

New Programming Period 2014–2020

European Union Rural Development Policy

The new legal framework for the common agricultural policy redefines long-term objectives of the rural development policy for the years 2014–2020, which are to promote the competitiveness of agriculture, ensure sustainable management of natural resources and climate action, achieve a balanced territorial development of rural economies and communities, including the creation of employment and maintaining workplaces. Thus, the attention has been put on increasing the competitiveness of agricultural holdings, encouraging innovation, combating climate change and social exclusion in rural areas, which will be implemented largely by new means of this policy.

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New legal framework of common agricultural policy

Over the years, the objectives of the Common Agricultural Policy (CAP) based on the EU treaties have remained unchanged, however their interpretation evolved to reflect the changing context of the policy and societal needs. Successive reforms have also led to changes in the policy instruments. Originally, elements of rural development policy were embedded in the CAP. In 2000 the CAP was re-organised into two complementary pillars, and a separate EU rural development policy was created. The first pillar covers direct

payments and market measures, while the other – rural development measures.

On 1 January 2014 a new package of regulations came into force, re-shaping the Common Agricultural Policy, and accordingly its second pillar. The four basic EU regulations of the new CAP reflect the political agreement between the European Commission, EU Member States Agriculture Ministers (in the Council) and the European Parliament:

- Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council

- Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548);
- Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p. 549–607);
 - Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347, 20.12.2013, p. 608–670);
 - Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p. 671–854).

To ensure validity of the new regulations during the transition period, that is before the delegated¹ and implementing² acts are adopted, the EU Agriculture Ministers adopted Regulation (EU) No 1310/2013 of the European Parliament and of the Council of 17 December 2013, which laid down certain transitional provisions on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), and amended Regulation (EU) No 1305/2013 of the European Parliament and of the Council concerning resources and their distribution in respect of the year 2014. It also amended Council Regulation (EC) No 73/2009 and Regulations (EU) No 1307/2013, (EU) No 1306/2013 and (EU) No 1308/2013 of the European Parliament and of the Council as regards their application in the year 2014 (OJ L 347, 20.12.2013, p. 865–883).

Objectives of rural development policy for 2014–2020

Rural development policy's evolution since its inception has helped the policy grow and adapt to reflect key EU priorities. Its emphasis on investment has enabled many farmers to learn new techniques, upgrade facilities and carry out essential

¹ Article 290 of the Lisbon Treaty allows the Parliament and the Council to delegate to the Commission the power to adopt "non-legislative acts of general application to supplement or amend certain non-essential elements of a legislative act". Non-legislative acts adopted by the Commission in this way are called "delegated acts". See: <<http://www.europarl.europa.eu/sides/getDoc.do?language=en&type=IM-PRESS&reference=20100323BKG71187#title1>>.

² Implementing act is a concept introduced by the Lisbon Treaty. Pursuant to Article 291 the Commission does not exercise any "quasi-legislative" power, but purely executive. For this purpose, implementing acts are adopted by the Commission to ensure that legislative acts are applied in a uniform way in all Member States. See: <<http://www.europarl.europa.eu/sides/getDoc.do?language=en&type=IM-PRESS&reference=20100323BKG71187#title1>>.

restructuring, necessary on competitive markets. In addition, very substantial provisions for the good of the environment are helping to face challenges of biodiversity, greenhouse gas emissions, soil and water quality, and landscape preservation. Rural development policy has also embraced the need to support different types of job creation plus the provision of basic services in the countryside. These help to promote quality of life, which is acknowledged as an important factor for sustaining thriving rural communities³.

Rural development policy as part of the CAP has always been adapted to respond to the challenges of its time. In this context, at present it faces new challenges identified as economic (food safety and globalisation, decrease in productivity growth, volatility of prices, pressures on production costs due to high input prices and weak farmers' position in the food supply chain), environmental (with regard to resource efficiency, quality of soil and water, threats to habitats and biodiversity), and territorial (rural areas are facing demographic, economic and social

changes, including depopulation and relocation of companies). Since the role of the CAP is to provide a policy framework that supports and encourages producers to address these challenges while remaining coherent with other EU policies, this translates into three long-term CAP objectives: viable food production, sustainable management of natural resources and climate action and balanced territorial development. To achieve these long-term goals, the existing CAP instruments had to be adapted. The last reform therefore focused on the operational objectives of delivering more effective policy instruments, designed to improve the competitiveness of the agricultural sector and its sustainability over the long term⁴.

The new regulations reflect the EU objectives expressed in "Europe 2020" strategy⁵ for the next decade, advocating the EU economic growth, which should be "smart/intelligent"⁶ (based on knowledge and innovation), "sustainable" (in line with the long-term needs of our planet) and "inclusive" (beneficial to all society). It is focused on five ambitious goals in the

³ "A short guide to the European Commission's proposals for EU rural development after 2013", EU Publications Office, 2011.

⁴ Compare *Overview of CAP Reform 2014–2020*, <http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf>.

⁵ *Europe 2020 Strategy*, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>>.

⁶ Intelligent development is understood as economic growth based on knowledge and innovation. The aim of this development is to strengthen and use of economic, social and institutional potential of providing rapid and sustainable development of the country and improving the quality of life of people. Intelligent growth is achieved through projects related to the construction/development of knowledge-based economy, competitive research institutions and effective business environment supporting the economic development of the country. This means, inter alia, the need to increase funding in the innovation and research sector, support private sector research and development improve the quality of research and development, strengthen the link between business and education, support innovative companies, increase international cooperation in research and development. Source: "Operational Programme Intelligent Development 2014–2020". January, 2014.

areas of employment, innovation, education, poverty reduction and climate/energy. This growth is to be achieved through “intelligent and balanced” economy, including agriculture as its part. The implementation of these three priorities is to help the EU and the Member States in obtaining employment growth and the increase in productivity and social cohesion. “Europe 2020” indicates a concrete plan for how the European Union has set itself, including the five objectives – on employment, innovation, education, social inclusion and climate/energy – to be achieved by 2020. In each of these areas, all Member States set their own national goals. Specific actions at both EU and national level are to strengthen the implementation of the “Europe 2020” strategy⁷.

In line with Europe 2020 and the overall CAP objectives, the main mission of EU rural development policy for 2014–2020 can be stated in terms of three long-term strategic objectives, which are to contribute to:

- competitiveness of agriculture;
- sustainable management of natural resources, and climate action;
- balanced territorial development of rural areas.

New framework of rural development policy

Apart from EAFRD, several other EU funds provide support for rural areas: the European Regional Development

Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF). A characteristic feature of the rural development policy for 2014–2020 is its coordination with other EU policies. Rural development policy must “work together” with other EU policies if the EU is to meet its “Europe 2020” objectives. A new legal mechanism, referred to as a “Common Strategic Framework” (CSF), is to ensure this coordination.

The CSF is to cover the EAFRD, ERDF, ESF, CF and EMFF. The CSF’s main role is to help the different funds involved to complement one another. In particular, it is to clarify how they can work together in the service of the “Europe 2020” priorities of smart, sustainable and inclusive growth, as translated into more detailed thematic objectives and priorities. The CSF systems will also strengthen provision for “territorial” (cross-sectoral) co-operation between funds. This will be useful for development topics such as reinforcing rural-urban links. The CSF must be sufficiently detailed to provide genuine improvements in co-ordination between funds, but sufficiently flexible to allow each policy covered to fulfil its own mission. It replaced the EU Strategic Guidelines which applied to rural development policy in 2007–2013⁸.

The ‘Common Provisions’ Regulation provides for a shared set of basic rules applying to all structural instruments including the EAFRD, thus enabling this co-ordination.

⁷ <http://ec.europa.eu/europe2020/index_pl.htm>.

⁸ “A short guide to the European Commission’s...”, op. cit. prep. 3.

It is Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, The Cohesion Fund, The European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Funds, the European Social Fund and the Cohesion Fund repealing Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320–469).

Another important tool of rural development policy is partnership contracts (agreements), which formalise co-ordination approaches between policies at national level. The partnership contracts are the next bridge between challenges at EU level on the one hand and those at national, regional and local level on the other hand. In the case of rural development policy, these partnership contracts replace the current National Strategy Plans. Partnership contracts are agreed for each Member State and cover the same EU funds as the CSF. Contract content sets out how the Member State will use and coordinate CSF funds together to serve “Europe 2020” objectives (in co-ordination with a Member State’s national reform programme). Partnership contracts therefore provide a broad picture in any given Member State of the main features of all the EU programmes for that

Member State which are covered by the CSF, including indicative financial indications for each EU fund and the main results expected for each fund⁹.

Priorities and areas of intervention

To achieve the objectives of the rural development policy, which are to contribute to the implementation of the “Europe 2020” strategy for smart, sustainable and inclusive growth, the following six priorities of the EU, reflecting the relevant thematic objectives of the CSF are to be implemented. In turn, each of the priority of rural development policy defines the areas of intervention that reflect the specific objectives of rural development policy for each of the six priorities¹⁰.

1. Fostering knowledge transfer in agriculture, forestry and rural areas.

Areas of Intervention (Focus areas) are:

- Fostering innovation and the knowledge base in rural areas.

- Strengthening research and innovation links in agriculture and forestry.

- Fostering lifelong learning and vocational training in agriculture and forestry sectors.

2. Enhancing the competitiveness of all types of agriculture and enhancing farm viability.

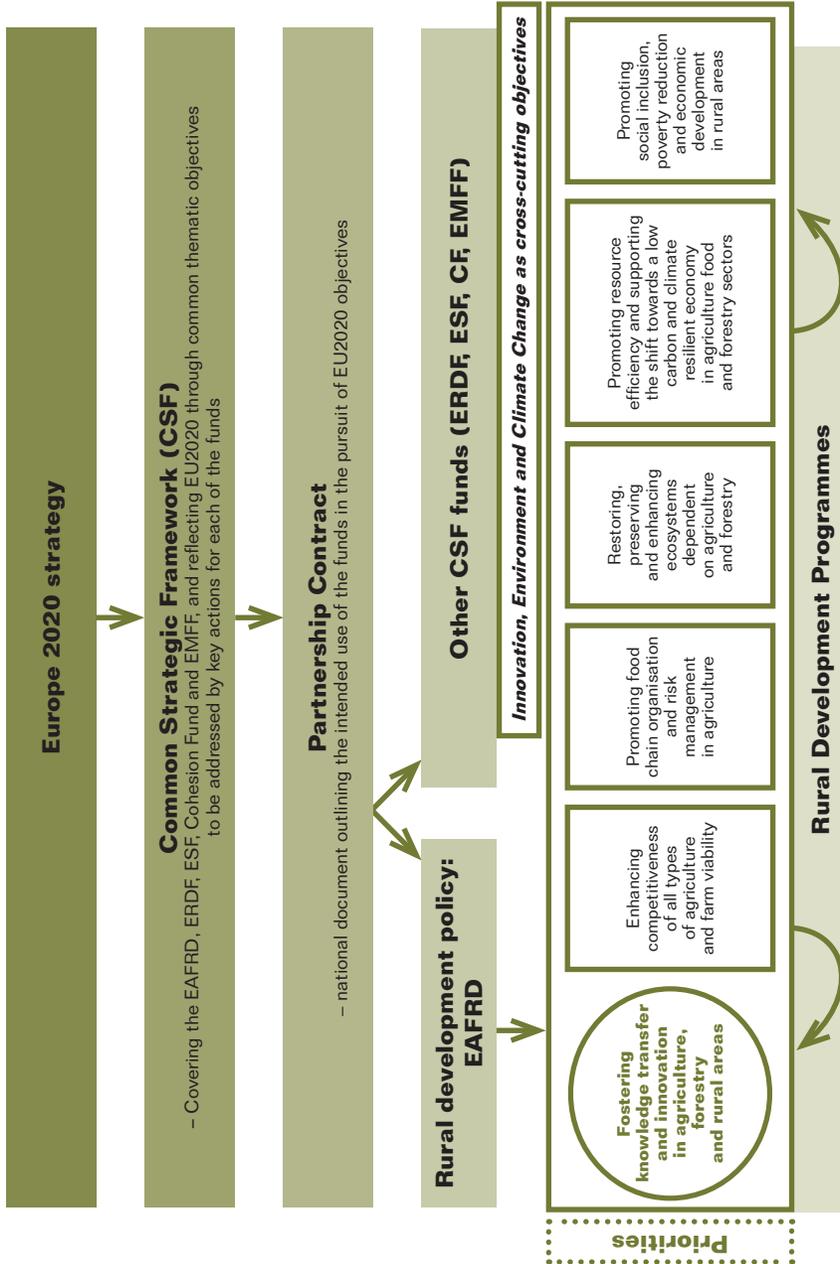
Areas of Intervention (Focus areas) are:

- Facilitating restructuring of farms facing major structural challenges (notably farms with a low degree of market participation,

⁹ “A short guide to the European Commission’s...”, op. cit. prep. 3.

¹⁰ See: <http://enrd.ec.europa.eu/enrd-static/policy-in-action/cap-towards-2020/rdp-programming-2014-2020/policy-overview/pl/policy-overview_pl.html>.

Figure 1. New framework of rural development policy



Source: "A short guide to the European Commission's proposals for EU rural development after 2013", EU Publications Office, 2011.

or market-orientated farms active in particular sectors, or farms in need of agricultural diversification).

– Facilitating a balanced age structure in the agricultural sector.

3. Promoting food chain organisation and risk management in agriculture.

Areas of Intervention (Focus areas) are:

– Better integrating primary producers into the food chain through quality schemes, promotion in local markets and short-supply chains, producer groups and ‘inter-branch’ organisations.

– Supporting risk management on farms.

4. Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry.

Areas of Intervention (Focus areas) are:

– Restoring and preserving biodiversity (including in NATURA 2000 areas and areas of High Nature Value farming) and the state of European landscapes.

– Improving water management.

– Improving soil management.

5. Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in agriculture, food and forestry sectors.

Areas of Intervention (Focus areas) are:

– Increasing efficiency in water use by agriculture.

– Increasing efficiency in energy use in agriculture and food processing.

– Facilitating the supply and use of renewable sources of energy, by-products, wastes, residues and other non-food raw materials for the bio-economy.

– Reducing nitrous oxide and methane emissions from agriculture.

– Fostering carbon sequestration in agriculture and forestry.

6. Promoting social inclusion, poverty reduction and economic development in rural areas.

Areas of Intervention (Focus areas) are:

– Facilitating diversification, creation of new small enterprises and job creation.

– Promoting local development in rural areas.

– Enhancing accessibility to, and use and quality of ICT in rural areas.

Rural development policy’s priorities and areas of intervention provide the basis for directing the EAFRD support to rural areas. They are also used to set quantified policy targets that will be agreed by the Commission and each rural development policy managing authority in each Member State. “Fostering innovation”, “contributing to climate change mitigation and adaptation”, and “caring for the environment” are considered to be common goals for all rural development priorities and areas of intervention. This means that even though these cross-cutting themes may have particularly strong links to certain rural development priorities, all of them must be adequately addressed in every aspect of the 2014–2020 rural development programmes (RDP).

Measures of rural development policy

The way of implementation of the EU rural development policy is defined in the Regulation of the European Parliament and of the Council (EU) No 1305/2013, which sets the policy “measures” and defines them as “a set of operations contributing to one or more of the Union priorities for rural development” (Art. 2c).

The number of measures for the 2014–2020 rural development policy is

less than for 2007–2013. At present, the policy is a blend of old and new measures – those which have proved their worth in the previous period and got updated, some measures are combined, and some are brand-new ones. It should be emphasised that the new rural development policy's measures are defined mainly according to types of support and beneficiary rather than according to priorities (e.g. investment support or area-based payment support, farmer beneficiaries or other business beneficiaries). This means that no measure is “priority-specific”. It is up to the Member States/Regions to decide which measures to use to serve a given priority. Some measures which in particular are clearly relevant for several Union priorities should be taken into account at the programming stage.

A significant innovation for the implementation of rural development policy in 2014–2020 is the possibility to set up “sub-programmes” to address particular groups, areas or objectives. Rural development sub-programmes can relate to young farmers, small farmers, mountain areas, short supply chains, women in rural areas, mitigating the effects of climate change and adaptation to them, and

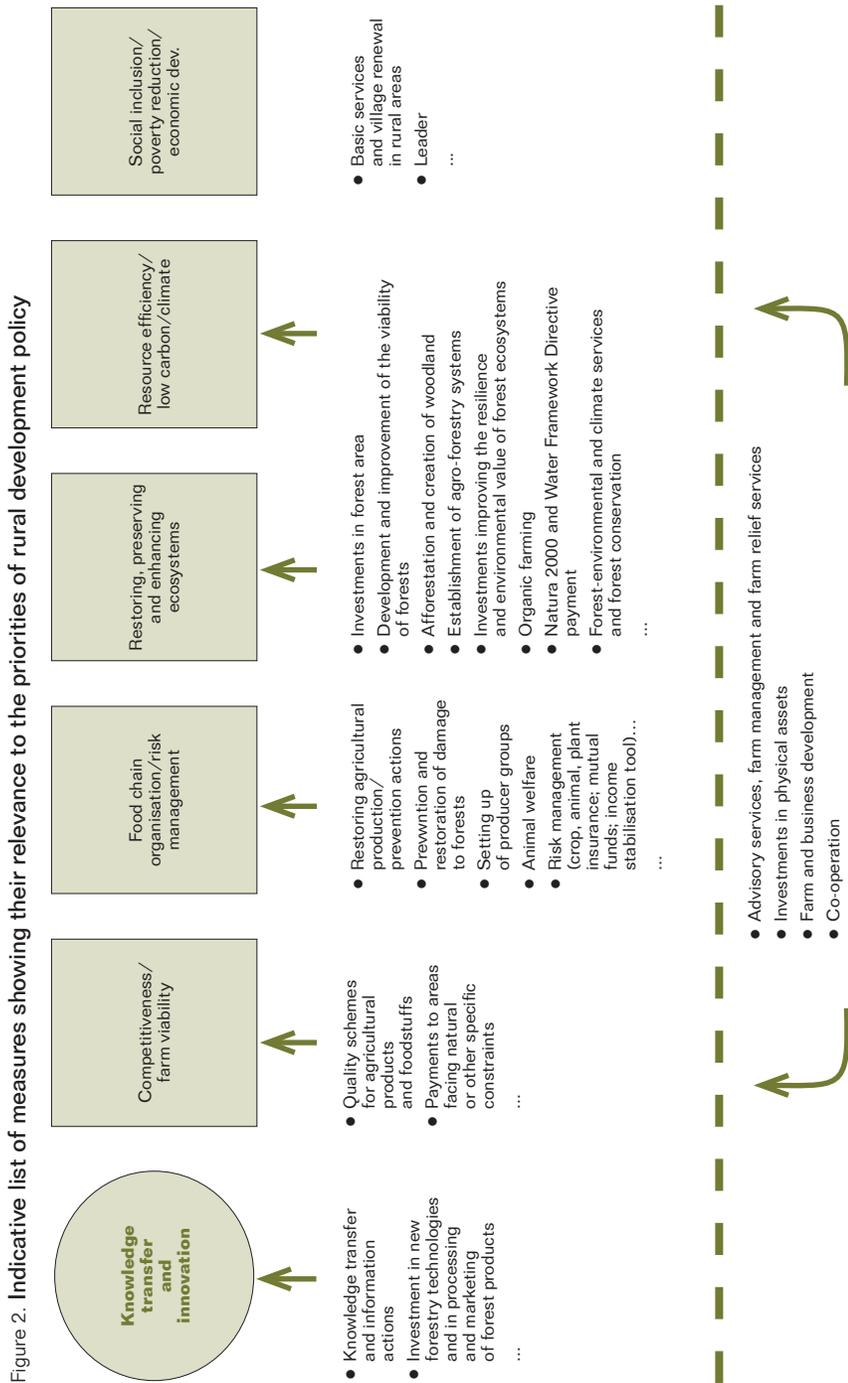
biodiversity, and may also relate to the specific needs of the restructuring of the agricultural sector. Operations covered by the thematic sub-programmes may receive a higher subsidy (aid intensity), as defined by Regulation No 1305/2013¹¹.

Greater flexibility of the rural development policy for 2014–2020 will also be achieved by increasing participation in projects based on the Leader approach¹², which proved to be an effective tool for handing initiative to people in the local rural community. The Leader approach is to involve “people on the ground” in decision making, strengthen the sense of local community, improve the quality of management and strengthen social capital in rural areas. For these reasons, the Leader approach is compulsory for rural development programmes at national or regional level.

The “Europe 2020” strategy stresses the importance of using the power of innovation in all areas of Europe (rural and urban). Innovation is considered an important factor in stimulating growth. New products, new methods of work, services, technologies, processes and better forms of organization can increase the profit of the farm or business in the countryside, bring the

¹¹ Article 7 (3) of Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548).

¹² The acronym “LEADER” derives from the French words “*Liaison Entre Actions de Développement de l'Économique Rurale*” which means, ‘Links between the rural economy and development actions’. The idea was to enlist the energy and resources of people and bodies that could contribute to the rural development process by forming partnerships at a sub-regional level between the public, private and civil sectors. The LEADER approach is associated with local empowerment through local strategy development and resource allocation. The main tool for the application of the LEADER approach to area development and involving local representatives in decision-making is the Local Action Group (LAG). See: http://enrd.ec.europa.eu/enrd-static/leader/leader/leader-tool-kit/the-leader-approach/en/the-leader-approach_en.html.



Source: "A short guide to the European Commission's proposals for EU rural development after 2013", EU Publications Office, 2011.

benefits associated with better care for the environment and strengthen the social fabric of rural areas. Innovation activities may be funded by all axes of the rural development policy. For 2014–2020 it provides more means than in the previous period that can be used to promote innovation. The “innovative” measures to promote the transfer of knowledge, advisory services, investment in tangible assets or cooperation and Leader approach are particularly important for the development of rural areas. The financial engineering is a significant category of innovation which refers to creative ways of using financial tools such as guarantee funds, loan or venture capital funds. These instruments help to provide the capital which is needed by agricultural holdings and rural businesses, and especially by small farmers in order to grow in rural areas and expand on the markets.

A “European Innovation Partnership (EIP) for Agricultural Productivity and Sustainability” is a new tool which demonstrates greater focus of the rural development policy on supporting innovation. It is a network that aims to interlink existing policies, foster co-operation among partners and build bridges between researchers and rural businesses. Within EIP, operational groups (consisting of farmers, researchers, advisors, businesses and NGO in the agri-food sector) will draw on rural development funding measures to organise themselves and to run innovative projects, of which the results will be published. It will support the work

of operational groups through seminars, databases, and help desk functions. It is to stimulate discussion among interested parties by reporting on relevant research, promoting good practice in terms of innovative projects, and organising conferences and workshops. This way EIP aims to catalyse research and innovation with the twin goals of promoting productivity and efficiency, as well as sustainability of the rural area, thus contributing to the achievement of “Europe 2020” strategic objectives.

As part of the encouragement for innovative thinking, rural development policy offers a limited number of annual cash prizes to projects exemplifying innovative local cooperation involving partners from at least two Member States. The prizes may be of particular interest to people or businesses that are not drawing funding from an RDP, though candidates may also be involved in such a programme.

Financial framework of rural development policy for 2014–2020

The share of the CAP budget in the general budget of the EU has decreased considerably over the past 25 years, from 73% in 1985 to 41% in 2012. The downward trend occurred in spite of the successive enlargements of the European Union and was mainly due to the reform of the CAP and the increasing share of spending on other EU policies¹³.

The figures presented in Table 1 show a significant decrease in the share of the

¹³ <http://ec.europa.eu/agriculture/cap-post-2013/graphs/graph1_en.pdf>

Table 1. CAP financing in multiannual financial frameworks (commitments, in current prices, billion EUR)

	EU general budget (1)	CAP budget (2)	Share % (2) in (1)
2007–2013	976 443	420 682	43,08
2014–2020	1 082 555	373 179	34,47

Source: <http://ec.europa.eu/budget/mff/figures/index_en.cfm>.

CAP funding in the general budget of the EU for the 2014–2020 period compared to 2007–2013. The total amount of EU support for rural development for the period from 1 January 2014 to 31 December 2020, as set up by in Regulation No 1305/2013, is 84 936 million euro (at 2011 prices)¹⁴. As provided by the multiannual financial framework for 2014–2020, it is 95 577 million euro at current prices. The allocation for Poland for this period is 10 941 million euro, making Poland the biggest beneficiary of the rural development policy in the European Union¹⁵.

Impact on the ECA audit work

The need to adapt the rural development policy to the objectives and priorities identified in the EU “Europe 2020” strategy has affected the definition of the new objectives and priorities of this policy. This redefinition points out new areas of intervention in the period 2014–2020. Setting

stronger emphasis on the competitiveness of agricultural holdings, supporting innovation, combating the climate change and the social exclusion in rural areas largely require new measures.

In this context, the auditors of the European Court of Auditors (ECA) also face new challenges, as the audit of the measures to support the transfer of knowledge, the promotion of innovation and creative ways to use financial tools (such as financial engineering) will require them to possess new expertise. These challenges also necessitate the adoption of an effective methodology to evaluate the effectiveness of such measures and operations financed within them.

Similarly, greater flexibility of the rural development policy, provided for example by the wider use of the Leader approach or the coordination of this policy with other EU policies (and funds) increases the risks related to the audit process. In the

¹⁴ Article 58 of Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548).

¹⁵ Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548).

first case, the risk relates to the assessment of the effectiveness of the activation of local communities in rural areas, and in the second one – related to double financing of the same operations by several EU funds.

Such an audit risk represents a considerable challenge for the ECA, however, it can be mitigated by an appropriate training system and training programme. The risk arising from the diversity of available funds for financing rural development policy can also be effectively mitigated by co-operation with the national authorities of the Member States, for example by means of joint training and auditing.

The decrease of the share of financing of the CAP in the general budget of the EU may probably have other consequences for the ECA audits. The reduced expenditure on rural development policy might result in a lower number of financed operations (projects), and accordingly in the need to reduce the number of audits in this area. This may bring about the need for organizational and staff changes in the Court

(i.e. reducing the number of units and auditors in regard to the audit of agricultural expenses), aimed at improving the efficiency and effectiveness of the audits. This challenge seems to be already included in the ECA's strategy for 2013–2017, as the aim of the Court in this period is to maximize the value of its contribution to the EU public accountability. To realize this aspiration, the ECA has acknowledged as a priority its further development as a professional audit institution. For this purpose, the ECA advocates making the best use of the auditors' expertise, talents and competencies to demonstrate its effectiveness, as well as increasing the efficiency by optimizing the allocation of the audit staff roles and responsibilities and by improvement of the process of performance audits¹⁶.

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¹⁶ <http://www.eca.europa.eu/Lists/ECADocuments/STRATEGY2013-2017/STRATEGY2013-2017_EN.PDF>

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