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NOTE

From: General Secretariat of the Council

To: Council

Subject: Rural development and the MFF

- Information from the Slovenian delegation, on behalf of the Bulgarian, Croatian, Cyprus, Czech, Estonian, Finnish, Greek, Hungarian, Latvian, Lithuanian, Luxembourg, Maltese, Polish, Portuguese, Slovakian and Slovenian delegations

Delegations will find in Annex a paper presenting common views of Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia and Slovenia on Rural Development and the MFF to be dealt with under "Any other business" at the "Agriculture and Fisheries" Council on 28 January 2019.

RURAL DEVELOPMENT AND THE MFJ

COMMON VIEWS OF BULGARIA, CROATIA, CZECH REPUBLIC, CYPRUS, ESTONIA, FINLAND, GREECE, HUNGARY, LATVIA, LITHUANIA, LUXEMBOURG, MALTA, POLAND, PORTUGAL, SLOVAKIA, SLOVENIA

I. Rural Development Policy in the EU

Rural Development Policy has evolved significantly over recent decades to become a fully-fledged policy at European Union level. The Second Pillar of the Common Agriculture Policy (CAP) has constantly adapted to new developments, addressing issues also beyond agriculture, such as socio-economic and demographic changes, responding to new challenges like climate change, protection of the environment and biodiversity and other societal expectations related to the production of safe and high-quality food. This development was reflected also in financial terms since the Community and national co-financing for rural development measures have been steadily increasing from the year 2000¹ onwards. Rural Development Policy alongside with Pillar I of CAP have proved its added value for agriculture and all rural areas of the Community.

II. Future of Rural Development Policy

Bulgaria, Croatia, Czech Republic, Cyprus, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia and Slovenia are of the opinion that ensuring a smart and resilient future for agriculture and rural areas is strongly dependent on the funding of the Second Pillar of the CAP. Ensuring viability and diversified livelihoods in the rural areas as well as preserving European Union food production and security of supply are integral parts of the overall EU security and stability.

¹ Representing 10 % of the overall CAP budget in the period 2000-2007 and around 25 % in the current period.

In addition, value added for the CAP can be found from common European issues, such as environmental protection, climate change mitigation and adaptation, territorial development increased competitiveness as well as improvements in animal welfare and preventive actions for animal diseases or anti-microbial resistance. Rural Development Policy is well suited to address the new challenges stemming from EU commitments regarding the Paris agreement and the SDG's.

There is a strong need to foster business innovations and growth opportunities for SME's and increase the competitiveness of the rural economy, in order to improve employment opportunities and quality of life in rural areas. Rural development interventions also support a digital transition of rural areas. A better use of broadband connections, utilisation of information technologies and digital solutions are important for modernization of farming and diversifying rural businesses, developing services and improving living conditions in rural areas in general.

Also, Community-led local development (CLLD) has been a very important tool in addressing the Rural Development Policy priorities and this successful work should be continued.

In its Communication on the Future of Food and Farming (COM(2017) 713 final) the European Commission stressed how Rural Development Policy makes a substantial contribution to the farm economy and vital rural areas in many ways, such as supporting investments, innovations, knowledge building. Rural development policy contributes to sustainable food chain, addressing risk management, animal health and welfare, environmental protection, climate change mitigation and adaptation (including irrigation) as well as progress in the field of circular economy and bioeconomy.

All these issues have a prominent place in the Commission proposal for the CAP Strategic Plan Regulation (COM (2018) 392 final) and they are reflected in the general and specific objectives for the future CAP that the Member States must pursue in the new CAP Strategic Plans.

This vision is shared by a broad range of stakeholders and is mirrored in the Cork 2.0 declaration “A better life in rural areas” adopted in 2016, as well as in the wide public consultation conducted in 2017 and reiterated by Member States at the informal meeting of Agriculture ministers in Schloss Hof in Austria, in September 2018.

III. Financing of Rural Development Policy

Building on the Memorandum – Future MFF – CAP², supported by a majority of Member States in the June 2018 Council meeting, Bulgaria, Croatia, Czech Republic, Cyprus, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia and Slovenia reiterate that a strong Pillar II of the CAP is a prerequisite for achievement of the current objectives based on the Treaty and the new ones proposed for the future CAP by the European Commission.

They deem it extremely worrying and inconsistent that under the Commission proposal for the next Multi-annual Financial Framework for 2021-2027 the funding for Rural Development Policy would be reduced drastically. The overall reduction (see annex) in current prices (- 15 %)³ and in real terms (- 26 %) is not sustainable and will put at risk many well-functioning rural development interventions and the positive results achieved with them in the Member States. These interventions have been developed steadily and consistently over the years in close collaboration with the stakeholders, the local communities and the European Commission.

Whilst acknowledging the principle of Member States having a larger degree of ownership over the different EU Policies, the Member States concerned are convinced that the proposed EU co-financing rates for the rural development interventions do not necessarily secure an adequate financing for the Rural Development Policy. Moreover, it could endanger the ability of Member States to maintain public funding for rural development at least at the level of 2014-2020 and may further deepen the differences in public support for CAP among the Member states. In addition, technical assistance should take due account of the extended requirements of the new delivery model and the threshold should therefore be appropriately increased.

² The so-called “Madrid Declaration«

³ Calculated on the base of Rural Development Funding, EU27, before transfers between Pillars I and II, in M€

In order to meet the new, more demanding objectives proposed for the new CAP, the Member States concerned call for maintaining the EU funding for Rural Development as close as possible to the level of the current programming period.

| Rural Development Funding, EU27, before transfers between Pillars I and II, in M€ | | | | |
|---|------------|----------------------|---------|-------|
| | | | | |
| | 2014-2020* | 2021-2027** | Change | % |
| Current prices | 92 758 | 78 614 | -14 144 | -15 % |
| 2018 prices | 94 686 | 69 862 | -24 825 | -26 % |
| | | | | |
| * Original RD Regulation 1305/2013 (December 2013), Annex I Without allocation for the United Kingdom | | link | | |
| ** CAP Plan –draft Regulation 1.6.2018, Annex IX | | link | | |