 payments* to farmers would be made to cope with the additional constraints put on farming to enable the combination of farming and nature conservation in Natura 2000 designated areas to cover additional costs and income forgone.

Agri-environment (AE) measures of a horizontal character would apply to the whole programme area to complete the strategy to maintain and enhance environmental values. *Agri-environment payments* to farmers and other land managers would cover additional costs (including transaction costs) and income forgone for the environmental services contracted (on a voluntary basis) going beyond the baseline (see below). Next to the horizontal measures such as organic farming and widely applicable AE measures, territorially targeted AE measures for particular areas with important environmental value or vulnerability (eg protection against erosion, fires, flooding), would be part of the strategy.

The **baseline** for all agri-land management payments would be cross-compliance (sanction approach), supplemented by the MS by national mandatory requirements higher than or not covered by cross-compliance.

For **forestry** the zoning would be:

- areas apt for afforestation for environmental reasons (eg protection against erosion, extension of forest resources contributing to climate change mitigation). Payments to land owners would cover establishment costs. In the case of conversion of agricultural land into forest [and of introduction of agro-forestry systems] a temporary income compensation element for the farmer would be added;
- forests of particular environmental relevance as defined under EU legislation, i.e. Natura 2000 forest areas. Payments to private forest owners would be made to cope with additional costs arising from forestry management in Natura 2000 designated areas;
- forests with an important environmental value for which ‘forest-environment’ measures would apply. Payments to forest owners would cover additional costs for forestry management practices (‘forestry services’) contracted (on a voluntary basis), going beyond national statutory requirements;
- forest areas with a medium to high forest fire risk for the establishment of preventive measures.

For both agri-environment and forestry support for (non-productive) investments aimed at enhancing environmental value [and public amenity value] would be available as well as for restoring [agricultural land values or] forests after natural disasters.

### 3.1.3. *Axis 3: wider rural development*

For the specific objective under axis 3, enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm

sector and other rural actors, two blocks of measures would be available, one supporting the quality of life in rural areas and the other economic diversification.

The building blocks for territorially targeted local development strategies enhancing the quality of life would be the following measures:

- Basic services for the rural economy and population, aiming at small scale economic, social and environmental infrastructure in rural areas;
- Renovation and development of villages and protection and conservation of the rural heritage fitting in with the local development strategy.

The building blocks for economic diversification as part of a local development strategy would be the following measures:

- Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative sources of income, aiming at on farm diversification to non-agricultural activities involving the farm household;
- Encouragement for tourism (outside the farm), aiming at small scale rural tourism activities fitting in with the local development strategy;
- Support for micro and small enterprises in rural areas, including craft activities to promote entrepreneurship and links between rural actors;
- Support for linking natural heritage (e.g. a Natura 2000 site) to other local activities (e.g. tourism and recreation) creating value added in the local economy.

Axis 3 would be implemented through local development strategies implying a close collaboration between central, regional and local authorities. Based on an analysis of needs the MS would select the territories and the measures to be applied. This could be through a bottom up approach (see also below), selecting the best integrated local development strategies presented by Local Action Groups (public/private partnerships). For certain territories MS could choose to concentrate on capacity building for local development.

#### *3.1.4. The LEADER approach*

An important aspect of programming by the MS would be the integration of LEADER in the rural development programmes, in particular for the implementation of axis 3. An amount of at least [7%] of programme funding would be reserved for the selection of LAG territories with the best integrated development strategies. The LAG programming for these territories would be exclusive and also open to measures of axis 2 and 1. Within the funding for the LEADER approach amounts would be reserved for innovative approaches (laboratory function), for cooperation projects between LAG territories and for a national network to support the LAGs and interact with the European Observatory (see below).

### **3.2. Scope and eligibility conditions**

The measures to be used as building blocks for the strategy for each axis would be subject to streamlined and simplified eligibility conditions to be determined in a Commission implementing regulation. For investment support under axis 1 farms and enterprises would have to comply with the relevant standards under cross-compliance. For processing and marketing and non-farm enterprises maximum public aid rates for investments would be determined by the general state aid rules. For farm investments and investments in the economic value of (private) forests specific rates would apply.

For axis 2 the baseline for agri-land management payments would be set as well as maximum payment levels.

For axis 3 the general state aid rules would apply.

### **3.3. Monitoring and evaluation**

MS would annually report on the implementation of their national RD strategy using an agreed set of output and result indicators. The output indicators would also cover the financial reporting (realised expenditure by axis and measure). A system of on going evaluation would help to compile and interpret the result indicators, measure the progress in achieving the policy objectives and feed programme adjustments where necessary.

Based on the national reports the Commission would produce an EU level report on the progress in achieving the EU priorities set out in the strategy document using the core indicators. The report would be presented to the Council and the EP and where necessary the Commission would make proposals to adjust the EU strategy.

An important tool for the monitoring and evaluation of the implementation of the EU and national RD strategies would be an EU rural development Observatory. The Observatory would have as main tasks to collect and process monitoring data, organise an evaluation network, encourage exchange of best practices in rural development, provide technical assistance in particular for the networking and cooperation aspects of the LEADER approach and provide technical expertise for the assessment of agri-land management payment levels under axis 2.

### **3.4. Financial management and control**

Based on objective criteria, each MS will receive a RD envelope for the period 2007-2013 with a breakdown of annual allocations respecting the spending profile of the Financial Perspectives (in commitment terms).

Of the total EU funding available for rural development an amount of [5%] is reserved for allocation to MS in the second half of the programming period based on financial execution and evaluation results with regard to EU priorities. MS without a satisfactory ongoing evaluation system would be excluded from the performance reserve.

Programming and financial year will be the calendar year. The financial management of the programmes will be based on differentiated appropriations and the n+2 rule

(automatic decommitment if realised payments by the end of n+2 do not exhaust the appropriation commitment made in year n). If a MS has several programmes it will present a consolidated financial table. The financial table indicates the planned total expenditure per year over the 9 year period in payment terms (public, distinguishing the Community contribution, [and private funding to be mobilised]). The total Community contribution over the period cannot exceed the RD envelope. The financial table further shows the planned public expenditure per axis for the period with an indicative breakdown per measure within an axis. For each axis the EU cofinancing rate is indicated (maximum 50% of public expenditure outside Objective 1, maximum 75% in Objective 1 regions). Within an axis a MS is free to shift planned (i.e. future) expenditure between measures. To change the allocation between the axes a new Commission decision is needed. The financial table is updated annually to serve as a basis for the Commission to prepare the annual budget (commitment and payment appropriations).

Each MS receives a payment on account of [7%] of its total envelope (corresponding to an average annual allocation), which is financially cleared at the end of the programming period. During the implementation of the programme the (nationally accredited) paying agency in the MS declares its expenditure on a regular basis covering one calendar year. The payments (including the payment on account) are cumulative up to 95% of its envelope. The final payment amounts to maximum 5%. Each year the annual accounts are certified by an independent body on the regularity and legality of expenditure and respect by the paying agency of the standard procedures. On the basis of this certification the accounts are financially cleared by the Commission on an annual basis during the programming period. In addition to the financial clearance, irregular or non-eligible expenditure is excluded from co-financing by a conformity clearance (see below). In addition to the certification body the MS designates the bodies responsible for programme implementation and monitoring and for the financial operation of the programme.

For each (type of) RD measure the minimum control requirements are set out in the regulation. The Commission checks the control systems of the MS against the minimum requirements. Where insufficiencies result in losses to the Community budget (flat rate) financial corrections can be applied through the conformity clearance.

#### **4. A MORE TERRITORIAL APPROACH (OPTION 3)**

This option would follow the strategic approach of option 2, but would introduce territorial targeting for all three policy axes. To concentrate on the restructuring needs of the farm sector in poorer regions, axis 1 would be limited to the two framework measures targeting human resources and the physical endowments of farms in lagging rural areas to be defined by the MS on the basis of objective criteria (e.g. GDP/capita, unemployment, access to services and credit). With the long term viability of many farms depending to a large extent on other income sources on and off farm for the farm family household, funding for axis 1 at MS level would be limited to maximum [15%]. More emphasis would fall on axis 2 (to be implemented as under option 2) and in particular axis 3 to be implemented through the LEADER approach (with exclusive implementation of RD measures in the selected territories).

The minimum funding for axis 3 would be [30%] to be concentrated on the lagging rural areas (at least [75%] of selected LAG territories).

## **5. ASSESSMENT OF THE OPTIONS**

A comparative table showing the main characteristics of the three options is presented on the next page.

The main advantage of option 1 is that, while introducing further simplification by moving to one funding and programming system for rural development and adapting the implementation system to multi annual programming, it stays relatively close to the current systems, minimising the need for adaptations in programming and implementation by the MS.

The main advantage of option 2 is that it would allow to focus EU cofinancing of rural development on commonly agreed EU priorities and to monitor more closely the policy outcomes with regard to the priorities. In addition, option 3 would provide a concentration of resources on lagging rural areas for axis 1 and axis 3 and more emphasis on a ‘bottom up approach’ to the socio-economic development of lagging rural areas.

The improvements in the delivery system for all three options would allow to increase the efficiency and efficacy of the rural development measures underpinning the three main axes and thus the sustainable development of the EU’s rural areas in economic, environmental and social terms. In the case of option 2, which is more ambitious in setting targets and measuring outcomes, but therefore also more difficult to realize, the potential policy impacts in sustainability terms would be bigger. In option 3 these would be concentrated in the lagging rural areas, but could be to the detriment of the adaptations needed in other rural areas, in particular in relation to axis 1 and the potential restructuring effects of the 2003 CAP reform. The high share of funding for the LEADER approach, the more difficult governance form to implement, could pose absorption problems.

		Option 1 <i>improved status quo</i>	Option 2 <i>a more strategic approach</i>	Option 3 <i>a more territorial approach</i>	
<b>Objective setting</b>		RD programmes	EU strategy National strategy RD programmes		
<b>Axis 1 competitiveness</b>	measures	Investments in farms Young farmers Training Early retirement Meeting standards temporary support Meeting standards support farm advisory services Food quality incentive scheme Food quality promotion Investments in processing/marketing Land improvement Reparcelling Setting up of farm relief and farm management services Marketing of quality agricultural products	<b>Human resources:</b> Young farmers Early retirement Training Advisory services (including meeting standards)		
		Agricultural water resources management Development and improvement of infrastructure related to agriculture Restoring agricultural production potential damaged by natural disasters and appropriate prevention instruments	<b>Physical capital:</b> farm/forestry investments processing/marketing agricultural infrastructure		
			<b>2003 CAP reform measures:</b> Meeting standards temporary support Food quality incentive scheme		
			Food quality promotion		
	funding share	unspecified	minimum 20%	maximum 15%	
	EU cofinancing rate	max 50/75%	max 50/75%		
	territorial application	all rural areas	all rural areas	lagging rural areas	
<b>Axis 2 land management</b>	measures	Less favoured areas and areas with environmental restrictions Agri-environment/animal welfare (compulsory) Afforestation of agricultural land Other forestry Environmental protection in connection with agriculture, forestry and landscape management and improving animal welfare	Mountain LFA  Natura 2000 agricultural areas Agri-environment/animal welfare Afforestation  Natura 2000 forest areas  forest environment forest medium to high risk fire prevention support for non-productive investments (environmental and public amenity value; agriculture, forestry)		
		baseline (agriculture)	good farming practice	cross compliance + national legislation	
		funding share	unspecified	minimum 20%	
		EU cofinancing rate	max 50/75%	max 50/75%	
		territorial application	all rural areas	all rural areas	
<b>Axis 3 wider rural development</b>	measures	Basic services for the rural economy and population Renovation and development of villages, protection and conservation of the rural heritage Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative sources of income Encouragement for tourism and craft activities Financial engineering	<b>Quality of life:</b>  Basic services for the rural economy and population  Renovation and development of villages, protection and conservation of the rural heritage		
			<b>Economic diversification:</b> Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative sources of income Encouragement for tourism Support for micro and small enterprises Support for linking natural heritage to other local activities		
		implementation	unspecified	through local development strategies	through the LEADER approach
		funding share	unspecified	minimum 20%	minimum 30%
		EU cofinancing rate	max 50/75%	max 50/75%	
	territorial application	all rural areas	all rural areas	lagging rural areas	
<b>LEADER</b>	implementation	LEADER type measure in axis 3	Exclusive LEADER approach for selected territories	axis 3	
	funding share	minimum 4%	minimum 7%	minimum 30%	
	EU cofinancing rate	max 50/75%	max 50/75%		
	territorial application	selected territories	selected territories	75% lagging rural areas	

## PART 4 : STAKEHOLDER CONSULTATION

The Commission organised two public consultations on the future of EU rural development policy: in November 2003 the Conference in Salzburg by bringing together the major rural stakeholders and in May 2004 in the framework of the Rural Development Advisory Committee.

### The Salzburg Conference

The conference provided an opportunity for a wide reflection on the experience of the current generation of rural development programmes (2000-2006) to draw lessons and conclusions for the next generation (2007-2013). The conference brought together more than 1000 participants, including representatives of the old and new MS, of other EU institutions, national and regional programme managers, LEADER groups, a wide range of sectoral associations and NGO's, academics and experts. Debates were structured in 5 thematic panels and geared towards a series of questions presented by the Commission.

The conference arrived at the following conclusions:

1. **A living countryside** is not only in the interests of the rural society but also of society as a whole. Investment in the broader rural economy and rural communities is vital to increase the attractiveness of rural areas, promote sustainable growth and generate new employment opportunities, particularly for young people and women. This must be based on the specific needs of different areas and build upon the full range of potential of local rural areas and communities. A living countryside is essential for farming, as agricultural activity is essential for **a living countryside**.
2. **Preserving the diversity of Europe's countryside** and encouraging the services provided by multifunctional agriculture is of ever growing importance. Managing the farmed environment and forests will serve to preserve and enhance the natural landscape and Europe's diverse cultural heritage, particularly in more remote rural areas with their sites of high nature value.
3. The **competitiveness of the farming sector** must be a key aim, taking into account the diversity of agricultural potential in different rural areas. This is of particular importance for the new Member States, given the significant further agricultural restructuring expected in these countries. In all Member States sustainable economic growth of the agricultural sector must come increasingly through the diversification, innovation and value added products that consumers demand.
4. **Rural development policy must apply in all rural areas of the enlarged EU** in order that farmers and other rural actors can meet the challenges of on-going restructuring of the agricultural sector, the effects of CAP reform and changing patterns of **agricultural trade**.
5. **Rural development policy must serve the needs of broader society in rural areas** and contribute to cohesion. Strengthening the wider rural community will promote the sustainable development of rural areas sought by all rural stakeholders.

6. **Rural development policy should be implemented in partnership between public and private organisations and civil society in line with the principle of subsidiarity.** To respond effectively to local and regional needs, a full dialogue between rural stakeholders in the drawing up and subsequent implementation, monitoring and evaluation of programmes is needed. Future policy must mainstream EU support for rural areas through bottom-up local partnerships by building on the lessons learnt from the LEADER approach. Scope must be left for exploring new and innovative approaches at local level.
7. **More responsibility must be given to programme partnerships** to define and deliver comprehensive strategies based on clearly defined objectives and outcomes. These will require **increased** transparency and accountability through monitoring and evaluation. In this respect, capacity building is essential. Moreover, partnerships must have greater possibilities to learn from each other through networking and exchange of best practices.
8. **A significant simplification of EU rural development policy** is both necessary and urgent. Delivery must be based on one programming, financing and control system tailored to the needs of rural development.

### **Consultation of the Rural Development Advisory Committee**

In the advisory committee a cross-section of stakeholders representing civil society (farmers associations, agri-food sector, consumers and family's associations, environmental and other NGOs, local governments and networks, etc.) is represented. Its consultation took place in two steps: first in March 2004 at the level of a working group a preparatory debate was organised, on the basis of a questionnaire prepared by the Commission. Secondly, the full meeting of the committee was held on 25 May 2004 to debate parts 1 to 3 of the extended impact assessment document.

In the preparatory working group meeting the following issues were discussed.

In relation to the overall funding available for the next Financial Perspectives and Cohesion Policy participants expressed some concern on the capacity of cohesion policy to meet the needs of the rural areas, mainly outside the new Convergence objective, as well as a strong support to territorial approaches for wider rural development.

With regard to agricultural competitiveness (1<sup>st</sup> axis) the key message was twofold:

- i) Agricultural competitiveness cannot be considered in isolation from the wider rural context: assessing competitiveness should imply taking into account the various functions of agriculture which, apart from food, delivers to society services and public goods related to the management of natural and other resources in rural areas;
- ii) Modern and prosperous farming cannot be reached without generational change and consideration of gender issues. The human factor should be more central in policy design and embrace young people and women.

With regard to environment and land management (2<sup>nd</sup> axis) there was agreement to link the LFA scheme more closely to natural handicaps for farming, but without abandonment of the concept of less favoured areas. Financing of Natura 2000 should continue to relate to

compensating for constraints put on farming in such areas. For agrienvironment there was a consensus to focus more on EU environmental priorities, while some concern was expressed on how to assess the real impacts (environmental benefits) of agrienvironmental measures. Once again the importance of the human factor and training was underlined in relation to environmentally friendly farming practices. Some inconsistencies between competing practices were mentioned (e.g. between agrienvironment on the one hand and afforestation of farmland on the other).

With regard to wider rural development (3<sup>rd</sup> axis) there was strong support for territorial approaches and more active involvement of all rural actors, including farmers, notably through the LEADER approach. Mainstreaming LEADER would be a preferred option, but this would imply a more inclusive list of measures from the menu of available rural development measures. The importance of capacity building for local action and training as well as focusing on young people and women was underlined.

As regards the delivery system a strong support for simplification was expressed. However, simplification should not be limited only to administration of programmes: conditions for potential users and beneficiaries should also be adapted and be more responsive to their needs. Equally, communication and information channels should be improved.

The debate of the full Committee in May focused on the three options presented in part 3 of the impact assessment document and on the desired balance between support focusing on the farm sector (axis 1), on environment and land management (axis 2) and on activities going beyond the farm (axis 3).

Concerns were expressed on the overall availability of funding for rural development, on the financing of Natura 2000 and on the demarcation and coordination between rural development and cohesion policy.

There was a certain consensus on the need to link RD policy to the 2003 CAP reform and its effects, on the principle to align baseline requirements for farming under the 1<sup>st</sup> and 2<sup>nd</sup> pillar (although not on the direction, down to cross compliance or up to good farming practice) and on the need to review the LFA scheme.

As regards the delivery mechanism strong support was expressed for simplification for both administrations and beneficiaries, thus making programmes and measures more transparent and accessible to potential beneficiaries. However, the strategic approach in option 2 raised some questions on how to combine top down (EU and national strategies) with bottom up approaches (eg LEADER). In general there seemed to be a preference for option 1 (improved status quo) or 2 (a more strategic approach) with a certain emphasis on 2 or a combination of 1 and 2. The written contributions of the organisations participating in the debate can be found in annex.

## **PART 5: CONCLUSIONS**

### **1. POLICY CONTENT**

The analysis in part 1 of the evolution of the Common Agricultural Policy and of the situation of rural areas and the results from the stakeholder consultation as presented in part 4 confirm the proposed focus of the EU's future rural development policy on three main domains of intervention:

- competitiveness of the agricultural and forestry sector in a broad sense (axis 1)
- environment/land management, agriculture and forestry being the main land users (axis 2)
- wider rural development, placing agriculture and forestry in their rural context (axis 3).

Salient feature from the stakeholder discussions is need to find the appropriate balance between the three policy axes, axis 1 being important for the restructuring in agriculture following CAP reform, further opening of markets and in the light of the restructuring needs in the new Member States, axis 2 being important for the sustainable management of the EU's environmental resources linked to agriculture and forestry, and axis 3 being important to help maintain the attractiveness of the EU's diverse rural areas (remote, intermediate and peri-urban) and their cultural heritage, ie to maintain a 'living' countryside and to foster the links between agriculture and forestry and the other sectors of the local economy. With respect to geographical coverage, the policy should in principle apply in all rural areas, of importance in particular for axis 1 in its accompanying role to CAP market policy reform and for axis 2, land management, which includes several forms of zoning, but also agri-environment relevant to all agricultural areas.

### **2. POLICY DELIVERY**

A second important element in the discussions on future policy needs relates to governance. Here also the experiences from the previous and current programming period as brought out in the evaluations (see box below) can feed into the improvement of the instruments for the delivery of the policy.

Authorities at the European, national, regional and local level need to cooperate to identify needs, to define appropriate measures, and to manage the Community instruments and programmes. The contribution of European policy should be made not only in terms of financial resources, but also in terms of organisation (governance) to encourage the adoption of best practice in systems of finance and management as well as interaction of the public partners, together with non-governmental organisations and civil society, as appropriate.

A clearer target setting and well defined strategies linking objectives and the means to achieve the objectives at EU, national and regional level are needed to better assess policy outcomes and account for the money the EU is spending on rural development.

Simplification of the implementation of the policy and a clear demarcation of the responsibilities of the Member States and of the Commission are needed. Rural development

is based on a system of partnership with the Member State and decentralised management through programming.

General support has been expressed to move to a single funding and programming system for rural development and for a greater clarity and transparency in the respective roles and responsibilities of Member States and Commission.

## KEY MESSAGES FROM RURAL DEVELOPMENT EVALUATIONS

### Relating to the policy/strategy and programme approach

- A better co-ordination between Rural Development programmes and other European or national support schemes, as well as between measures within individual programmes is needed to maximize the benefits and avoid loss of potential synergies.
- The viability of rural areas can best be maintained and enhanced through territorial approaches which target multiple sectors in the rural economy. They should be based on strengthened local/ regional co-ordination and management structures and be open to bottom-up participation of local actors, starting from the programming phase.
- The large number of available measures may include some with partly contradictory objectives, but it allows MS/regions to select a package of measures adjusted to their specific needs. This means that a realistic, precise definition and quantification of programme objectives, a careful selection of measures, and a precise targeting of beneficiaries is a pre-condition for successful programmes. A lack of targeting increases the danger of deadweight, a focusing of resources may increase programme effectiveness.

### Relating to the delivery mechanism/ implementation

- Networking and exchange of good practice, both nationally and cross-border, clearly increase the effectiveness of programmes. This should be supported both at EU and national level, starting already at programming stage. Promotion of measures and guidance for potential applicants to be improved.
- Funding provisions and delivery mechanisms should be simplified, especially avoiding different rules for different funds. At the same time simplifications regarding the definition of measures and their eligibility conditions should not lead to a blurring of programme objectives and to a loss of targeting capacity and added value at European level.
- The Commission must give clear guidance for monitoring and evaluation requirements in Member States already at programming stage. The monitoring and evaluation systems should be better adapted to each other.

### Relating to individual measures

- *Farm investment*: Effective (increased income for farmers) mostly if well-targeted towards specific needs, e.g. towards modernization of less competitive farms; however, deadweight exists where 'traditional' investments for increase in productivity are made on already highly productive farms.
- *Less Favoured Areas*: a 'significant' proportion of the disadvantages of Less Favoured Areas is compensated; a certain positive impact on preventing land abandonment and population decline can be established, as well as clear positive effects on the environment by maintaining sustainable farming. However, the effectiveness is reduced by unclear criteria for the definition of zones so that cases of under- and overcompensation are very likely.
- *Processing and Marketing*: Benefits of scheme for primary producers doubtful; some positive effects of investments on hygiene and animal welfare and on employees' health and safety. For investments regarding restructuring great likeliness of deadweight or at best trigger-off effect, therefore better targeting needed.
- *Agri-environment measures*: clear positive effects regarding soil and water quality; equally on habitat protection and biodiversity and on landscape protection, although not always possible to quantify environmental benefits.
- *Young farmers*: Decision by young farmer to set up is only partly influenced by aid; therefore, scheme only partly relevant for encouraging setting up of young farmers; better targeting and combination with other measures needed.
- *Early Retirement*: in some Member States very relevant for earlier transfer of holdings and subsequent improvement of economic viability of holdings.

- *Training*: support is very relevant and in most cases improves the trainee's situation; coherence with other measures could be improved.
- *Forestry*: clear positive impact on maintaining forest resources, but no significant impact on economic and social aspects of rural development.
- Among the measures aiming at the wider rural economy and community, *village renewal* and *conservation of rural heritage* was particularly successful, not least due to the high degree of participation of the local population.

#### Relating to LEADER

- *LEADER* is marked by its very high adaptability to all different governance contexts and specific challenges for different rural areas; it is highly responsive to small scale activities and it changes the social fabric in rural areas. It mobilized a high degree of voluntary efforts and fostered equal opportunities in rural areas.

### 3. POLICY PROPOSAL

Considering the advantages and disadvantages of the options outlined in part 3 against the need to find the appropriate balance between the 3 policy axes and against the need to improve governance and policy delivery at all levels (European, national, regional and local), the Commission believes that the time is ripe for the EU's rural development policy to evolve towards a more strategic approach as outlined under option 2 in part 3.

This approach would allow to focus the EU cofinancing available for rural development on commonly agreed EU priorities for the three policy axes, while leaving sufficient flexibility at Member State and regional level to find a balance between the sectoral dimension (agricultural restructuring) and the territorial dimension (land management and socio-economic development of rural areas), responding to the individual situations and needs. For those Member States and regions capable and willing, the LEADER model could be applied on a wider scale, while for the EU as a whole continuation and consolidation of the LEADER approach would be safeguarded.

As described under option 2, the first step in the programming phase would be the preparation by the Commission of a strategy document setting out the EU priorities for rural development, to be presented to the Council and the Parliament.

After adoption by the Council, the EU strategy would form the basis for the national strategies and programmes of the Member States. The rural development programmes would be subject to Commission approval. They would translate the national strategies for each of the three thematic policy axes and for the LEADER axis into quantified objectives and result indicators.

For each thematic axis a range of measures would be available (see table below). The conditions under which the measures can be implemented have been streamlined and simplified, in particular for axis 1.

For axis 2 the agri-environment measure available throughout the territory would be compulsory. The existing LFA measure would be redefined as far as the delimitation of the intermediate zones (partly based on socio-economic data which in many cases have become outdated) is concerned. The new delimitation would be based on soil productivity and the importance of extensive farming activities for land management, low soil productivities compared to the national average giving an indication of the difficulty of maintaining agricultural activity.

A general condition for the measures under axis 2 at the level of the beneficiary would be respect of the EU and national mandatory requirements relevant for agriculture and forestry (sanction approach).

For axis 3 the preferred implementation method would be through local development strategies targeting sub-regional entities, either developed in close collaboration between national, regional and local authorities or through a bottom up approach using the LEADER approach (selection of the best local development plans of local action groups representing public-private partnerships). The horizontal application of certain measures under axis 3 would however remain possible.

Each programme would contain a LEADER axis to finance the implementation of the local development strategies of local action groups built on the three thematic axes, the operating costs of local action groups, the cooperation projects between local action groups, experimental and pilot approaches and the capacity building and animation necessary for the preparation of local development strategies (in new LEADER territories).

Each of the three thematic axes would have to represent at least a minimum percentage of the public funding of the programme to ensure a balanced strategy (15% for axis 1 and 3 and 25% for axis 2). The target expenditure themes chosen for the LEADER local development strategies and cooperation would count for the respective thematic axis. For the LEADER axis at least 7% of programme funding would have to be reserved, while for technical assistance for the implementation of the programme (monitoring, evaluation and controls and a national network to support the implementation of rural development measures and in particular local action groups and serve as contact point for the European Observatory for rural development) up to 4% of programme funding could be reserved.

An EU rural development Observatory as described under option 2 would assist the Commission in the implementation of the policy.

The EU cofinancing rates would be at axis level, with a minimum of 20% and a maximum of 50% (75% in Convergence regions). For axis 2 and the LEADER axis the maximum rate would be 55% (80% in Convergence regions), expressing the EU priority attached to these axes. For the Outermost regions the maximum cofinancing rates are increased by 5 points.

Of overall EU RD funding available for the period (excluding modulation), 3% would be kept in reserve to be allocated in 2012 and 2013 to the Member States with the most performing LEADER axes.

For the implementation of the programmes a reinforced monitoring, evaluation and reporting system based on a common EU framework agreed between the Member States and the Commission would be introduced. Based on the annual national synthesis reports on the execution of programmes and the progress in the implementation of the national strategies (in terms of results), the Commission would report annually to the Council and the Parliament on the progress in implementing the EU priorities for rural development. Where necessary this could lead to a proposal for the adjustment of the EU rural development strategy.

Proposal EU rural development policy 2007-2013		
<b>Objective setting</b>		EU strategy National strategy RD programmes
<b>Axis 1 competitiveness</b>	measures	<b>Human resources:</b> Vocational training and information actions Young farmers Early retirement Use of advisory services (including for meeting standards) Setting up of farm management, relief and advisory and forestry advisory services <b>Physical capital:</b> Farm/forestry investments Processing/marketing Agricultural/forestry infrastructure Restoring agricultural production potential <b>Quality of agricultural production and products (2003 CAP reform):</b> Meeting standards temporary support Food quality incentive scheme Food quality promotion <b>Transitional measures:</b> Semi-subsistence Setting up producer groups
	funding share	minimum 15%
	EU cofinancing rate	max 50/75%
	territorial application	all rural areas
<b>Axis 2 land management</b>	measures	<b>Sustainable use of agricultural land:</b> Mountain LFA Other areas with handicaps Natura 2000 agricultural areas Agri-environment/animal welfare (compulsory) support for non-productive investments <b>Sustainable use of forestry land:</b> Afforestation (agricultural/non-agricultural land) Agroforestry Natura 2000 forest areas Forest environment Restoring forestry production potential support for non-productive investments
	baseline (agriculture)	cross compliance
	funding share	minimum 25%
	EU cofinancing rate	max 55/80%
	territorial application	all rural areas
<b>Axis 3 wider rural development</b>	measures	<b>Quality of life:</b> Basic services for the rural economy and population (setting up and infrastructure) Renovation and development of villages, protection and conservation of the rural heritage Vocational training Capacity building for local development strategies <b>Economic diversification:</b> Diversification to non-agricultural activities Support for micro-enterprises Encouragement of tourism activities Preservation and management of the natural heritage
	implementation	preferably through local development strategies
	funding share	minimum 15%
	EU cofinancing rate	max 50/75%
	territorial application	all rural areas
<b>LEADER axis</b>	implementation	LEADER approach for selected territories within the scope of the 3 thematic axes
	funding share	minimum 7%
	reserve	3% of overall EU RD funding (excluding modulation)
	EU cofinancing rate	max 55/80%
	territorial application	all rural areas, selected territories

To streamline the financial management and control of expenditure the Commission proposes the following. Under the new financial perspectives expenditure for both of the pillars of the CAP will be implemented by shared management (under Article 53(3) of the Financial Regulation). Although the financial rules will differ according to the specific needs of each of the pillars, the common elements of the financing and control system would include the following:

- Expenditure may only be made by Paying Agencies appointed by the Member States. These Paying Agencies will be accredited by the Member State according to criteria set by the Commission. These criteria include requirements for an effective internal control system and the existence and operation of internal audit.
- The Commission will reimburse expenditure already made by the Paying Agencies to beneficiaries. A demand for reimbursement will include a declaration by the Head of the Paying Agency about the accuracy of the amount declared.
- The Head of the Paying Agency will submit accounts covering all the demands for reimbursement during a year. This will be accompanied by a Statement of Assurance. The accounts and the Statement of Assurance will be the mirror, at Member State level, of the Statement of Assurance given by the Director General of DG AGRI.
- The annual accounts will be accompanied by an audit opinion and report of an independent audit service. This audit service will work in accordance with International Audit Standards and rules set by the Commission. The opinion and report will be examined by the DG AGRI services.
- A clearance of accounts process in accordance with Article 53(5) of the financial Regulation. This will be in two stages. The first stage is based on the accounts received from the Member States and the opinion and report of the independent audit services and will be on an annual basis. The second stage is based on the Commission's own enquiries into the legality and regularity of operations and will not be linked to any particular financial year. The Commission will be able to make financial corrections going back up to 36 months before the identification of a problem or weakness in a Member State's control system.

These elements would simplify the financial management of the CAP by making the respective roles and responsibilities of the Commission and the Member States clearer and more transparent.

**ANNEX 1 : TABLES**

**Table 3.1.1 : Rural Area**

	(as % of national area)				
	Land cover				Area of rural communes
	Agriculture	Forestry and semi-nature	Nature	Total 'rural'	
AT	36,2%	53,2%	8,1%	97,5%	94,0%
BE	58,0%	21,2%	0,4%	79,6%	59,1%
CY	29,6%	16,4%	53,8%	99,8%	99,9%
CZ	59,1%	34,6%	0,1%	93,8%	83,8%
DE	60,7%	30,2%	0,6%	91,6%	76,6%
DK	78,9%	12,6%	1,2%	92,7%	82,8%
EE	34,0%	58,5%	4,3%	96,8%	94,1%
ES	50,7%	43,8%	2,9%	97,4%	94,9%
FI	6,9%	81,9%	3,6%	92,3%	98,6%
FR	62,3%	31,3%	1,9%	95,5%	90,9%
GR	41,7%	51,0%	4,9%	97,6%	94,7%
HU	72,0%	20,5%	0,8%	93,2%	85,1%
IE	68,3%	13,0%	14,8%	96,1%	96,2%
IT	53,9%	36,6%	4,4%	94,9%	86,5%
LT	62,2%	31,9%	0,9%	94,9%	94,1%
LU	55,5%	37,3%	0,0%	92,8%	77,6%
LV	44,2%	50,1%	2,5%	96,8%	93,2%
MT	96,1%	0,4%	3,3%	99,7%	99,7%
NL	74,5%	10,8%	1,2%	86,6%	56,8%
PL	65,3%	29,7%	0,5%	95,5%	92,6%
PT	50,4%	41,7%	2,0%	94,1%	93,5%
SE	26,4%	53,2%	11,4%	91,0%	87,3%
SI	34,1%	61,2%	1,6%	96,9%	93,9%
SK	50,5%	43,1%	0,4%	94,0%	85,9%
UK	58,3%	31,8%	2,1%	92,2%	84,2%
<b>EU-25</b>	<b>49,5%</b>	<b>41,0%</b>	<b>3,7%</b>	<b>94,2%</b>	<b>89,2%</b>
<b>EU-15</b>	<b>51,8%</b>	<b>38,1%</b>	<b>4,2%</b>	<b>94,1%</b>	<b>88,9%</b>

**Table 3.2.1a : Rural Population (average 1999-2001)**

	Population in rural communes	Population by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
		(as % of national population)		
AT	41,9%	46,2%	30,8%	23,0%
BE	8,5%	3,5%	11,7%	84,8%
CY	22,2%	0,0%	100,0%	0,0%
CZ	30,3%	10,4%	78,1%	11,5%
DE	19,0%	13,5%	28,8%	57,7%
DK	40,6%	39,0%	31,7%	29,4%
EE	32,0%	10,5%	76,4%	13,1%
ES	26,9%	15,6%	49,6%	34,8%
FI	56,7%	62,7%	37,3%	0,0%
FR	28,4%	17,0%	54,4%	28,6%
GR	38,7%	39,6%	27,6%	32,8%
HU	52,2%	44,0%	38,3%	17,7%
IE	45,2%	70,7%	0,0%	29,3%
IT	20,9%	9,6%	40,5%	49,9%
LT		100,0%	0,0%	0,0%
LU	28,0%	0,0%	100,0%	0,0%
LV	31,8%	29,7%	29,6%	40,7%
MT	0,1%	0,0%	0,0%	100,0%
NL	7,3%	1,9%	17,4%	80,7%
PL	40,3%	42,7%	31,5%	25,8%
PT	34,1%	22,0%	26,9%	51,1%
SE	69,3%	66,9%	33,1%	0,0%
SI	55,3%	58,0%	42,0%	0,0%
SK		26,9%	61,8%	11,3%
UK	11,3%	3,6%	27,4%	69,0%
<b>EU-25</b>	<b>26,0%</b>	<b>18,6%</b>	<b>38,8%</b>	<b>42,6%</b>
<b>EU-15</b>	<b>23,6%</b>	<b>15,9%</b>	<b>35,7%</b>	<b>48,5%</b>

**Table 3.2.1b : Rural Area**

	Area of rural communes	Area by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
		(as % of national area)		
AT	90,7%	78,5%	20,2%	1,3%
BE	40,4%	21,7%	23,4%	54,9%
CY	85,6%	0,0%	100,0%	0,0%
CZ	83,0%	18,4%	81,0%	0,6%
DE	64,3%	36,8%	43,8%	19,4%
DK	84,9%	67,7%	27,8%	4,5%
EE	98,5%	20,9%	71,5%	7,7%
ES	92,0%	47,4%	46,5%	6,1%
FI	98,6%	93,0%	7,0%	0,0%
FR	89,4%	40,8%	54,7%	4,5%
GR	95,0%	73,9%	23,2%	2,9%
HU	88,1%	60,7%	38,7%	0,6%
IE	97,3%	98,7%	0,0%	1,3%
IT	70,9%	27,4%	50,2%	22,4%
LT		100,0%	0,0%	0,0%
LU	75,5%	0,0%	100,0%	0,0%
LV	98,3%	51,1%	43,6%	5,4%
MT	1,6%	0,0%	0,0%	100,0%
NL	31,5%	5,2%	37,5%	57,3%
PL	90,5%	62,8%	34,3%	2,9%
PT	89,1%	69,7%	22,0%	8,3%
SE	99,1%	95,9%	4,1%	0,0%
SI	87,9%	70,4%	29,6%	0,0%
SK		37,6%	58,2%	4,2%
UK	76,2%	33,7%	45,7%	20,6%
<b>EU-25</b>	<b>86,8%</b>	<b>56,4%</b>	<b>35,6%</b>	<b>7,9%</b>
<b>EU-15</b>	<b>86,1%</b>	<b>56,7%</b>	<b>34,2%</b>	<b>9,2%</b>

**Table 3.2.2 : Population density (average 1999-2001)**

	National average	Population density by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
	(inhabitant per km <sup>2</sup> )			
AT	97	57	147	1689
BE	335	54	168	516
CY	124		124	
CZ	130	74	125	2378
DE	231	85	152	687
DK	125	72	142	812
EE	32	16	34	54
ES	79	26	84	449
FI	16	11	84	
FR	107	45	107	686
GR	80	43	95	904
HU	109	79	108	3408
IE	53	38		1191
IT	192	67	155	428
LT	56	56		
LU	168		168	
LV	37	22	25	281
MT	1211			1211
NL	452	164	211	637
PL	109	84	114	571
PT	110	35	135	678
SE	20	14	163	
SI	98	81	140	
SK	110	79	117	298
UK	242	26	145	813
<b>EU-25</b>	<b>114</b>	<b>38</b>	<b>125</b>	<b>614</b>
<b>EU-15</b>	<b>117</b>	<b>33</b>	<b>122</b>	<b>620</b>

**Table 3.2.3 : Population development between "1990" and "2000"**

	National average	Population development by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
AT	4,8%	4,5%	5,0%	5,0%
BE	2,8%	6,4%	4,4%	2,4%
CY				
CZ				
DE	4,2%	7,1%	6,3%	2,6%
DK	3,8%	2,0%	5,1%	4,7%
EE	-12,5%	-11,5%	-11,5%	-18,8%
ES	2,2%	-3,0%	4,3%	1,6%
FI	3,8%	0,6%	9,7%	
FR	3,9%	1,4%	5,2%	2,8%
GR	3,4%	4,7%	8,8%	-2,1%
HU	-2,5%	-1,6%	1,0%	-11,2%
IE	6,6%	6,1%		7,7%
IT	1,3%	0,6%	1,1%	1,6%
LT	-3,1%	-3,1%		
LU	13,3%		13,3%	
LV	-10,5%	-6,7%	-10,4%	-13,1%
MT				
NL	6,4%	6,4%	7,8%	6,0%
PL	1,4%	3,0%	2,2%	-2,2%
PT	2,9%	-3,6%	5,0%	4,8%
SE	3,1%	0,5%	8,9%	
SI	-0,4%	-1,6%	1,1%	
SK				
UK	1,6%	2,6%	3,6%	0,8%
<b>EU-15</b>	<b>3,1%</b>	<b>2,2%</b>	<b>4,6%</b>	<b>2,2%</b>

**Table 3.2.4 : GDP / inh (in pps - average 1999-2001)**

	National average	GDP by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
(EU-25 = 100)				
AT	123,9	96,0	136,3	163,1
BE	116,1	73,0	80,2	122,8
CY	83,0		83,0	
CZ	62,8	55,5	53,0	136,6
DE	111,3	81,3	86,5	130,7
DK	126,3	110,0	109,3	166,3
EE	40,7	27,6	45,5	23,2
ES	91,6	70,9	83,9	111,9
FI	112,8	95,0	142,9	
FR	115,4	89,8	101,3	157,3
GR	72,4	68,1	72,0	77,8
HU	54,6	40,0	46,9	107,7
IE	125,5	108,2		167,1
IT	110,5	91,5	99,2	123,3
LT	37,5	37,5		
LU	212,0		212,0	
LV	34,5	19,7	24,8	52,2
MT	77,1			77,1
NL	121,7	91,3	107,9	125,4
PL	44,8	33,8	39,0	70,3
PT	77,0	56,5	61,6	94,0
SE	117,7	105,8	141,6	
SI	73,1	63,2	86,8	
SK	48,0	34,0	43,3	106,5
UK	112,6	96,6	95,0	120,5
<b>EU-25</b>	<b>100,0</b>	<b>71,0</b>	<b>86,8</b>	<b>124,7</b>
<b>EU-15</b>	<b>109,4</b>	<b>87,6</b>	<b>96,1</b>	<b>126,3</b>

**Table 3.2.5 : Unemployment (average 1999-2001)**

	National average	Unemployment by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
	(in % of active population)			
AT	3,6%	3,1%	2,9%	5,4%
BE	7,4%	8,4%	8,1%	7,3%
CY	4,6%		4,6%	
CZ	8,6%	6,9%	9,5%	4,0%
DE	7,8%	8,8%	8,1%	7,4%
DK	4,9%	5,2%	5,2%	4,4%
EE	12,6%	11,9%	10,8%	23,5%
ES	13,4%	15,6%	14,7%	10,8%
FI	10,2%	12,2%	7,2%	
FR	10,3%	8,9%	10,3%	10,9%
GR*	11,2%	10,4%	11,5%	11,7%
HU	6,1%	7,1%	5,7%	4,8%
IE	4,6%	5,0%		3,6%
IT	10,6%	12,1%	12,5%	8,9%
LT	14,1%	14,1%		
LU	2,2%		2,2%	
LV	13,7%	12,1%	17,2%	12,5%
MT				
NL	2,9%	4,0%	3,7%	2,7%
PL	15,6%	18,0%	16,0%	10,8%
PT	4,0%		4,1%	2,6%
SE	6,0%	6,5%	4,9%	
SI	6,5%	7,6%	5,0%	
SK	18,2%	21,7%	18,8%	7,7%
UK	5,5%	5,3%	4,8%	5,7%
<b>EU-25</b>	<b>9,8%</b>	<b>11,1%</b>	<b>10,7%</b>	<b>8,1%</b>
<b>EU-15</b>	<b>8,3%</b>	<b>8,7%</b>	<b>9,8%</b>	<b>7,3%</b>
*: at Nuts-2 level				

**Table 3.2.6 : Demographic Labour Pressure (2000)**

	National average	Demographic Labour Pressure by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
<b>(Ratio population aged 5-14 to population aged 55-64)</b>				
AT*	1,03	1,03	1,17	0,84
BE*	1,18	1,58	1,31	1,15
CY*	1,61		1,61	
CZ	1,09	1,11	1,14	0,82
DE*	0,82	1,00	0,82	0,81
DK	1,05	1,09	1,08	0,98
EE	1,19	1,39	1,19	1,08
ES*	1,03	1,21	1,10	0,93
FI	1,15	1,13	1,27	
FR*	1,36	1,10	1,32	1,57
GR	0,96	1,02	0,86	0,94
HU	1,05	1,15	1,11	0,74
IE*	1,72	1,77	1,69	
IT*	0,83	0,88	0,83	0,82
LT	1,36	1,36		
LU	1,25		1,25	
LV	1,15	1,34	1,21	0,97
MT				
NL	1,22	1,17	1,26	1,22
PL	1,49	1,76	1,54	1,02
PT	1,00	0,82	1,10	1,02
SE	1,14	1,13	1,15	
SI	1,02	1,03	1,00	
SK	1,58	1,79	1,53	1,35
UK	1,23	1,17	1,10	1,29
<b>EU-25</b>	<b>1,08</b>	<b>1,24</b>	<b>1,07</b>	<b>1,03</b>
<b>EU-15</b>	<b>1,04</b>	<b>1,07</b>	<b>1,03</b>	<b>1,03</b>
*: at Nuts-2 level				

**Table 3.2.7 : Importance of aged people (99-01)**

	National average	Importance of aged people by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
(% people aged more than 65 years)				
AT*	15,5%	16,0%	14,1%	15,9%
BE*	16,8%	16,1%	17,0%	16,8%
CY*	11,7%		11,7%	
CZ	13,8%	14,0%	13,4%	16,1%
DE*	16,5%	16,1%	16,6%	16,4%
DK	14,8%	15,7%	14,0%	14,5%
EE	15,0%	15,3%	14,8%	15,8%
ES*	16,5%	18,7%	16,6%	16,2%
FI	15,0%	16,1%	13,1%	
FR*	16,1%	20,7%	17,0%	12,6%
GR	17,3%	18,7%	16,7%	15,9%
HU	15,2%	15,0%	14,3%	17,6%
IE*	11,2%	12,8%	10,6%	
IT*	17,9%	17,8%	18,8%	16,9%
LT	14,0%	14,0%		
LU	13,9%		13,9%	
LV	14,8%	14,1%	15,1%	15,1%
MT				
NL	13,6%	14,9%	14,1%	13,5%
PL	12,8%	12,3%	12,7%	13,9%
PT	16,3%	22,2%	16,0%	13,9%
SE	17,3%	18,1%	15,7%	
SI	14,7%	14,8%	14,6%	
SK	11,4%	11,0%	11,4%	12,0%
UK	15,9%	16,5%	17,4%	15,3%
<b>EU-25</b>	<b>15,9%</b>	<b>15,7%</b>	<b>16,3%</b>	<b>15,5%</b>
<b>EU-15</b>	<b>16,3%</b>	<b>17,7%</b>	<b>16,9%</b>	<b>15,5%</b>
*: at Nuts-2 level				

**Table 3.2.8 : Agricultural Employment (2000-02)**

	National average	Agricultural Employment by type of regions		
		Predominantly rural	Significantly rural	Predominantly urban
	(% labour force working in agriculture, hunting, forestry and fisheries)			
AT*	5,7%	7,5%	5,9%	0,9%
BE*	1,7%	5,1%	1,9%	1,6%
CY*	5,2%		5,2%	
CZ*	4,9%	7,6%	5,2%	0,7%
DE*	2,6%	5,0%	3,3%	1,5%
DK*	3,4%			3,4%
EE*	7,0%		7,0%	
ES*	6,3%	11,6%	9,7%	2,4%
FI*	6,2%	8,6%	1,1%	
FR*	4,1%	7,9%	5,2%	0,8%
GR*	16,3%	29,3%	21,2%	1,3%
HU*	6,1%	10,7%	3,7%	
IE*	7,2%	12,2%	5,6%	
IT*	5,2%	8,0%	6,5%	3,5%
LT*	17,6%	17,6%		
LU*	2,0%		2,0%	
LV*	15,1%		15,1%	
MT*	2,0%			2,0%
NL*	2,9%		4,0%	2,7%
PL*	19,1%	25,8%	18,1%	5,0%
PT*	10,6%	21,1%	13,3%	5,0%
SE*	2,6%	3,3%	1,4%	
SI*	9,8%	9,8%		
SK*	6,3%	6,8%	7,4%	2,1%
UK*	1,4%	4,4%	2,4%	0,8%
<b>EU-25</b>	<b>5,5%</b>	<b>13,1%</b>	<b>6,6%</b>	<b>2,0%</b>
<b>EU-15</b>	<b>4,1%</b>	<b>9,6%</b>	<b>5,3%</b>	<b>1,9%</b>

\*: at Nuts-2 level

<b>Table 3.4.1 : Importance of rural communes</b>				
	% in rural communes			
MS	Holdings	Utilised Agricultural Area (ha)	Economic size (ESU)	Livestock (LU)
A	93%	95%	91%	96%
B	56%	66%	59%	66%
DE	80%	82%	77%	85%
DK	85%	87%	86%	91%
E	93%	97%	94%	96%
EL	93%	93%	93%	90%
F	89%	92%	89%	94%
FIN	71%	75%	74%	75%
I	82%	85%	80%	78%
IRL	91%	92%	93%	93%
L	76%	77%	76%	78%
NL	63%	65%	59%	74%
P	91%	97%	91%	94%
S	55%	52%	52%	54%
UK	64%	72%	63%	68%
"EU-15"	86%	87%	81%	85%

MS	% arable crops in UAA			% permanent pastures in UAA			% holdings specialised in horticulture			% holdings specialised in grazing livestock		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
A	40,6%	50,6%	45,6%	57,4%	41,6%	49,5%	0,4%	6,1%	3,2%	55,8%	33,8%	44,8%
B	59,9%	66,4%	63,2%	39,2%	30,8%	35,0%	4,0%	12,4%	8,2%	50,0%	40,7%	45,3%
DE	68,6%	70,4%	69,5%	30,5%	26,8%	28,7%	1,2%	7,2%	4,2%	38,8%	26,4%	32,6%
DK	93,8%	92,0%	92,9%	5,9%	7,3%	6,6%	1,3%	5,5%	3,4%	20,7%	13,1%	16,9%
E	47,3%	45,8%	46,6%	35,9%	33,2%	34,6%	3,9%	10,9%	7,4%	15,0%	11,4%	13,2%
EL	53,3%	74,7%	64,0%	17,4%	10,1%	13,8%	1,6%	2,4%	2,0%	5,9%	7,6%	6,7%
F	65,8%	68,6%	67,2%	30,3%	24,2%	27,3%	1,4%	10,4%	5,9%	38,9%	23,3%	31,1%
FIN	98,9%	98,0%	98,4%	1,0%	1,6%	1,3%	3,9%	5,6%	4,8%	32,8%	44,3%	38,6%
I	54,5%	61,5%	58,0%	27,5%	18,9%	23,2%	1,6%	4,2%	2,9%	10,6%	9,6%	10,1%
IRL	25,2%	22,6%	23,9%	74,8%	77,3%	76,1%	0,3%	0,6%	0,4%	92,2%	93,9%	93,0%
L	49,4%	45,1%	47,2%	49,6%	53,6%	51,6%	0,5%	3,0%	1,7%	56,3%	53,7%	55,0%
NL	50,5%	48,4%	49,5%	48,0%	49,7%	48,8%	8,0%	24,0%	16,0%	51,1%	43,0%	47,1%
P	44,7%	56,1%	50,4%	36,5%	20,1%	28,3%	2,5%	9,1%	5,8%	12,4%	7,9%	10,1%
S	87,4%	88,1%	87,8%	12,5%	11,8%	12,1%	1,1%	2,4%	1,8%	25,8%	22,3%	24,1%
UK	35,8%	52,8%	44,3%	64,0%	46,8%	55,4%	1,7%	2,8%	2,2%	65,9%	60,3%	63,1%
"EU-15"	55,4%	64,0%	59,7%	36,2%	30,6%	33,4%	2,1%	6,4%	4,3%	21,6%	21,3%	21,5%

MS	Utilised Agricultural Area (ha)			Labour force (AWU)			Economic size (ESU)			Livestock (LU)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
A	17,3	13,2	15,2	0,9	1,1	1,0	11,1	14,5	12,8	13,8	7,6	10,7
B	26,6	17,5	22,0	1,2	1,2	1,2	55,9	49,1	52,5	83,7	54,0	68,8
DE	37,1	32,5	34,8	1,3	1,5	1,4	38,8	47,7	43,3	43,4	30,5	36,9
DK	46,7	40,1	43,4	1,1	1,3	1,2	62,4	58,3	60,3	80,5	46,2	63,4
E	21,2	8,7	14,9	0,8	1,0	0,9	12,0	10,7	11,3	12,0	7,3	9,6
EL	4,4	4,2	4,3	0,7	0,7	0,7	6,3	6,0	6,1	3,0	4,2	3,6
F	43,5	29,0	36,3	1,4	1,7	1,5	43,4	43,9	43,6	38,0	19,4	28,7
FIN	28,7	24,0	26,3	1,2	1,3	1,3	23,8	21,1	22,5	15,7	13,2	14,5
I	6,3	5,1	5,7	0,6	0,7	0,7	8,6	10,0	9,3	4,4	5,7	5,1
IRL	31,7	28,1	29,9	1,2	1,1	1,2	21,1	16,2	18,7	46,4	36,6	41,5
L	45,6	43,9	44,8	1,5	1,7	1,6	35,8	35,5	35,7	62,2	57,4	59,8
NL	20,4	19,3	19,8	1,8	2,3	2,1	83,9	99,5	91,7	84,5	51,5	68,0
P	9,8	3,5	6,7	1,3	1,3	1,3	6,3	6,9	6,6	6,3	4,5	5,4
S	35,2	40,9	38,0	0,9	1,0	0,9	24,6	28,1	26,4	23,8	24,9	24,4
UK	75,7	53,3	64,5	1,4	1,5	1,4	46,2	49,6	47,9	71,9	60,3	66,1
"EU-15"	19,0	17,1	18,0	0,9	1,1	1,0	17,6	25,1	21,3	17,2	18,4	17,8

Table 3.4.4 : Systems of production by type of communes												
	ha/AWU			ESU/ha			ESU/AWU			LU/ha forage		
MS	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
A	19,2	12,1	15,7	0,65	1,10	0,87	12,4	13,3	12,8	0,8	0,8	0,8
B	22,4	14,4	18,4	2,10	2,81	2,45	47,1	40,3	43,7	2,7	2,8	2,8
DE	29,2	22,2	25,7	1,05	1,47	1,26	30,6	32,6	31,6	1,7	1,6	1,6
DK	41,4	31,7	36,6	1,34	1,45	1,39	55,2	46,1	50,7	2,5	2,2	2,3
E	25,7	8,6	17,2	0,57	1,23	0,90	14,5	10,7	12,6	0,7	1,2	0,9
EL	6,1	5,8	6,0	1,43	1,41	1,42	8,8	8,2	8,5	2,4	4,9	3,7
F	31,2	17,1	24,1	1,00	1,51	1,25	31,0	25,9	28,4	1,2	1,3	1,3
FIN	23,2	18,0	20,6	0,83	0,88	0,86	19,3	15,8	17,6	1,1	1,1	1,1
I	10,1	7,5	8,8	1,37	1,97	1,67	13,8	14,8	14,3	1,0	1,9	1,5
IRL	26,5	24,7	25,6	0,67	0,58	0,62	17,7	14,2	16,0	1,5	1,3	1,4
L	29,5	26,0	27,8	0,79	0,81	0,80	23,2	21,1	22,1	1,7	1,6	1,7
NL	11,1	8,2	9,7	4,12	5,16	4,64	45,8	42,4	44,1	2,6	2,2	2,4
P	7,8	2,7	5,3	0,64	1,97	1,30	5,0	5,3	5,2	0,8	2,0	1,4
S	40,5	42,4	41,4	0,70	0,69	0,69	28,3	29,1	28,7	1,0	1,0	1,0
UK	53,4	36,5	44,9	0,61	0,93	0,77	32,6	33,9	33,2	1,1	1,5	1,3
"EU-15"	20,8	16,0	18,4	0,93	1,47	1,20	19,3	23,4	21,4	1,2	1,6	1,4

Table 3.4.5 : Age and gender of holder by type of commune									
	% holders <35 years			% holders >=65 years			% sole holder = female		
MS	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
A	16,1%	12,4%	14,2%	10,3%	12,1%	11,2%	29,4%	31,6%	30,5%
B	12,6%	9,5%	11,0%	17,7%	22,5%	20,1%	15,8%	14,0%	14,9%
DE	17,1%	14,0%	15,5%	5,4%	7,7%	6,5%	8,5%	10,3%	9,4%
DK	9,9%	7,4%	8,6%	19,1%	23,3%	21,2%	8,1%	11,9%	10,0%
E	9,1%	7,4%	8,2%	27,9%	31,2%	29,5%	26,8%	26,7%	26,7%
EL	8,7%	9,7%	9,2%	31,4%	26,9%	29,1%	25,1%	25,3%	25,2%
F	10,1%	8,0%	9,1%	17,5%	23,1%	20,3%	23,6%	22,8%	23,2%
FIN	11,6%	11,1%	11,3%	6,0%	6,2%	6,1%	10,6%	11,5%	11,0%
I	5,2%	5,1%	5,2%	38,7%	38,5%	38,6%	30,1%	29,2%	29,7%
IRL	13,1%	11,5%	12,3%	19,7%	21,4%	20,5%	10,6%	11,2%	10,9%
L	10,9%	10,6%	10,8%	19,4%	18,2%	18,8%	19,0%	21,5%	20,3%
NL	6,6%	7,1%	6,9%	19,1%	19,2%	19,2%	8,1%	7,4%	7,8%
P	4,2%	4,0%	4,1%	37,6%	39,5%	38,6%	22,5%	31,0%	26,8%
S	6,9%	7,0%	6,9%	21,1%	20,8%	20,9%	10,1%	9,9%	10,0%
UK	5,6%	4,5%	5,1%	24,9%	26,1%	25,5%	12,7%	13,9%	13,3%
"EU-15"	8,3%	7,2%	7,7%	28,7%	29,0%	28,9%	24,5%	22,8%	23,7%

Table 3.4.6 : Activity of holder by type of commune												
MS	% holders full time in agriculture			% holders with worktime = <50%			% holders with other gainful activity			% holders with <b>major</b> other gainful activity		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
A	30,9%	31,4%	31,2%	44,3%	48,9%	46,6%	36,8%	38,4%	37,6%	24,0%	28,1%	26,1%
B	63,8%	56,5%	60,1%	28,7%	36,9%	32,8%	17,1%	18,6%	17,9%	12,9%	14,9%	13,9%
DE	39,2%	43,0%	41,1%	51,7%	47,7%	49,7%	47,5%	39,0%	43,2%	40,9%	33,4%	37,1%
DK	43,2%	34,2%	38,7%	44,5%	52,8%	48,6%	39,8%	46,2%	43,0%	32,8%	38,7%	35,7%
E	20,0%	17,4%	18,7%	67,7%	69,1%	68,4%	31,8%	34,6%	33,2%	27,6%	31,0%	29,3%
EL	12,3%	14,3%	13,3%	68,3%	67,4%	67,9%	24,7%	24,8%	24,7%	22,3%	22,3%	22,3%
F	46,1%	39,6%	42,9%	41,3%	48,9%	45,1%	24,8%	26,1%	25,4%	18,9%	21,5%	20,2%
FIN	44,8%	49,1%	46,9%	38,5%	34,5%	36,5%	43,9%	40,3%	42,1%	27,6%	22,8%	25,2%
I	11,2%	13,1%	12,1%	78,6%	76,0%	77,3%	26,0%	24,5%	25,2%	25,1%	23,6%	24,3%
IRL	55,7%	51,0%	53,3%	25,1%	28,5%	26,8%	43,8%	46,8%	45,3%	29,9%	33,2%	31,5%
L	53,3%	55,4%	54,4%	20,0%	20,0%	20,0%	16,8%	16,4%	16,6%	11,7%	12,7%	12,2%
NL	59,7%	62,8%	61,3%	21,6%	19,7%	20,7%	21,4%	20,1%	20,7%	13,3%	12,2%	12,7%
P	16,4%	15,8%	16,1%	50,3%	50,6%	50,4%	29,9%	30,6%	30,2%	27,9%	28,9%	28,4%
S	25,6%	27,8%	26,7%	57,5%	54,5%	56,0%	63,3%	61,9%	62,6%	43,7%	41,3%	42,5%
UK	42,4%	39,1%	40,7%	43,8%	47,2%	45,5%	35,8%	37,4%	36,6%	23,5%	25,5%	24,5%
"EU-15"	22,3%	25,5%	23,9%	63,1%	61,2%	62,1%	30,0%	30,1%	30,1%	25,9%	25,5%	25,7%

**Table 3.4.7 : Activity of holder's spouse by type of commune**

MS	% with spouse working on the farm			% spouse with worktime = 100%			% spouse with worktime = <50%			% spouse working on the farm with other gainful activity			% spouse working on the farm with major other gainful activity		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
A	61,8%	56,2%	59,0%	7,1%	8,0%	7,6%	64,3%	68,3%	66,3%	31,8%	34,5%	33,1%	26,2%	28,5%	27,3%
B	43,3%	40,6%	42,0%	27,2%	20,2%	23,7%	50,4%	60,3%	55,4%	16,8%	17,8%	17,3%	15,2%	16,2%	15,7%
DE	52,6%	50,7%	51,7%	8,4%	10,1%	9,2%	75,2%	74,3%	74,8%	19,7%	19,3%	19,5%	15,1%	15,2%	15,1%
DK	33,2%	36,1%	34,6%	22,4%	20,1%	21,2%	59,8%	66,8%	63,3%	49,0%	51,0%	50,0%	40,7%	45,7%	43,2%
E	34,0%	27,3%	30,6%	10,2%	10,6%	10,4%	78,9%	74,7%	76,8%	28,1%	28,4%	28,3%	24,7%	25,9%	25,3%
EL	49,5%	46,5%	48,0%	6,6%	7,8%	7,2%	74,4%	71,6%	73,0%	18,0%	17,4%	17,7%	16,9%	16,4%	16,6%
F	38,8%	35,8%	37,3%	23,6%	22,5%	23,0%	55,6%	58,1%	56,9%	98,1%	98,6%	98,3%	74,5%	76,2%	75,3%
FIN	56,4%	56,5%	56,5%	34,7%	39,0%	36,8%	49,8%	45,0%	47,4%	41,7%	36,9%	39,3%	33,6%	28,9%	31,3%
I	43,5%	41,6%	42,5%	5,2%	6,3%	5,7%	87,2%	85,5%	86,3%	24,4%	22,2%	23,3%	24,1%	21,9%	23,0%
IRL	32,0%	30,9%	31,5%	28,4%	26,6%	27,5%	45,1%	47,9%	46,5%	52,3%	53,7%	53,0%	39,1%	41,8%	40,5%
L	56,9%	55,4%	56,1%	5,0%	8,3%	6,7%	24,2%	22,2%	23,2%	15,8%	13,9%	14,9%	11,7%	11,1%	11,4%
NL	34,3%	34,1%	34,2%	14,4%	15,5%	14,9%	51,0%	50,0%	50,5%	15,7%	15,2%	15,5%	7,9%	7,7%	7,8%
P	74,9%	66,1%	70,5%	9,1%	10,8%	10,0%	61,2%	59,3%	60,2%	22,8%	24,5%	23,6%	21,9%	23,7%	22,8%
S	47,0%	46,4%	46,7%	10,1%	9,3%	9,7%	76,2%	76,5%	76,3%	65,7%	65,6%	65,6%	56,4%	56,0%	56,2%
UK	41,5%	36,3%	38,9%	18,2%	19,7%	18,9%	64,7%	61,0%	62,9%	41,7%	40,7%	41,2%	28,8%	27,6%	28,2%
"EU-15"	44,9%	41,8%	43,3%	9,7%	11,3%	10,5%	74,3%	73,7%	74,0%	30,8%	30,1%	30,4%	26,7%	25,9%	26,3%

## **ANNEX 2: MAPS**

See separate document

## ANNEX 3 : METHODOLOGY

See separate document

**ANNEX 4 : WRITTEN CONTRIBUTIONS FROM THE ORGANISATIONS REPRESENTED IN THE  
RURAL DEVELOPMENT ADVISORY COMMITTEE**

See separate document