

Is rural development money well spent, asks Court of Auditors?

Rural development (RD) policy in Europe is ineffective because the European Commission places too much emphasis on agriculture, thus jeopardising efforts to improve the economic and social cohesion of rural areas through diversification into other businesses, the EU's Court of Auditors has concluded.

The Court of Auditors set out to answer the following question: "To what extent do the outcomes of investment measures address effectively the problems of rural areas?"

Focusing on "investment in agricultural holdings", "improving the processing and marketing of agricultural products" and "promoting the adaptation and development of rural areas", the auditors concluded that "no assessment can be made whether rural development investments are effective" because the programme's "objectives were too broad" and the "strategies [needed] to implement the policy were lacking".

These aims - essentially those which are to be covered by Axis 1 (improving agricultural competitiveness) and Axis 3 (improving the quality of life in rural areas) under the recently agreed Rural Development Regulation (RDR) - account for around 40% of the rural development budget. Other rural development measures, such as agri-environment schemes, Least Favoured Areas (LFA) and forestry, were deemed by the Court to have been sufficiently analysed elsewhere.

The Court claimed after investigating rural development schemes in six EU member states, namely France, Germany, Italy, the Netherlands, Spain and Portugal, that the aims and results of the various programmes were unclear, and

recommended that the Commission improve its monitoring and evaluation of them.

Increasing budget

Brussels spent over €60bn on RD during the years 2000-2006, and the need to justify RD spending will become ever more important as its budget increases during the next financial period (2007-2013), and the percentage of the overall EU budget spent on agriculture starts to shrink.

The budget for Pillar 2 of the Common Agricultural Policy (CAP) over these seven years will reach around €70bn, and has the potential to be considerably more when the money that will be transferred from Pillar 1 (direct aids) to rural development through modulation is included.

More geographically focused

One of the Court's main criticisms was the lack of attention paid by member state programmes to the "characteristics of the geographical area" in question.

It said that most rural development programmes took a "sectoral" approach - i.e. focused on agriculture - and rarely took the geographical specifics of the area into account.

90% of the RD budget was paid to the agricultural sector, even though the Commission has highlighted the need "to boost

innovation and diversification outside traditional agribusinesses", said the report.

Vague 'rural' criteria

In addition to spending an excessive amount of the budget on agriculture, the auditors said that the Commission needed to clarify the objectives for rural development and ensure that the "most needy" territories and individuals received the largest funds if the policy was to be a greater success than at present.

The extent to which rural development funds were actually spent in rural areas, was also criticised by the auditors, who stated that "when compared to the previous programming period, investment support for rural areas decreased significantly".

In Spain, for example, irrigated areas, which are more densely populated and competitive - "on average six times more productive" - than non-irrigated areas - received 76% of the funds for "agricultural water management".

This, despite the fact they only cover around 12% of the total surface of Objective 1 regions - the poorest areas in the EU. Meanwhile, only a small percentage of the aid - around 20% - was spent in the most rural "depopulated areas".

Overall, rural development investment in Objective 1 areas dropped by 50% in absolute terms (worth around €1.5bn) and by 70% in relative terms, between 2000 and 2006 compared with the previous programming period (1994-1999), claimed the report.

Shortcomings were found "in the implementation of the monitoring and evaluation system", both on the behalf of the Commission and national

governments. "First come first served" was the system often used by member states to decide which projects received EU funding, rather than a rigorous evaluation system that analysed which schemes "best addressed the needs of rural areas".

"In only one out of the nine programmes reviewed were effective procedures applied," said the report.

Those in the know get most

The audit also claimed that those in the know - i.e. the "better informed, better organised and richer beneficiaries" - have easier access to EU funds. One example cited was the Italian region of Emilia Romagna, where "12% of the region's biggest farms absorbed more than 41% of the grants".

Better targeting was also needed "to reduce the risk of deadweight", stated the report, claiming that many farmers received funding even though they had sufficient financial resources to carry out their projects without EU money.

The auditors likewise questioned the extent to which member states and the Commission ensured that projects fitted in with and contributed to other projects in the region before handing over the cash, and rued the lack of investigation to check whether projects had achieved their aims.

The Commission said in reply that it was "confident" that these criticisms had been addressed in its new strategic guidelines. Published in July 2005, the guidelines are supposed to ensure that member states conduct future RD programmes in a more coherent manner and to shift

the emphasis away from farming per se.

The guidelines are tightly woven around Commission President Jose Manuel Barroso's much-loved 'Lisbon strategy' for growth and jobs and, according to the RDR, which is supposed to work hand-in-hand with the guidelines, member states must spend a minimum of 10% of their funds on wider rural economic regeneration.

The clear axes set out by the RDR should help frame the rural development policy after 2007, but the Court argued that the RDR "continues to allow member states to adopt a predominantly sectoral approach with a primary focus on the agricultural sector."

The LEADER+ scheme (axis 4) is the only part of the RDR praised for taking into account geographical differences and focusing closely on local needs, which are not necessarily agricultural in origin.

Reluctance to change

However, the report quite rightly points out the lack of funding for this access. In the compromise agreement won by the UK Presidency of the EU last year, member states in the EU-15 will only be forced to spend a minimum of 5% on axis 4, while this is reduced to a scant 2.5% for the New Member States (NMS). The Commission has initially proposed 7%.

This, according to the report, suggests "there is a reluctance to shift from the sectoral to the territorial approach."

The EU is clearly trying to make rural development an effective policy and believes that its new guidelines will improve the situation. However, many of the problems faced by RD are inherent in the fact that it is part of the EU agricultural

policy and therefore it is difficult to get away from seeing farming as its core.

Moreover, it is a largely decentralised policy run by member states, which have different ideas about what rural development means.

High modulation rates

The UK, for example, has focused on the agri-environment scheme. Defra, the UK's department of agriculture, has suggested that it would like all UK farmers to have the chance to join the scheme paid for with high rates of voluntary modulation.

France, on the other hand, has reluctantly embraced the concept of modulation, preferring to continue the tradition of hefty Pillar 1 (direct aids and market support) payments until 2013 and rely on basic EU funding for rural development.

The situation regarding rural development has been made more complicated by the arrival of the 10 NMS in 2004.

Poland has been awarded €13.23bn for RD for the next seven years, after being deemed a "worthy case" despite its lack of enthusiasm - and criticism by the Commission - for setting up Natura 2000 schemes to protect biodiversity.

Romania too will receive a chunky €8.02bn to spend on a policy that is unlikely to be a priority as the country aims to halt corruption and bring its animal health record up to scratch under the beady eye of the Commission.

"Rural Development Investments: Do they effectively address the problems of rural areas?"

http://www.eca.europa.eu/audit_reports/special_reports/docs/2006/rs07_06en.pdf