



European Network for  
Rural Development

## EU RURAL REVIEW No 21

# RURAL RESPONSES TO CHALLENGES IN EUROPE



## European Network for Rural Development

The European Network for Rural Development (ENRD) is the hub that connects rural development stakeholders throughout the European Union (EU). The ENRD contributes to the effective implementation of Member States' Rural Development Programmes (RDPs) by generating and sharing knowledge, as well as through facilitating information exchange and cooperation across rural Europe.

Each Member State has established a National Rural Network (NRN) that brings together the organisations and administrations involved in rural development. At EU level, the ENRD supports the networking of these NRNs, national administrations and European organisations.

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**Managing editor:** Matthias Langemeyer, Acting Head of Unit, EC Directorate-General for Agriculture and Rural Development.

**Editor:** Ed Thorpe, Communications Manager, ENRD Contact Point.

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## Acknowledgements

**Main contributors:** David Lamb; David Baldock; Armelle Ledan; Paul Soto; Doris Marquardt; Inés Jordana

**Thanks also to:** Elena Maccioni; Veneta Paneva; Jon Eldridge; Urszula Budzich-Tabor; Christiane Kirketerp; Georgios Mathioudakis; Andreas Gumbert; Krisztof Sulima; Karolina Jaskinska; Merja Haapakka; Vincent Caron; Edit Konya; Gregorio Davila Diaz.

**Layout:** Benoit Goossens (Tipik)

**Thanks also to:** Veneta Paneva, André Smal, Isabelle Raynaud

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## Introduction

This edition of the ENRD's EU Rural Review focuses on the contribution that rural areas can and do make to some of the most pressing challenges facing Europe today. It also examines in detail some of the new policy tools and opportunities that can be used to optimise the positive results of rural responses in Europe.

The publication aims to highlight not only the relevance of EU Rural Development policy to wider societal challenges, but also the practical opportunities to deliver the greatest positive impact.

By the end of 2015, all 118 Rural Development Programmes (RDPs) for the 2014-2020 period had been approved. The focus is shifting from getting the RDPs going (see EU Rural Review 20) to delivering results, meeting needs and ensuring positive impact on the ground.

When considering the most interesting potential areas of impact for Rural Development policy, it is essential to remember that rural areas are central to European society and the European economy. For example, they provide over 46 million jobs – representing more than 20 % of all EU jobs; the agri-food sector is the EU's fourth largest export sector. Rural areas can and need to be at the heart of responses and solutions to many of the challenges currently facing Europe.

Maximising the rural response to Europe's challenges requires those involved in the RDPs to take full advantage of all the practical opportunities for improved delivery. This will ensure that the EU Rural Development policy is implemented in the most effective way to achieve the best results and make the most positive difference on the ground.

### RURAL DEVELOPMENT IN A BROADER POLITICAL CONTEXT

#### Growth, jobs and investment

Article 1 on explores the importance of **superfast rural broadband** for enabling rural sectors and businesses to compete and thrive in the modern economy. It highlights that such connectivity can lay the foundations for job creation, investment and growth.

The article presents some of the available technologies and approaches – both centralised and community-led – for delivering such access in practice, including to some of Europe's most isolated rural areas.

It stresses the potential added value of European funding for overcoming some of the barriers to private investment in this sector.

#### Climate action

Article 2 considers the potential contribution of rural areas to the fight against **climate change**, in the context of increasingly strong global and EU commitments.

Beyond simply reducing rural greenhouse gas emissions, Rural Development policy can make a significant positive contribution to Europe's overall carbon balance by supporting activities and management practices that provide sources of renewable energy and increase carbon sequestration from the atmosphere.



The article highlights that such initiatives can be win-win for rural producers, especially with the use of Rural Development funding to offset investment and running costs of more environmentally friendly practices.

### Migration

Article 3 reflects on the current and potential responses of Europe's rural areas to the current **refugee** crisis at different stages of the 'migrant journey' – from points of entry to potential integration.

It explores the often dramatic situation in Greek coastal areas and islands, as well as along the complex map of migrant routes across Europe.

Without hiding from the challenges posed, the article stresses the potential opportunities for some rural areas of an influx of migrants as a source of new vitality in declining villages. Practical examples of successful approaches – particularly making effective use of the LEADER method and support – are presented.

## NEW RURAL DEVELOPMENT TOOLS AND OPPORTUNITIES

### Integrated use of funding

Article 4 studies the potential provided by the political commitment to enable **multi-funded CLLD** in the 2014-2020 programming period.

This approach seeks to recognise that local areas face a complex nature of inter-related challenges, which are best addressed through integrated strategic approaches harnessing the different European Structural and Investment Funds.

The article examines the different approaches to enabling multi-funding taken by Managing Authorities so far. It

stresses that the less is done at higher levels, the more local actors must find their own solutions for integrating multiple sources of funding.

### Strategic investment tools

Article 5 sets out the main features of the new **European Fund for Strategic Investments** (EFSI) launched in the current programming period.

It explains the purpose and operation of the EFSI in leveraging significant public and private investment to address investment gaps in key sectors of the real economy – with particular reference to higher-risk financing in infrastructure projects and in support of SMEs.

It goes on to explore the potential of the EFSI and related tools – including an Advisory Hub and Project Portal – for supporting access to finance and increased strategic investment in rural areas.

### Stimulating cooperation

Article 6 examines the expanded opportunities provided by the **Cooperation Measure** (M16) in the current programming period.

It explains that M16 can be used to improve implementation of the Rural Development Programmes (RDPs) by supporting the establishment of new partnerships and new activities.

The article stresses that, although budgetary allocation to M16 is relatively small, it can be used as a catalyst for tapping into other Measures and sources of funding more effectively. It can also be targeted strategically by Managing Authorities to support the main RDP priorities.

### The ENRD Contact Point



# 1. Providing superfast broadband to rural areas

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Fast broadband connections are increasingly essential for rural areas to compete and thrive in the modern economy. Smart approaches to rural development need to support the provision of such services in often isolated rural areas where market barriers exist to private investment.

Within the EU's Digital Single Market Strategy, the European Commission has launched ambitious plans to support the roll-out of broadband internet across the EU, including and specifically to rural areas.

This article explores the issues and ambitions for delivering such access to superfast broadband in Europe's rural areas. It also considers some of the already successful approaches implemented, including with EAFRD support.

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THE VALUE OF RURAL BROADBAND

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LIMITED RURAL ACCESS

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THE EUROPEAN STRATEGY

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DELIVERING RURAL BROADBAND

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PRACTICAL APPROACHES TO PROVIDING RURAL BROADBAND

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NEXT STEPS

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## THE VALUE OF RURAL BROADBAND

The benefits of superfast rural broadband are numerous. They include access to information, trading platforms, promotion of rural services and the ability to interact with consumers and potential visitors.

For rural areas, fast broadband connections are increasingly essential in order to compete and thrive in the modern economy.

*“Every home, every business should have fast, reliable broadband services. This would help us all be better connected, while boosting productivity and performance for every business.”*

*Digital Agenda for Europe<sup>(1)</sup>*

If a rural area has equal access to the same market information, transaction speed and promotional tools as an urban business, then it can **offer a competing service**. Considering the lower costs of land and premises in rural areas, equal access to broadband could even make rural areas a more attractive location for

certain entrepreneurs and businesses to invest.

In agriculture, food and forestry sectors, it can mean opportunities for the establishment or maintenance of **businesses closer to the means on production**. Without necessarily having to be close to a large consumer base, the business can reduce operational costs on the ground.

Broadband internet also provides opportunities for **economic diversification** in rural areas. The ability to communicate means the ability to highlight the attractiveness and the range of activities available to attract visitors and their spending money into the local area.

Experience tourism linked to local cultures and environment has been a particular growth area augmented by

the ability to link consumers through websites, mobile phone applications and GPS.

Furthermore, given the increasing number of **services provided online**, broadband can help rural communities to access a wide range of educational, cultural, and recreational resources, interact with public administrations, enjoy the progress of telemedicine or enhance security and safety.

### CURRENTLY AVAILABLE TECHNOLOGIES

#### Wired Broadband Technologies

- **Copper wires** – legacy telephone cables (unshielded copper twisted pair) using technologies such as **ADSL (Asymmetric digital subscriber line)**.
  - > **Pros:** telephone lines already present in most households.
  - > **Cons:** download speeds affected by length of lines, number of users and volume of traffic. Upload speeds generally low.
- **Coaxial cables** – usually based on TV cable networks.
  - > **Pros:** More efficient than traditional telephone networks. Low initial infrastructure investment and low disruption for end users.
  - > **Cons:** Reduced speeds during peak traffic periods.
- **Optical fibre** – glass-fibre cables connected to end-users' homes, buildings, or street cabinets.
  - > **Pros:** Extremely high transmission rates and symmetry.
  - > **Cons:** High costs of passive infrastructure – generally requiring new excavation and piping.

#### Wireless Broadband Technologies

- **Terrestrial wireless broadband** – mainly based on antenna sites for point-to-multipoint connections, using WiMax, Wi-Fi or 4G/LTE technologies.
  - > **Pros:** First-mile wire connections not needed. Infrastructure also usable for commercial mobile services.
  - > **Cons:** Reduced speeds during peak traffic periods. Signal strength decreases significantly with distance. Affected by weather or interference in the line of sight.
- **Satellite broadband** – based on transmission from a rooftop dish via satellites located in geostationary orbit.
  - > **Pros:** little investment for passive infrastructure at local level. Can connect users over a large area.
  - > **Cons:** Relatively high cost of end-user active equipment. Limited number of users in one region. Traffic caps applied in most commercial offers. Affected by weather and line-of-sight interference.

(1) <https://ec.europa.eu/digital-agenda/en/access-and-connectivity>

## LIMITED RURAL ACCESS

Unfortunately, the current reality is that many of Europe's areas are disadvantaged when it comes to superfast broadband access.

At the beginning of 2015, more than 68 % of EU households were accessing high-speed broadband services – defined as at least 30 Megabits per second (Mbps) – but only around 25 % of rural households were connected with these technologies. This rural-urban 'digital divide' is a factor across the EU.

The main cause of this divide is that low population density and sometimes a challenging topography can put off potential investment by network operators in rural Europe.

Demand is often too low in rural areas to be profitable for the

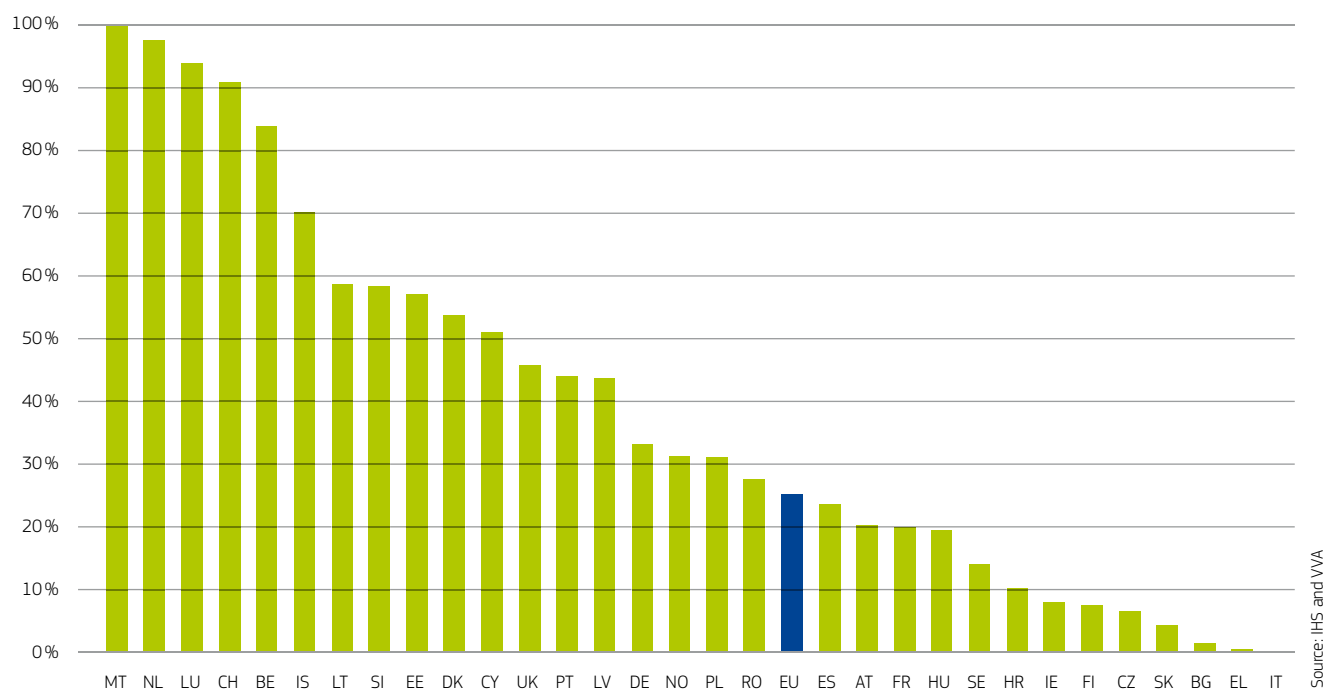
companies supplying broadband, and deployment costs are in some respects higher than in urban areas, particularly when buildings are fragmented over a wide area.

Beyond the overall European trend, a study for the European Commission found significant differences between Member States in terms of next-generation access (NGA) coverage in rural areas (see chart). This is often linked to the way authorities see the copper lines of the 'legacy' telecom network.

In rural areas where DSL lines of sufficient quality are available, much

of the effort has gone to the upgrade of existing networks. In contrast, in some countries – notably in the Baltic region – a substantial effort has been made to roll out new fibre-optic networks even in rural areas.

Figure 1. Next Generation Access broadband coverage in rural areas, 2014





## THE EUROPEAN STRATEGY

Next generation broadband access for rural areas is an increasingly clear priority for EU Rural Development policy.

Since 2010, the Commission has made high-speed broadband a policy priority for the EU in the context of the ‘**Digital Agenda for Europe**’. This has clear objectives by 2020: broadband coverage for all Europeans with connectivity speeds of at least 30 Mbps, and 50% of households with 100 Mbps subscriptions.<sup>(2)</sup>

In this context, the **Digital Single Market Strategy**<sup>(3)</sup> was launched in 2015. This aims to: provide better online access to digital goods and services; provide an environment where digital networks and services can prosper; and maximise the growth potential of the digital economy.

*“The Commission will create the right conditions for digital networks to develop and innovative services to flourish. It means that you will be able to have internet access everywhere you go, even in the mountains or in isolated rural corners at an affordable price.”*

*2015 Progress Report on the European Commission's 10 priorities<sup>(4)</sup>*

As part of the national strategies to achieve these European targets and ambitions, governments and network operators are increasingly focusing on the improvement of broadband availability. However, ensuring access to high-speed broadband services in rural areas remains one of their main challenges.

The roll-out of high-speed rural broadband networks is a field where smart and targeted public investment from the EU can have a significant impact on the ground in overcoming market barriers to service provision. The Commission is working to tackle specific coordination needs between regional and rural development funds which can support these needs.

Approximately € 21.4 billion from the five European Structural and Investment Funds will be devoted to Information and Communication Technologies until 2020. Within this, approximately € 6.4 billion through the ERDF and EAFRD will complement

national, regional and local funds in financing the roll-out of high-speed broadband.

The European Agricultural Fund for Rural Development directly supports broadband provision in a number of ways, currently contributing between € 1.6 and € 2 billion. Support is also available to train communities throughout the EU to make the most of connectivity when it is in place.

Furthermore, President Juncker's Investment Plan and the Connecting Europe Facility (CEF) offer additional opportunities to explore innovative financing solutions (e.g. blending public and private funds for projects or groups of aggregated smaller projects) that can attract the investment community (e.g. insurance companies, pension funds) to the digital sector.

### BROADBAND COMPETENCE OFFICES

The Commission will work with Member States in organising regional entry points for advice and funding where synergies and effectiveness in the implementation of the ERDF and EAFRD for the investment in broadband can be found. These are referred to as Broadband Competence Offices (BCO).

*“The Broadband Competence Offices will take the form of single contact points – both in Brussels and at national or regional level – which will respond quickly and efficiently to requests for help from any public authority or private investor wishing to roll out high-speed broadband in their territory. They will be operational as from spring 2016.”*

*Commissioner Phil Hogan, November 2015<sup>(5)</sup>*

In mid-2016 a facility will be established in Brussels using technical assistance managed by the Commission. This will offer support to the BCOs for networking, mutual learning, exchanges of good practice, information on EU-level issues, peer-to-peer exchanges, and recommendations from broadband experts.

Regional and/or national BCOs will be created on a mandatory basis in the Member States – supported by the Brussels-based facility for BCOs. These will support any public authority wishing to roll-out high-speed broadband, as well as any potential broadband project promoter enquiring about the EU/national/regional 2014-2020 funding available for broadband. They will also maximise the public funding through financial instruments.

(2) <https://ec.europa.eu/digital-agenda/our-targets-0>

(3) <http://ec.europa.eu/priorities/digital-single-market>

(4) [http://ec.europa.eu/priorities/soteu/docs/priorities-progress-report\\_en.pdf](http://ec.europa.eu/priorities/soteu/docs/priorities-progress-report_en.pdf)

(5) [http://ec.europa.eu/agriculture/commissioner-speeches/pdf/hogan-broadband-conference-17-11-2015\\_en\\_.pdf](http://ec.europa.eu/agriculture/commissioner-speeches/pdf/hogan-broadband-conference-17-11-2015_en_.pdf)

Finally, the European Commission has supported a number of outreach initiatives to support knowledge transfer and exchange of broadband internet provision, including to rural areas:

- The SABER and BRESAT Networks bring together regional authorities,

representatives from the satellite industry and other stakeholders to develop guidelines for regions – such as the setting up of Satellite Voucher Schemes to reach out to the most isolated populations.<sup>(6)</sup>

- A database of best broadband internet practices.<sup>(7)</sup>

- Annual EU Broadband Awards.<sup>(8)</sup>
- An online<sup>(9)</sup> platform for the exchange of detailed country information on high-speed broadband access, national broadband strategies and funding instruments.

## DELIVERING RURAL BROADBAND

The provision of rural broadband involves making a series of choices based on the needs and characteristics of individual rural communities.

Providing broadband access consists of passive infrastructure, active equipment technology and delivery of service. These must connect in a series, which means that each stage relies on the preceding stage having been completed.

1. To set up a network, the **passive infrastructure** must be built and operated by a physical infrastructure provider (PIP) who will own and maintain it. Different models of infrastructure can be used, including telephone and TV cables.

2. To put the network into operation, the **active infrastructure** has to be built and operated by a Network Provider (NP), who typically also owns the active equipment – the operators and broadband companies.

3. Finally, the internet service provider (ISP) will then use the infrastructure to sell **access to bandwidth**.

Sometimes all three elements can be vertically integrated and provided by the same company – such as an existing telecoms provider. This usually

depends on the existing infrastructure and how it is incorporated.

Often, stages 2 and 3 will be delivered by one company which rents access to the passive infrastructure from another company.

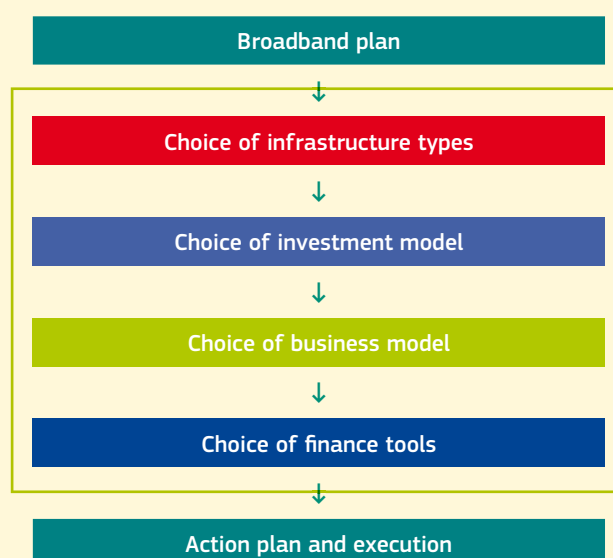
National legislation has increasingly forced telecommunications companies to provide free-market access to their passive infrastructure for competing internet service providers.

### TAILORED SOLUTIONS

Each rural area needs to be approached with a specific process that identifies the most appropriate model for its particular characteristics. This involves making a series of choices as mapped in the following chart.

Support to rural areas under the Broadband Europe initiative can be used to support the process of making the appropriate choices deliver the best form of high-speed rural broadband for their area.

Source: Digital Agenda for Europe<sup>(10)</sup>



(6) [www.broadbandforall.eu](http://www.broadbandforall.eu)

(7) <https://ec.europa.eu/digital-agenda/en/broadband-best-practices>

(8) <http://ec.europa.eu/digital-agenda/en/news/competition-best-high-speed-broadband-project>

(9) [www.broadband-europe.eu](http://www.broadband-europe.eu)

(10) <https://ec.europa.eu/digital-agenda/en/broadband-business-models>

## PRACTICAL APPROACHES TO PROVIDING RURAL BROADBAND

Many practical examples of successful provision of rural broadband access already exist across Europe, including several benefitting from EAFRD support.

**B**roadband in rural areas is an exciting field of experimentation where new projects are making an innovative use of technologies and deploying new business and investment models.

We are already observing many independent and open-access networks emerging across Europe, complementing the deployment carried out by traditional operators from the urban centres.

Existing approaches have demonstrated both a more centralised and more community-driven approaches to connecting rural areas to the main broadband cable networks. They have also demonstrated the potential of wireless solutions where the roll out of a wired high-speed connection was not the best option.

Levels of **community engagement** can be an important factor in providing solutions to overcome market barriers

to the provision of rural broadband access. Local people, including local landowners, can make a big difference by contributing their own time and resources to digging and laying cables themselves.

Another successful approach is when communities acting together can identify central businesses which need broadband for their own business needs. These can then act as an access point for a transmitter and, potentially, the connection point for cabling. Otherwise, small local networks can be provided and community buildings such as schools can be used as the connection point.

Other practical approaches and projects have focused on the delivery of rural broadband through **wireless technologies**. These are based on the installation of antennae which can transmit broadband signal to dispersed communities on a large scale provided there is 'line of site' between the network of transmitters.



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### EXTENDING THE CABLE NETWORK OUT TO RURAL AREAS IN LITHUANIA

The EAFRD-supported PRIP project in Lithuania built on an already ambitious national broadband infrastructure programme to make targeted interventions in 2014–2015 to reach out to more isolated rural communities.

Since 2005, the ERDF-supported RAIN – Rural Area Information Technology Broadband Network – project has created a national cable backbone reaching one million inhabitants by laying over 9 000 km of cables in two phases. The PRIP project built on this work to specifically target some of the harder to reach rural areas. It continued the work and practices of the RAIN projects, laying 485 km of additional fibre-optic cable to connect remote communities with the established nationwide cable infrastructure.

It established 426 additional broadband internet access points in rural communities, using prominent rural buildings, such as farms and rural tourism centres.

In 2005, only 2 % of villages with fewer than 3 000 inhabitants in Lithuania had broadband, and only 4.9 % of rural households were connected. Through the combination of RAIN and PRIP, 58.4 % of rural households had internet access by 2015. This represents a twelvefold increase from 2005–2015.

Lithuania has become a prime example of a centralised approach to extending fibre-optic cable to remote areas, ranked in the world's top ten for fibre-optic broadband penetration.





### COMMUNITY-DRIVEN APPROACH IN SWEDEN

The EAFRD-supported Fibre to the Village project in Sweden stimulated rural communities to develop their own local solutions to overcome the market barriers preventing broadband infrastructure from reaching their villages.

Project initiators organised events with local communities to identify rural internet 'white spots' where private providers were unlikely to provide a broadband service within the next five years. They discussed and identified community needs and developed information materials and practical guidance on how local communities can build up their own village networks – including how to fund it.

More than 50 local seminars were organised across Sweden building community capacity to install village networks themselves and invite internet service providers to 'hook into' this infrastructure.

The initiative started in 2009. By 2015, around 1 500 Swedish villages had built or were constructing their own broadband networks.

In Scotland, the Hubs<sup>(11)</sup> project provided infrastructure support and technical expertise to local community networks which are ultimately owned, constructed and maintained by the communities themselves. On the small island of Eigg on the West Coast, the use of antennae on the steeple of a church and subsequent connection to the local college has enabled a consistently improving relay through a Community Interest Company (CIC).

The Guifi' project<sup>(12)</sup> in Spain has connected an ever-enlarging network of mostly wireless connections. The structure of this model is that the nodes of the network are established through self-provision by individuals, companies and administrations. They freely connect to an open telecommunications network and extend it wherever the infrastructure and content might not otherwise be accessible.

## NEXT STEPS

The European Commission and ENRD are actively supporting exchange and knowledge transfer on successful approaches to delivering rural broadband.

The European Commission and the ENRD are already actively supporting the dissemination of broadband projects and understanding of the potential solutions – technological, as well as financial – available to delivery of rural broadband.

One of the challenges ahead is the reinforcement of local administrations' capacity to plan broadband projects at local and regional levels. The European Commission will therefore work with the ENRD and find pragmatic ways

to network and reinforce the existing bodies responsible for implementing broadband measures using the European Structural and Investment Funds – not least by keeping them fully informed on the many regulatory and funding opportunities that can be provided to rural areas in Europe.

ENRD thematic work 2015-2016 on 'Smart and Competitive Rural Areas' includes work on the impact, initiatives and potential for rural areas to access superfast broadband and the tools they can then utilise to develop their competitiveness. More outputs will be disseminated in 2016 providing further information, examples and guidance as appropriate. Look out for EU Rural Review 22 on Smart and Competitive Rural Areas.



## 2. Successfully addressing climate change

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Climate change is a major challenge in Europe as well as globally with potential implications for issues including food security and environmental protection. As reflected in the priorities for the current period, EU rural development policy must play its part in contributing solutions.

Rural areas and activities can be surprisingly large contributors to greenhouse gas (GHG) emissions. At the same time, they can be seriously affected by the impact of climate change, threatening food supplies and biodiversity.

Agriculture and forestry have a particularly complex role to play in mitigating climate change. Beyond reducing their own emissions, they can deliver renewable sources of energy to replace fossil fuels in other sectors and increase carbon sequestration from the atmosphere.

This article explores these ideas and the ways in which Rural Development Programmes have already supported the evolution and spread of climate-friendly rural practices and the potential to achieve even more progress in this direction.

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THE RURAL CONTRIBUTION TO CLIMATE CHANGE

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THE IMPACT OF CLIMATE CHANGE IN THE RURAL CONTEXT

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REDUCING EMISSIONS FROM RURAL ACTIVITIES

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FURTHER RURAL RESPONSES TO CLIMATE CHANGE

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THE WIN-WIN POTENTIAL FOR FARMERS

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THE NEED FOR INTEGRATED POLICY RESPONSES

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## THE RURAL CONTRIBUTION TO CLIMATE CHANGE

A significant volume of GHG emissions are generated in rural areas, from sources including soils, nitrogen fertilisers, the digestion processes of livestock, manure and agricultural machinery. Any reductions in the carbon locked up in bogs and forests also contribute.

Sometimes climate issues are portrayed in largely urban terms, often accompanied by images of large industrial facilities belching smoke and less visible greenhouse gases (GHGs) from tall chimneys. It can be easy to forget that rural areas are also a source of emissions, indeed the principal source of certain GHGs.

According to inventories of the EU-28 Member States, GHG emissions in the source category agriculture amounted to 471 million tonnes of CO<sub>2</sub> equivalents in 2012. This means **agriculture accounted for 10.3%**

**of total EU-28 GHG emissions in 2012.**

Looking at the specific sources of GHG emissions in the agriculture sector, the share is divided between the following source categories:

- **agricultural soils (51%)** – nitrous oxide (N<sub>2</sub>O) in soils, attributable particularly to organic and mineral nitrogen fertilisers;
- **enteric fermentation (31%)** – methane (CH<sub>4</sub>) from the digestion processes of livestock;
- **manure management (17%)** – both CH<sub>4</sub> and N<sub>2</sub>O;

- **rice cultivation (0.5%)** – CH<sub>4</sub>; and
- **field burning of agricultural residues (0.2%)** – CH<sub>4</sub>.

Separately from this, **land management has other impacts on the carbon balance.** On the one hand, there are further emissions, particularly of CO<sub>2</sub>, from the use of machinery and equipment on farms, for example in grain drying. On the other hand, certain land management practices can release significant amounts of stored carbon from soils, forests and bogs.

## THE IMPACT OF CLIMATE CHANGE IN THE RURAL CONTEXT

Rural areas can be particularly vulnerable to the effects of climate change. This is because of the potential impact on natural resources, cycles and ecosystems. Food production and biodiversity both can be at risk.

Agriculture and many other rural activities are directly affected by climate change.

**Changes in rainfall, temperature and soil conditions** have a number of important consequences. These potentially include heat stress on livestock and crops, variations in the patterns of pests and diseases, and lower water availability. The growing seasons for crops may change with damaging or beneficial effects, depending partly on the region.

These effects of climate change can have a **direct bearing on the rural economy**, including the production systems employed in agriculture and forestry and the sustainability of certain practices, such as irrigation in drier areas.

They can also affect the balance of established ecosystems, favouring certain species over others and having

potentially significant **impacts on biodiversity.**



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## THE EUROPEAN RESPONSE TO CLIMATE CHANGE

In the context of global commitments, the EU has developed specific commitments on tackling climate change and included climate action as a key objective of the CAP.

Like other signatories to the recent COP21 agreement, the EU has submitted its own Intended Nationally Determined Contribution (INDC) to GHG reductions. The present EU target is to reduce GHG emissions by at least 40 % by 2030, taking 1990 as a baseline.

The stepping up of the 2020 target

will be translated into specific policy measures to be agreed over the next few years at EU and Member State level. The target will need to be reviewed every five years – after 2018 – so that the level of ambition is scaled up sufficiently over time to meet the demanding global targets.

The European Commission will put

forward proposals for post-2020 EU policy in 2016, including for a new “Effort Sharing” measure up to 2030. This will include targets for individual Member States for reducing emissions in a group of important sectors, especially agriculture and transport, which lie outside the EU emissions trading system.

### COP21: A NEW GLOBAL AGREEMENT ON CLIMATE CHANGE

The way ahead for tackling climate change is clearer since the successful conclusion of a new global agreement in Paris in December 2015.

The agreement commits 196 parties, including the EU and its Member States to limit global temperature rises to “well below 2°C above pre-industrial levels”, while “pursuing efforts” to limit the increase to 1.5°C.

More systematic review and monitoring systems have been put in place aiming to apply greater scientific rigour to national plans.

The Paris Agreement recognises the “fundamental priority of safeguarding food security and ending hunger”. It also emphasises the role of sinks and reservoirs of GHGs, putting more focus on land sectors in relation to climate mitigation.



## REDUCING EMISSIONS FROM RURAL ACTIVITIES

The right agricultural and forestry practices can significantly reduce emissions from rural areas and activities.

Since 1990, total CO<sub>2</sub> equivalent emissions from agriculture have decreased by around 24%.<sup>(1)</sup> This is attributable to several factors, but most of all to productivity increases, a decrease in cattle numbers and the implementation of agricultural and environmental policies.

However, **further emissions reductions will be required over time in order to meet climate change objectives.** This will depend on developments in land

management, crop and livestock production, as well as forestry.

A number of possibilities exist for reducing the rural contribution to climate change:

- **More efficient use of nutrients,** particularly nitrogen. In arable production, options include reducing unnecessary use of inorganic fertiliser – or zero use via organic farming – and the greater use of nitrogen fixing plants in pasture and catch crops. Measures which go beyond the requirements of

the “greening” element of CAP direct payments can be supported by rural development measures. So can the promotion of carbon audits and other initiatives to raise awareness and encourage the use of techniques like precision farming.

- **Improved management of manure and slurry,** both at the storage stage and in spreading on land. This can reduce the emissions of N<sub>2</sub>O and make better use of nitrogen in crop growth. There are some advanced techniques

(1) [www.unep.org/climatechange/mitigation/](http://www.unep.org/climatechange/mitigation/)

or targeted investments, such as covering manure stores, can be effective in this context. Where costs are a barrier, they may qualify for support under investment aid measures in rural development programmes.

- **Measures to increase the lifetime efficiency of livestock.** If livestock are healthier and more productive over their entire lives, the net emissions of GHGs per unit of output – of milk or meat

– can be reduced and animal welfare improved. This is partly a question of good stockmanship; but there is also a major yield gap between farms in some parts of central and eastern Europe and the average for the EU as a whole. Selective breeding programmes could reduce this gap over time, and there is scope for increasing farmer participation in this process, leading to higher returns at farm level as well as lower emissions.

- **Improvements in energy efficiency.** Better insulated buildings, modern equipment and precision farming techniques can be useful for ensuring that only the required amount of energy is consumed. Similar approaches can also be adopted for non-agricultural activities. Furthermore, many rural activities could use more renewable forms of energy, including those generated from local energy sources.

## FURTHER RURAL RESPONSES TO CLIMATE CHANGE

Beyond reducing emissions, rural activities can deliver significant renewable energy supplies to replace fossil fuels in other sectors and increase carbon sequestration from the atmosphere.

### Renewable energy

Rural areas can contribute to reducing European GHG emissions by being part of the supply of various forms of renewable energy which can displace fossil fuel use. There is scope for investment aid to support suitable projects.

One such source is **biomass** coming from forests or crops or, increasingly, from wastes and residues. Forest biomass is currently the most important source of renewable energy, accounting for around half of the EU's total renewable energy consumption, and it is expected that its importance will continue also in the future.

The cultivation of short rotation coppice (SRC) for biomass production is one option. However, attention needs to be paid to avoid the dangers for biodiversity of monoculture tree plantations. Healthy forests are multi-functional, offering habitats for animals and plants and providing other economic, social and environmental services.

In some regions **anaerobic digesters** producing gas from feedstocks – including livestock manure – are playing an important role. They can help to manage wastes as well as being a source of useful energy. However, attention needs to be paid to selecting appropriate feedstocks for anaerobic digesters so they do not give rise to the conversion of permanent pasture to

maize, undermining the benefits of sequestration in the process.

Other possibilities are provided by versatile technologies such as **wind power** and **solar photovoltaics** which can be developed at a range of scales. These need to be established in appropriate ways in rural areas to respect local landscapes and biodiversity.



© Tim Hudson

## Carbon sequestration

There are large quantities of carbon sequestered in the **organic fraction of soils** and in vegetation, particularly in the **forests and other wooded land**, which cover 40 % of the EU's land area.

Measures to improve carbon management in rural areas include some which focus more on conservation than innovation. In particular, it is important to maintain existing stocks of carbon and explore the potential for further sequestration in permanent grassland, non-herbaceous forage, small woods and other woody features of the farmed landscape, such as hedges.

Well-placed and managed features can **combine a sequestration role with other functions**, such as regulating soil erosion and flooding and creating habitats for a range of farmland species.

In **forestry**, the challenge in some regions may be to increase the establishment of new woods and forests either by natural regeneration or planting. In others, improved management may be the priority.

Appropriate forestry management techniques may include changing the species mix, age structure and rotation, introducing a limited harvesting regime in neglected woodland where this fits

other goals, and increasing the utilisation of thinnings, brash and other residues where this is sustainable. Particularly in drier areas such as the Mediterranean, it is also important to manage vegetation more effectively to reduce fire risk, for example by grazing firebreaks.



© European Union

## THE WIN-WIN POTENTIAL FOR FARMERS

Many of the actions required to mitigate climate change can result in a direct economic benefit for farmers. In several other cases, public funding is aimed at offsetting the investment and running costs of implementing more environmentally friendly practices.

The need for change does not have to be bad news for rural producers. Many of the more environmentally friendly rural practices can also offer **financial savings and commercial advantages to farmers**. For example, there can be financial advantages from reduced energy consumption or extracting value from waste products.

“Some of the rural responses required represent win-wins for farmers and the climate.”

Andreas Gumbert,  
European Commission,  
Directorate-General for Agriculture  
and Rural Development

**Developing markets** for climate-friendly products can also help to incentivise changes in management at the producer level. These markets provide the prospect of commercial advantage from the investments required to improve environmental performance.

Nevertheless, not all the actions required will directly produce an economic return for farmers. This is even in cases where specific interventions may be amongst the best ways of improving the carbon balance and protecting vulnerable soils on farms. Such practices could include the conversion of peaty high-carbon

arable soils to grassland, the planting of grass buffer strips, wind breaks and hedges and the establishment of new woodland on appropriate sites.

Where new approaches are not cost effective on their own for producers, **public financing can make the difference** by making it worthwhile for rural producers to make the changes. Support can come, for example, via the Rural Development Programmes (RDPs) through **agri-environment-climate and afforestation Measures**.

Aid is also available in many RDPs for **forest management practices** aimed at multiple objectives, for example



combining greater carbon sequestration with recreational and conservation goals in established woodlands.

Some RDPs offer support for **agro-forestry** which is attracting increasing interest in certain countries such as France and has the potential to increase the resilience of the production system, as well as sequestering carbon and diversifying outputs from the farm.

While traditional systems such as 'dehesas' in Spain and 'montados' in Portugal have an important role, more contemporary agro-forestry is not widespread in Europe. Active information and promotion actions may be needed to persuade farmers to try out a relatively unfamiliar approach of this kind.

Measures to support change can be relatively simple and local or broader

in ambition. For example, a vocational training project in Jönköping County in Sweden in 2008-2009 used EAFRD support to promote the energy efficiency savings from "eco-driving" of farm machinery, such as tractors, to reduce fuel consumption. The aim was to contribute to the reduction of emissions and increase farm profitability, starting with a pilot project and rolling it out nationally.<sup>(2)</sup>



### NEW AGRI-ENVIRONMENT-CLIMATE SCHEME TO REDUCE EMISSIONS FROM BEEF PRODUCTION

The new Beef Data and Genomics Programme (BDGP) in Ireland is aimed at improving the quality of the national suckler beef herd. This is expected to reduce GHG emissions per kg of beef produced because a more efficient suckler cow will, during its lifetime, produce more beef calves of higher quality.

The central element of the BDGP is a large-scale database of detailed information about commercial suckler cow herds. Farmers in the scheme are committed to a six-year programme of herd record keeping and genotyping (DNA analysis of individual animals) and must choose herd replacements with a high 'star rating'.

They also must use the Farm Carbon Navigator, a Decision Support Tool which estimates the greenhouse gas reductions and financial savings that could be made through improved

farm efficiency.

The BDGP payment rates are based on the time required for record keeping, the cost of genotyping and the net cost of herd replacements (less any economic benefits from the scheme). A stocking density coefficient is used to convert these 'per animal' costs to an annual hectare-based agri-environment climate payment of € 142.50 per hectare for the first 6.66 hectares and € 120 per hectare after that.

Farmers in the BDGP must undertake a half-day training course on the scheme (for which they are paid € 166) and a shorter course on using the Farm Carbon Navigator.

*Source: Department of Agriculture, Food and the Marine (2015) Summary of Rural Development Programme Ireland 2014-2020.*

## THE NEED FOR INTEGRATED POLICY RESPONSES

Currently, many of the rural solutions to climate change are approached within different policy areas. Achieving the full potential requires integration between the different policies and delivery mechanisms.

Separate policies in areas such as energy, water, agriculture, forestry, waste management and biodiversity need to be working in **complementary and integrated ways** to achieve the necessary responses to climate change in rural areas. In addition, they often need to be tailored to the specific characteristics of the localities concerned.

For example, policies to promote investment in renewable energy will need to be integrated into the

established rural economy and local landscape; there are good reasons why there is some variation in the approaches being favoured in different regions of Europe. Generally, the incentives for these investments arise from Energy policy rather than from Agricultural or Rural Development policy but the need for an integrated approach is clear.

**Adaptations to anticipated climate change** need to be at the heart of the rural response in order to safeguard

food supplies and biodiversity. Constant evolution of crop patterns, farm management practices and land use are observed across the EU. In the short term, such autonomous farm-level adaptation may be sufficient, but in the longer run adaptation in the form of technological and structural changes will become necessary.

Adaptation measures often need to be adopted well in advance of intensifying problems and can include:

- More efficient use of water resources – including avoiding water losses and improving irrigation practices;
- Choosing crops and varieties better adapted to the expected length of the growing season and water availability, and more resistant to new conditions of temperature and humidity;
- Adjusting the timing of farm operations, such as planting or sowing dates;
- Introducing more heat-tolerant livestock breeds and adapting diet patterns of animals under conditions of heat stress;
- Improving soil management practices;
- Adapting buildings and infrastructure.

Approaches should seek to **balance different priorities and needs**, taking account of the priorities for producers, climate change mitigation and adaptation, as well as the wider environment. For example, investments in more efficient irrigation infrastructure may not achieve the necessary goals in the long run without both efforts to reduce water consumption and change crop selection to be more suitable to the changing climate. The different

aspects need to be considered as part of an overall approach, which may include a mix of innovations, efficient management and a return to more traditional practices.

**Management plans** originally developed in a period before climate concerns had been incorporated into policy may need to be adapted to build in a new perspective. It may also be appropriate to extend the range of agri-environment-climate schemes compared to predecessor schemes in the previous programming period.

Ensuring **effective links with markets** is another piece of the puzzle. For example, Andreas Gumbert (DG AGRI) believes that one of the principal barriers to greater interest in agro-forestry and also the production of short rotation coppice (SRC) as a crop for renewable energy production is the lack of local markets for the biomass that is produced.

This suggests that alongside help to develop new production chains, including incentives for establishing and managing the trees or SRC crop, there could be a need to invest in building markets. For example, it is possible to envisage a **coordinated package of RDP Measures** designed to stimulate cooperation between producers and suppliers, support investment in the supply chain and

establish appropriate innovation Operational Groups.

Finally, the importance of small-scale innovative projects of a kind that can be promoted within LEADER should not be overlooked. Combating climate change demands: social as well as technological innovation; new relationships and connections; and fresh thinking. **LEADER Local Action Groups** can provide exactly the right context for this form of agenda setting.

ENRD thematic work 2015-2016 on the 'Transition to the Green Economy' in rural areas includes further work on the potential contribution of the Rural Development Programmes to climate change mitigation/adaptation, as well as related issues such as the circular economy and the bioeconomy.

More outputs will be disseminated in 2016 providing further information, examples and guidance as appropriate. Look out for EU Rural Review 23 on the Transition to the Green Economy.



### 3. The rural response to Europe's refugee crisis

© European Union, Oliver Bunic

By 2015, the influx of migrants to the EU from areas of conflict in the Middle East and Africa had reached the point that political talk was of a 'refugee crisis' in Europe.

Greece, as a major point of entry for several migrant routes, has been the most affected. Other Member States, including Hungary, Sweden, Austria, Finland and Germany have had to deal with unprecedented numbers of asylum seekers.

While migration policies still remain of national and European competence, local authorities carry a huge human, financial and technical responsibility to respond to the changing realities in front of them.

This article examines the actual and potential role of Europe's rural areas in providing positive responses to challenges along the stages of the 'migrant journey'. It particularly considers the role that LEADER Local Action Groups can and do play in making a positive difference in this context.

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A NEW SCALE OF MIGRATION CHALLENGE

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THE IMPACT AT POINT OF ENTRY

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COMPLEX CHALLENGES ALONG MIGRANT ROUTES

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THE POTENTIAL FOR MIGRANT INTEGRATION IN RURAL AREAS

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THE ADDED VALUE OF THE LEADER APPROACH

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CONCLUSIONS: WHAT CAN RURAL DEVELOPMENT POLICY DO FOR THE REFUGEE CRISIS

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## A NEW SCALE OF MIGRATION CHALLENGE

Europe has long faced significant population flows, such as those caused by the wars and persecution of the 20<sup>th</sup> century. Nevertheless, the current migration challenge is on a different scale again, with a much wider variety of motives, routes and countries of origin.

According to the International Organization of Migration, **more than one million migrants and refugees crossed into Europe by land and sea in 2015**. This landmark figure was officially reached on 21 December<sup>(1)</sup> and represents a fourfold rise on the total for 2014. Furthermore, at least 3 700 refugees died or went missing in the crossings.

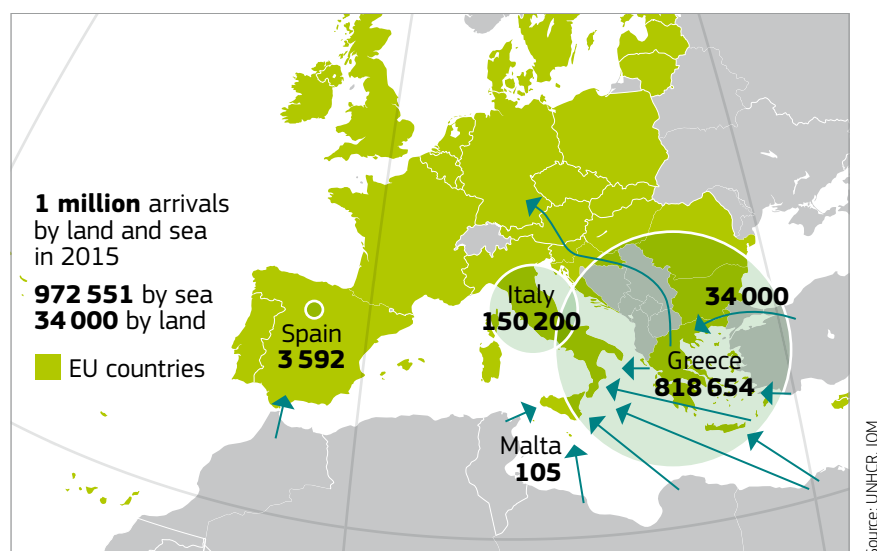
The **number of people seeking asylum** in the EU during the third quarter of 2015 reached **413 800** – a 150 % increase in the number of first-time asylum applicants compared with the same quarter of 2014 and almost

doubled compared with the second quarter of 2015.<sup>(2)</sup>

This total number of applications for Q3 2015 came from **citizens of 149 countries**. Nevertheless, this diversity should not hide the fact that **84 % of migrants and asylum seekers** originated from Syria,

Afghanistan, Eritrea, Somalia, and Iraq – all countries experiencing conflict, widespread violence and insecurity, or highly repressive governments. More than half of the asylum applications to the EU in 2015 were from Syrian citizens alone.

Figure 1. Migrant points of entry in the Mediterranean region



### EUROPE'S REFUGEE CRISIS IN CONTEXT

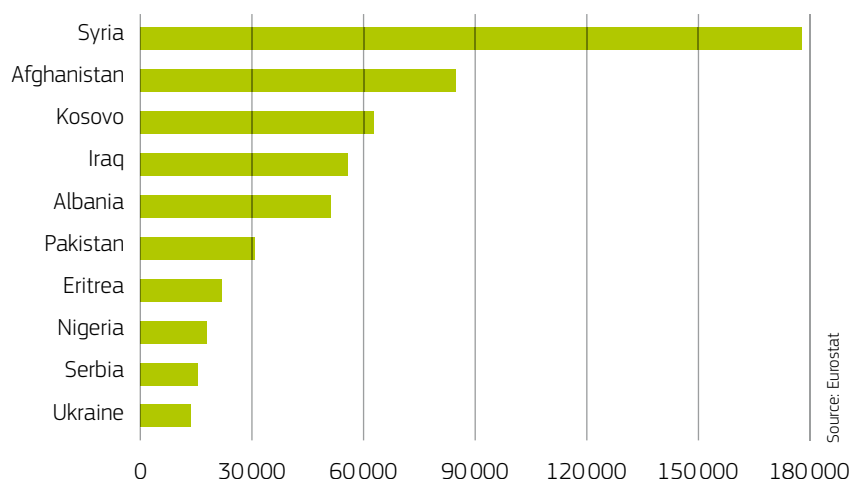
Despite the unprecedented scale of the refugee crisis in Europe, it is worth remembering that it is far from being the most affected region.

- Worldwide, **86 % of refugees under UNHCR's mandate in 2014 were in developing countries**.
- At the end of 2014, the world's **top refugee host was Turkey**, followed by Pakistan, Lebanon, Iran, Ethiopia and Jordan. EU countries hosted a relatively small share of that number.
- In 2014, **asylum seekers represented only 0.08 % of the whole EU population**.

Source:  
UNHCR Global Trends 2014

Figure 2. Top 10 origins of people applying for asylum in the EU

January – October 2015, first-time applications



(1) IOM: [www.iom.int/news/irregular-migrant-refugee-arrivals-europe-top-one-million-2015-iom](http://www.iom.int/news/irregular-migrant-refugee-arrivals-europe-top-one-million-2015-iom) ; [www.bbc.com/news/world-europe-35158769](http://www.bbc.com/news/world-europe-35158769)

(2) Source: Eurostat <http://ec.europa.eu/eurostat/en/web/products-press-releases/-/3-10122015-AP>

## THE IMPACT AT POINT OF ENTRY

The challenge presented by the refugee crisis is very different across the EU. The impact is most dramatic at the points of entry, with Greece particularly affected.

The one million refugee arrivals in 2015 entered via six European Union nations – Greece, Bulgaria, Italy, Spain, Malta and Cyprus. However, the impact of these arrivals is very unbalanced even between this small group of countries. As the map on the previous page shows, more than 80 % entered via Greece and a further 15 % via Italy.

Furthermore, the differences are even more extreme behind these national-level aggregates. The situation is particularly difficult for some areas and localities representing common entry points. In particular, islands such as Sicily – on the North African migrant route – and Lesbos, which is often a first point of contact for refugees from Syria and Iraq, are bearing the brunt.

Many refugees arrive in a critical state, both physical and psychological

having suffered all manner of dangers and exploitation along the way. In the current emergency situation regions and localities are under intense pressure – and struggling to cope with the need to welcome, assist and process very large numbers of incoming people.

Humanitarian support – including emergency medical attention, food, warm clothing and temporary shelter – is often provided by specialised NGOs, public health workers, the coast guards

and security forces, together with the voluntary work and solidarity of many local people.

At the point of arrival, the measures of the Rural Development Programmes have had little impact so far. However, as shown with the Greek example below, the staff and partners of LEADER Local Action Groups (LAGs) are often heavily involved. The impact on their local development mission is often substantial – both in a professional and a personal capacity.



© Frontex / Source: EC - Audiovisual Service

### THE GREEK ISLAND OF LESVOS UNDER STRAIN

Lesvos lies at the frontline of the current migration crisis. Around 268 000 refugees arrived between January and October 2015. Given that its population was less than 90 000, the island has struggled to cope with such a mass intake of people.

Anastasios Perimenis, the manager of ETAL, the Lesbos Local Development Agency, explains that the 'official' response has been mainly coordinated by NGOs, which *"connected quickly with the local community and set up an informal system that provided quite a lot of relief"*.

Nevertheless, processing the sheer numbers of arrivals has placed a huge burden on the system. Two temporary shelters accommodating around 3 000 have struggled to cope with up to 7 000 at peak times. Moreover, shelters are also a solution refused by many refugees who are afraid of being forced to take asylum in Greece rather than going to the country where they have relatives.

Despite the strain on the island's resources, Mr Perimenis

has been surprised by the tolerant attitude of the islanders, despite some minor incidents, and their willingness to volunteer to help. *"I have seen local people getting together and cooking in the street for thousands of people. I have seen people on an idyllic beach, enjoying our nice Greek summer, seeing boats arriving and giving away even the clothes they are wearing – that includes tourists as well."*

Nevertheless, tourism has been affected by the crisis and many tour operators are cancelling their plans. While efforts to continue the sustainable development of the island are carrying on – including three major programmes funded by the EAFRD (two) and the EMFF (one) – Lesbos' changing face makes Mr Perimenis *"extremely worried"* about the future.

*"We're taking on a huge burden, which is not fair for such a small island, and many other islands in Greece are similarly affected... we need to act fast; we need to have the kind of reflexes that allow solutions to prevail. We need real solidarity, tolerance and dignity,"* he concludes.

## COMPLEX CHALLENGES ALONG MIGRANT ROUTES

For most refugees, the point of entry is not the (desired) final destination. The result is a complex map of migrant routes across Europe creating challenges and risks of tensions along the way.

Despite requirements under European law, the majority of migrants do not ask for asylum in the first EU country they enter. Rather, they look to continue their journey across EU territory to reach their main destination – often a country where they already have settled family members, or which they believe offers them the best opportunities for settling.

As the map below shows, common migrant routes flow up from Greece and Italy towards countries such as Germany, Austria, Denmark, Sweden, France, Belgium, Netherlands and UK.

The journey through Europe can last well over a month – depending on access to transport and delays at borders and various control points. Whilst not as extreme as the situation for ‘entry points’, being a ‘transit territory’ can also create a huge burden for local authorities, often badly equipped to cope with the extra demands.

The Member State which receives by far **the most asylum applications is Germany**. In quarter two of 2015 alone – before the major influx of summer 2015 – it received over 73 000 first-time applications,

compared to the next highest 32 810 in Hungary, 15 250 in Italy and 14 775 in France. From January to October 2015, Germany received more than 315 000 new applications.

### THE UNIQUE CASE OF HUNGARY

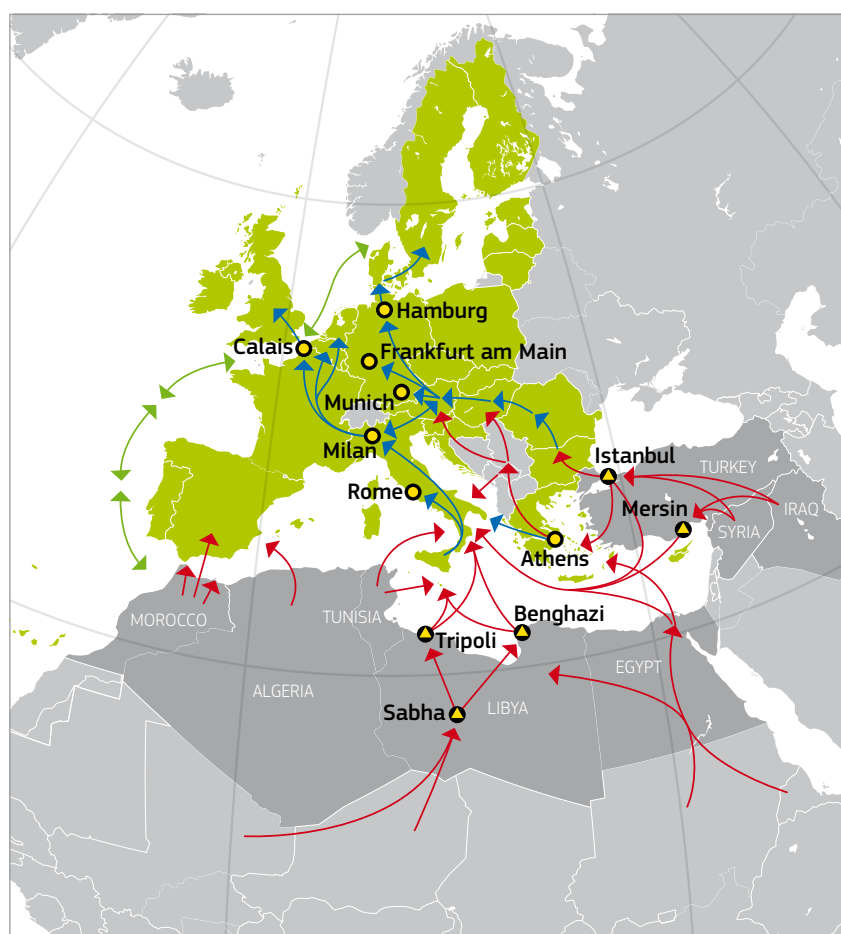
One Member State particularly impacted by the common migrant routes has been Hungary. Many migrants who originally enter the EU through the Bulgarian-Turkish or Greek-Turkish land or sea borders then proceed through the Western Balkans into Hungary. This is known as the ‘**Western Balkan route**’<sup>(3)</sup>

Hungary saw increasing numbers of migrant arrivals in the first half of 2015. In terms of the number of **asylum-seekers as a proportion of the country's national population**, it was Hungary which had the greatest number in this period. More than 1 450 asylum applications were received for every 100 000 residents; the equivalent figure for Germany was 323 and for the UK it was only 30.

However, compared to other EU countries, **asylum acceptance rates are extremely low** in Hungary. In 2014, it accepted only 9.4% of applications compared to 94.2% in Bulgaria, 76.6% in Sweden and 76.2% in Cyprus. The figure for Germany was 41.6% (see on following page).

Feeling unable to cope with this influx of migrants, **Hungary erected fences to close its borders** with Serbia in September 2015 and with Croatia in October 2015.

Figure 3. Map of migrant routes across Europe



Source: EUROPOL

(3) FRONTEX, the EU's External Borders Agency: <http://frontex.europa.eu/trends-and-routes/western-balkan-route/>

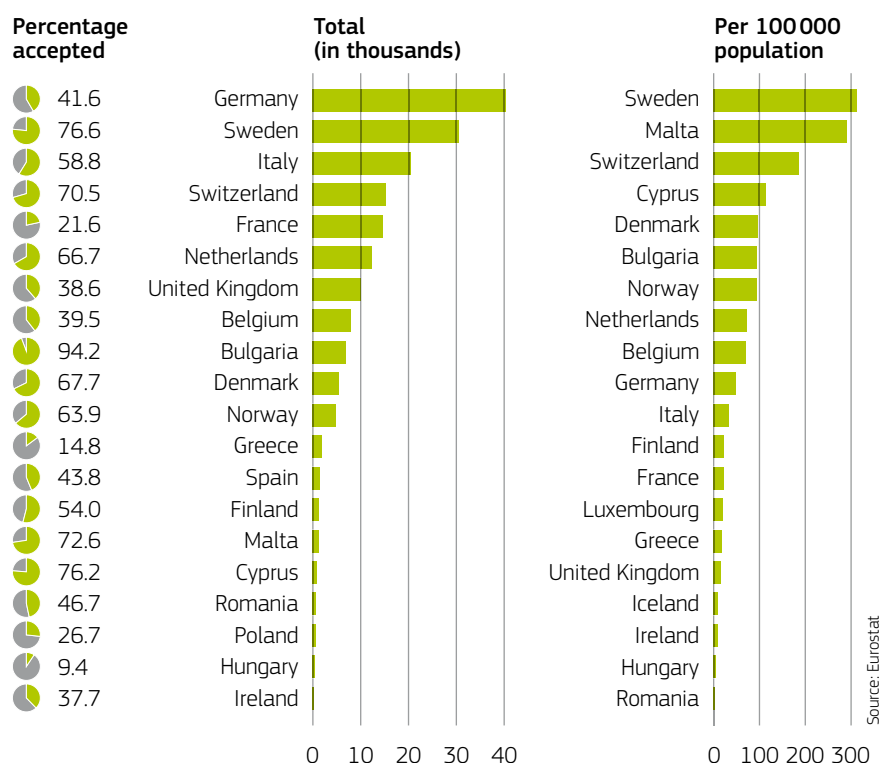


Furthermore, these are just the numbers seeking asylum. German officials have said that **more than a million** immigrants had been counted in Germany's 'EASY' system for counting and distributing people before they make asylum claims.<sup>(4)</sup>

In terms of pure numbers, Germany is also the Member State that accepts the most refugees. However, as The Economist recently pointed out: "when taken as a proportion of existing citizens, it drops to tenth place... **Sweden** however, a relatively small nation of around 10m, is **highly accommodating by both measures**: it comes second in positive decisions overall, and top as proportion of population, (taking 317.8 per 100 000)."<sup>(5)</sup>

See figure 4 on the right, which uses 2014 data – the latest available at the time of writing.

**Figure 4.** Positive decisions on asylum applications by Member State, 2014



## THE POTENTIAL FOR MIGRANT INTEGRATION IN RURAL AREAS

Despite the challenges posed, rural areas can take advantage of the opportunities provided by an influx of migrants as a source of new vitality to restore declining villages.

Beyond the challenges, the arrival of migrants can also create new opportunities for growth – particularly for areas suffering from population decline and closing services, not uncommon amongst Europe's rural areas. Migrant contributions can be financial, but also in the form of social remittances, exchange of expertise and cultural change.

Peter Backa, senior expert on rural development in Finland, believes that migration represented a "big chance" to repopulate rural areas that could otherwise be left to "die in peace". In spite of the problems, he said that immigration was "a challenge that rural areas have to take".

There are clear potential win-wins for refugees and declining local areas in Europe. Nevertheless, the stakes are extremely high. Well-coordinated and sensitively managed integration policies can benefit both migrant and hosting communities; whereas mistaken policies, even if well-intentioned, can produce an angry and dangerous backlash.

Highlighting the positive contribution of migrants to rural areas can be fundamental to changing public perceptions. Nevertheless, "it is always important to allow the local community to have a say in proposed measures and to bring them along in the integration process," confirms Peter Backa.

Successful integration requires a sensitive and holistic approach which does not ignore but seeks to address the challenges and opportunities presented by migration. As stated by the European Commission, "Integration is a dynamic, two-way process of mutual accommodation by all immigrants and residents of Member States".<sup>(6)</sup>

Approaches need to be tailored to the situation and characteristics of the migrants, as well as the specificities of the host society. This can be done at a very early stage of planning. For example, in Zaragoza, community associations consulted newly arrived groups of migrants on the local Immigration Integration Plan.

(4) [www.bbc.com/news/world-europe-34131911](http://www.bbc.com/news/world-europe-34131911)

(5) [www.economist.com/blogs/graphicdetail/2015/09/daily-chart](http://www.economist.com/blogs/graphicdetail/2015/09/daily-chart)

(6) A Common Agenda for Integration Framework for the Integration of Third-Country Nationals in the European Union COM(2005) 389 final

A recent OECD policy paper on migration<sup>(7)</sup> further underlined the importance of coordination between different levels of governance to prevent local communities from being overwhelmed.

Equally, successful integration needs to address the needs of the refugees themselves. One of the main challenges is to provide good reasons for successful asylum seekers to stay

in rural areas rather than moving to larger urban areas, where the possibility of employment may seem greater and where friends and family may already be living.

Petri Rinne, Joutsenten Reitti LAG manager, Finland, emphasises that a long-term approach is needed. “There needs to be sufficient time for the newcomers to settle down in the rural area,” he says. Moreover, new arrivals

are more likely to be successfully integrated, if they are used to living in rural areas. His area receives arrivals from Myanmar and these people tend to settle quicker than those from large cities.



### MIGRANTS AS A RESTORATIVE FORCE FOR DECLINING VILLAGES IN ITALY

Riace, a small rural village in Calabria in the very southern tip of Italy, was destined for obscurity due to a massive exodus of its inhabitants. Today, it has been repopulated through immigration.

Its particular story started in July 1998, when a boat washed up on the nearby coast with 300 Kurds on board. It was greeted with open arms by the local residents who offered support and shelter to the refugees.

The village mayor, Domenico Lucano, fought to obtain national and EU funding for the settlement of refugees and is clear in his belief that these migrants saved Riace: *“Migrants who arrive here are useful people. They have allowed us to rebuild and reopen schools, to launch businesses, to revive the village,”* he says.<sup>(8)</sup>

In the 17 years since the first arrivals, around 6 000 refugees of many different nationalities have come to the village.

Whilst many move on to other destinations, some of them stay, creating a positive impetus for local economic development. Many old buildings in the village have been refurbished to provide accommodation and several immigrants have settled to set up their own craft or retail businesses.

Together with other similar villages, Riace is part of a national network of 376 municipalities called SPRAR, the Protection System for Refugees and Asylum Seekers.<sup>(9)</sup> Riace is a model of what SPRAR calls an “integrated welcome”.

More information:

<http://aeidl.eu/images/stories/pdf/italie-en.pdf>

## THE ADDED VALUE OF THE LEADER APPROACH

LEADER Local Action Groups have the potential to play a key role in supporting effective approaches to integration of migrants in rural areas for mutual benefit.

Phil Hogan, Commissioner for Agriculture and Rural Development, recently affirmed: *“Together, we must therefore proactively ask the question: ‘how can rural areas and the communities that live in them leverage their strengths to be full partners in developing global solutions?’”* Rural Development policy has a vital role to play here.

At a recent symposium on migration, Hans-Olof Stålgren, coordinator of the Swedish Rural Network, emphasised that

the LEADER method could be one of the “strongest and best tools to use... Using the local network of LEADER is really key to making these people friends and individuals. That way we can strengthen integration and inclusion.”

Local Action Groups can support the integration of migrants in two main ways:

- Depending on the priorities and procedures of the RDP that finances them, LAGs can in principle design and implement

integrated packages of their own measures to support integration. These can include: animation and advice, training and capacity building, support for various services, business support and so on.

- LAGs can also play an important brokerage role in bringing together the different stakeholder groups – municipalities, social services, NGOs, and other actors – that are vital for really integrated approaches.

(7) OECD migration policy debate sept 2015

(8) [www.theguardian.com/world/2011/may/03/migrants-life-village-italy-calabria](http://www.theguardian.com/world/2011/may/03/migrants-life-village-italy-calabria)

(9) [www.pratomigranti.it/index.php?pos=1&id\\_sezione=177&id\\_lingua=2](http://www.pratomigranti.it/index.php?pos=1&id_sezione=177&id_lingua=2)

The German LAG in Bad Berleburg provides housing with a central accommodation facility for refugees. Since 2014, around 5 000 people were housed. Of these, 570 stayed in the town, representing 3 % of the total population. The newly selected LEADER project 'Welcome Culture' is now developing further activities – round tables, youth cafes, integration bus etc. – to further promote the positive potential of refugees for the town.

Lovisa Carneland, former manager of the URnära LAG in Sweden, highlights the importance of getting civil society on board to ensure social cohesion between migrants and host communities. "It's not us against them, but we together as a community, and that's one of the important things that we have learned through this programme," she says.

Illustrating this, the Swedish LEADER projects 'Meeting Place among the Baking Trays' and 'People's House' created new meeting places for Swedes and immigrants based around

cultural activities. So has the very interesting Austrian LEADER project 'RIKK', which aims to improve the social climate in the region through networking activities and educational programmes.

The 'GrowBiz' LEADER project in Scotland provides community-based enterprise support in rural Perthshire. 'GrowBiz' works with a local project, the 'Minority Communities Hub', to offer

guidance on self-employment and business start-up to any immigrants or refugees who are interested in enterprise. This has resulted in several successful businesses run locally by these 'new Scots'.



© Kia Nordqvist

## THE ORUST EXAMPLE

The island of Orust off the western coast of Sweden is the third largest in Sweden, with a population of around 15 000, of which 1 000 live in a small town called Ellös. A refugee **camp housing 150 asylum seekers** is located in this town, a significant number considering the size of the local population.

To overcome the local population's initial fears and concerns about security and create a **'welcoming culture'**, the owner of the camp invited local organisations, such as the Red Cross, the church, football clubs and theatre groups, to a talk on cooperation and how to give the newcomers the possibility to establish themselves in the community. Positive messages were also spread via social media.

*"Many people were talking about this in a good way, so almost directly when the refugees arrived, the camp and these local organisations started to arrange meeting places, where the local inhabitants had the possibility to meet the refugees – and **once you get to know people, they become friends**,"* says Maria Gustafsson, manager of the Swedish Rural Network and an Orust resident.

Volunteer teachers went to the camp to help refugees **learn Swedish**. Furthermore, local employers have offered **internships** to asylum seekers, particularly linked to their existing skills, including in farming, veterinary, nursing and mechanics. This helps language learning and for newcomers to make useful contributions to the life of the community.

Refugees have also become involved in **cultural activities**, particularly a ukelele group – so much so that the leaders of the group decided to move their rehearsals to the camp. Numbers shot up from 30-40 to more than 150 members and they even started to tour the region together.

The rural areas themselves have benefitted. Ms Gustafsson explains: *"In my village, the school for ages 13 and over had recently closed down before the refugee camp, but the school has now reopened."* Reviving rural populations also helps maintain hospitals and doctors' surgeries.

*"Those that come think that there are more possibilities [in urban areas], so we need to... show them how much possibility they have locally,"* concludes Ms Gustafsson.

## CONCLUSIONS: WHAT CAN RURAL DEVELOPMENT POLICY DO FOR THE REFUGEE CRISIS?

There is real potential for Rural Development policy to play a role in contributing solutions to the refugee crisis, particularly through LEADER support for rural integration.

In the early stages of their arrival and journey through Europe, asylum seekers need various forms of emergency relief. Rural Development policy has not so far been significantly applied here, although we have seen that staff and partners of LEADER LAGs are often in the forefront of support.

However, Rural Development policy really comes into its own in the final crucial phase of integrating asylum seekers effectively into society and achieving benefits both for them and for rural areas.

The RDPs have a series of Measures which can be adapted to the needs of integrating asylum seekers in rural areas. These include:

- The Measure for 'basic services and village renewal in rural areas' which could in principle support investments in reception centres and other services;
- The Measures for farm and business development – which can support start-ups.

However, the most powerful tool available to rural areas is undoubtedly

the 2 400 LEADER LAGs that cover almost the entire rural territory of the EU. They can support the implementation of truly integrated packages of support involving the full range of local stakeholder groups.

Some Managing Authorities – such as the Swedish one – are encouraging a more flexible approach, allowing LAGs to use the full battery of eligible Measures, even if they do not explicitly mention migrants. This kind of flexibility could make LEADER a very powerful instrument to support migrants' integration.



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## 4. Multi-funded CLLD: towards integrated policy responses

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Europe's rural areas are highly connected, changing rapidly and extremely diverse. The European Commission has formally recognised that, to meet the complex nature of their inter-related challenges, local areas should be able to combine the different European Structural and Investment Funds into integrated packages.

On this basis, the new approach to Community-Led Local Development (CLLD), based on the LEADER method, was explicitly designed to allow local communities to draw down the different funds required to respond to their particular challenges.

This article analyses the state of play of multi-funded CLLD and some of the strategies that Member States and local communities are developing to make it work in practice in rural areas. It stresses that multi-funding provides an important opportunity to develop more integrated and responsive rural policies, but its success will depend very much on how it is implemented.

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THE NEED FOR INTEGRATED POLICY RESPONSES

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WHAT TYPE OF INTEGRATED POLICY PACKAGE?

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EXTENDING THE LEADER APPROACH

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TO WHAT EXTENT IS MULTI-FUNDING BEING USED?

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SCENARIOS AND STRATEGIES FOR INTEGRATION

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NEXT STEPS TOWARDS INTEGRATED POLICY PACKAGES IN RURAL AREAS

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## THE NEED FOR INTEGRATED POLICY RESPONSES

Europe's rural areas face a complex number of inter-related challenges emerging from local, regional, national and global realities. These require integrated responses from different policy areas.

Today's rural areas are not detached from challenges emerging from broader trends relating to the impact of globalisation, environmental and energy concerns, demographic change, technological transformation and social inequality.

The effects of external 'shocks' like the Russian trade embargo, the waves of migrants, the economic crisis and climate change are sweeping across rural Europe with the same – and sometimes greater – intensity as in the most developed urban areas.

Similarly, many people live lives that involve both rural and urban areas meaning that interests are intertwined. For example, recent figures from Spain suggest that over half the people living in rural areas now commute to work in 'urban' municipalities. Conversely, more than half of the

people working in farming now live in larger settlements and travel out to work on their farms each day.<sup>(1)</sup>

Europe's rural areas are immensely diverse and many are evolving rapidly in response to global, national and, also, local factors. Whilst many areas with good natural amenities close to cities are enjoying service-driven growth, studies show that many remote and intermediate rural areas have not yet been able to recover from the crisis.<sup>(2)</sup> Processes of population ageing are often being exacerbated in such areas, creating vicious spirals of decline and social exclusion.

The Funds available for the implementation of LAG strategies represent around 7 % of the total EAFRD budget. However, in principle, LEADER partnerships and strategies

could become platforms to promote more integrated and responsive uses of a series of Measures which could make use of a significantly larger share of the overall EAFRD funding.<sup>(3)</sup>

A particularly striking example is provided by **Saxony Anhalt** (DE), which has decided to manage approximately 40 % of its RDP through LEADER, giving budgets of up to €30 m to its LAGs.

### POLICY INTEGRATION WITHIN THE EAFRD

Policy integration can be supported by multi-funding approaches. Nevertheless, there are still major untapped opportunities for better local policy integration between the measures of the EAFRD itself. For example:

- **The soft measures for knowledge development.**

Some LAGs, such as Tagus in Spain, have developed local smart specialisation strategies as part of their LDS. They are providing the preliminary capacity building and organisational support for the creation of Operational Groups in key local food supply chains which can later be supported through the EAFRD Measures for **'Cooperation'**

and **'Knowledge Transfer'**.

Farm **advisory services** can also form part of LAG partnerships and ensure that the advice and training they provide to farmers and other actors in the food chain form part of an overall strategy.

- **The investment Measures for 'Basic Services and Village Renewal' and 'Farm and Business Development'.**

These will usually be managed by other organisations. However, in the case of **'Basic Services and Village Renewal'**, the municipalities concerned are likely to form part of the LAG. In some countries, such as the Czech

Republic and some German Länder, LAGs are already actively intervening to ensure public policies like education and health are more adapted to local needs.

The support to **'Farm and Business Development'** will also typically be managed more centrally, through regional or provincial government departments or development agencies. However, once again there are many examples of integrated approaches – where the LAG uses its own resources to build capacity and as seed money – which can then open up a pathway to finance from other RDP Measures, Financial Instruments and private sector investment.

(1) Los territorios rurales, la evolución de las políticas de desarrollo rural y la aplicación del segundo pilar de la PAC 2014-2020 en España. Raul Compés López, Francisco Martínez Arroyo y Luis Camarero in 'Redes de Innovación y Desarrollo Local para el Medio Rural'. Ministerio de Agricultura, Alimentación y Medio Ambiente. 2015.

(2) Third Espon Synthesis Report. Territories finding a New Momentum. Evidence for Policy Development Growth and Investment. July 2014.

(3) Potentially interesting Measures in this context include: M1 'Knowledge Transfer'; M2 'Advisory Services'; M6 'Farm and Business Development'; M7 'Basic Services and Village Renewal'; M16 'Cooperation' (see also the info box on 'Policy integration within the EAFRD').

## WHAT TYPE OF INTEGRATED POLICY PACKAGE?

To respond effectively to the complex nature of these challenges, the Commission has argued that rural and other areas should be able to combine the use of European funds in strategic ways.

The Common Provisions Regulation (CPR)<sup>(4)</sup> which lays down general rules for the European Structural and Investment Funds (ESI Funds) explicitly sets out the need for integrated approaches to the use of the Funds at territorial level.

*“Due to the complex and interrelated nature of such challenges, the solutions supported by the ESI Funds should be of an integrated nature, multi-sectoral and multi-dimensional. In this context, and in order to increase the effectiveness and efficiency of the policies, it should be possible for the ESI Funds to be combined into integrated packages which are tailor-made to fit the specific territorial needs.”*

*Common Provisions Regulation (CPR)  
Introduction, Whereas 18.*

There is major scope for ensuring synergies and complementarity between the ESI Funds. For example, evidence suggest that, in the past, 20-28 % of the ERDF was spent on rural regions (equivalent to € 40-50 bn of the ERDF budget for this period)<sup>(5)</sup> without explicit reference to Rural Development objectives.

The aim in 2014-2020 is to build effective and efficient combinations of policies that are capable of responding to the complex and evolving needs of rural areas. This is important for reminding ourselves that the different ways of ‘packaging’ the funding are a means to an end and not an end in themselves.

The CPR proposes three main approaches for implementing integrated packages of policies:

- **Community-Led Local Development Strategies (CLLD)**

Based on the LEADER method, CLLD is the only EU-wide programme where decisions about both the design of the strategies and the selection of projects are delegated to local partnerships made up of a majority of non-public stakeholders. It is also the most “local” approach as the local areas concerned should, as a rule, have no more than 150 000 inhabitants.

- **Integrated Territorial Investments (ITI)**

These are defined as “territorial strategies involving more than one priority axis of one or more Operational Programmes”. Under this approach, only the decisions about project selection have to be delegated to sub-regional public authorities. There is no obligation to decentralise decisions about strategy design or to involve private or civil-society stakeholders. The areas covered have to be sub-regional but tend to be much larger

than those dealt with by CLLD (for example, a metropolitan region or river basin). The EAFRD can take part in ITIs in rural areas.

- **Sustainable urban development provisions in the ERDF<sup>(6)</sup>**

This type of integrated territorial approach could still have an important impact on rural areas if applied in smaller towns and service centres or through rural-urban partnerships. It can be delivered either by an ITI, a separate programme, or specific priority axis under the ERDF. Certain parts could also be delivered through CLLD – for example for deprived urban neighbourhoods.

According to preliminary estimates it is clear that there has only been a modest expansion of CLLD financed by the ERDF and ESF. Meanwhile, use of publically run ITIs has taken off dramatically, mainly in cities.

Figure 1.

| Integrated approach           | Member States | Number of initiatives | EU budget € billion    |
|-------------------------------|---------------|-----------------------|------------------------|
| CLLD <sup>(7)</sup>           | 28            | 2813 + LAGs           | 9.26                   |
| ITIs                          | 20            | N/A                   | ca 14.4 <sup>(8)</sup> |
| Sustainable Urban Development | 28            | 400-800 cities*       | ca 15.0 <sup>(9)</sup> |

\* Selection ongoing in some Member States at time of writing.

(4) Regulation (EU) No 1303/2013.

(5) Expost Evaluation of Cohesion Policy 2000-2006 cofinanced by the ERDF. Section on rural development. Case study of Andalucía. December 2008.

(6) Article 7 ERDF Reg 1299/2013.

(7) Total number of initiatives and budget: EAFRD+ERDF+ESF+EMFF. See chart on page 29.

(8) Made up of approximately € 12 bn ERDF+€ 2.4 bn ESF.

(9) At least 5 % of the resources allocated to the ERDF under the Investment for growth and jobs objective must be earmarked for this type of integrated territorial approach. Over € 7 bn of the ERDF allocation to Sustainable Urban Development takes the form of ITIs included in the cell above.

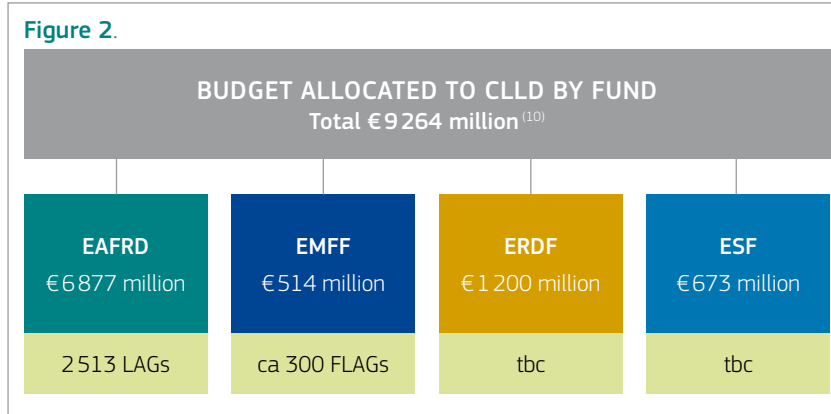
## EXTENDING THE LEADER APPROACH

Despite the pressures of austerity, the budget for integrated territorial approaches through CLLD based on the LEADER method has increased in the 2014-2020 period.

The success of the LEADER approach in rural and coastal areas under previous programming periods led the EU to propose its extension to four of the five ESI Funds – EAFRD, EMFF, ERDF and ESF – in 2014-2020.

This raised hopes for an important increase in both the size and scope of LEADER budgets in rural areas and for an extension of integrated community-led local strategies to urban areas and social issues.

However, the use of CLLD was only made mandatory under the EAFRD – where 5% of the EU contribution was earmarked for the LEADER method. Moreover, the authorities responsible for managing the ERDF and ESF were unfamiliar with the approach and concerned about the complexity and risks of delegating important decision-making powers to local non-governmental partnerships.



In the end, the total budget for CLLD financed from the EAFRD and EMFF has increased slightly. For some Member States and LAGs this has meant a larger budget, while in others there has been a reduction. However, the budgets allocated to CLLD from the ERDF and ESF – last estimates €1.2 bn and €673 m respectively – are lower than had been hoped for.

Nevertheless, it is still an important achievement to have increased the budget for integrated community-led strategies in times of austerity. Moreover, the budget available for both the ERDF and ESF is far greater than that available for LEADER in its pilot phase in the 1990s. This implies that there is now a major opportunity for testing integrated community-led approaches under all four Funds.

## TO WHAT EXTENT IS MULTI-FUNDING BEING USED?

The coordination of the European Structural and Investment (ESI) Funds for CLLD is obligatory. Nevertheless, there is a lot of flexibility in how it is implemented in practice.

The coordination of ESI Funds in support of CLLD is obligatory under the new Common Provisions Regulation<sup>(11)</sup>. This can be done within Local Development Strategies.

The new programming period took account of a report by the Court of Auditors,<sup>(12)</sup> which found that the rigid application of the rules and procedures

### EC GUIDANCE ON CLLD

- “Where a Local Development Strategy is financed by one Fund only, that Fund should offer its full scope of eligible support, including for actions which could potentially also be covered by other funds, in order to grant maximum flexibility to local actors to respond to their needs, in line with the Fund-specific rules.”
- “There is no need to set rigid demarcation lines between Funds, as long as there are sound procedures to ensure that there is no double funding.”

*EC Guidance on Community-Led Local Development for Local Actors, 2014<sup>(13)</sup>*

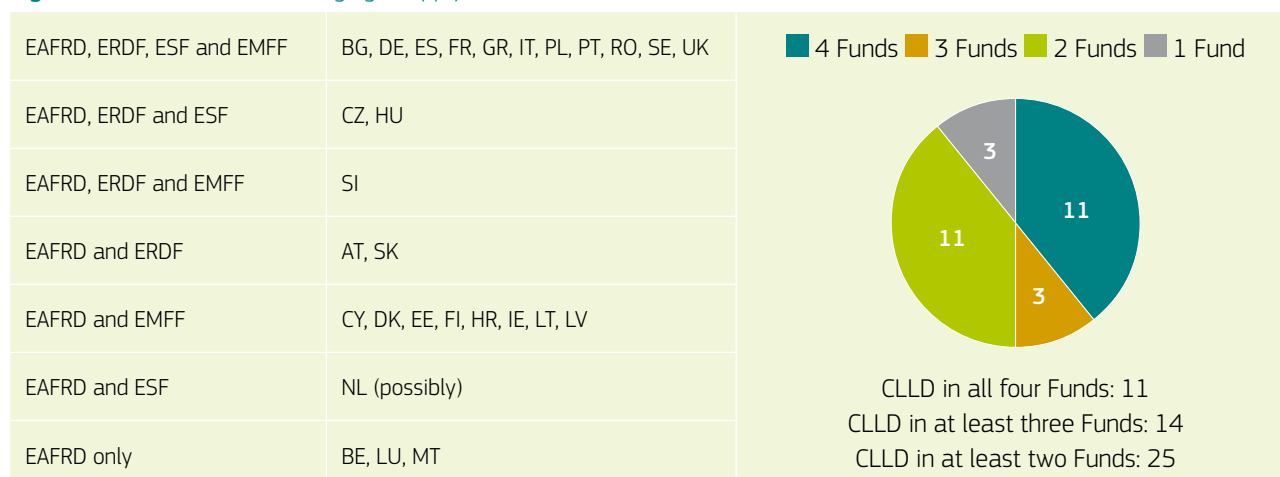
(10) Provisional estimates as at the time of writing some programmes had still to be approved and others were still being screened.

(11) [http://ec.europa.eu/regional\\_policy/en/information/legislation/regulations/](http://ec.europa.eu/regional_policy/en/information/legislation/regulations/)

(12) Court of Auditors Special Report No 5 on Leader 2010 [www.eca.europa.eu/Lists/ECADocuments/SR10\\_05/SR10\\_05\\_EN.PDF](http://www.eca.europa.eu/Lists/ECADocuments/SR10_05/SR10_05_EN.PDF)

(13) [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/guidance\\_clld\\_local\\_actors.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_clld_local_actors.pdf)



**Figure 3.** Member States envisaging to apply CLLD in different ESI Funds

from the standard Rural Development Measures was often reducing the added value of the LEADER approach by restricting the ability of LAGs to respond to local needs.

The Commission has, therefore, recommended that Member States (MS) take a broad and flexible approach towards the operations that can be supported by Local Development Strategies, regardless of the Funds being used. In effect, this widens the scope for supporting integrated policy packages.

Nevertheless, combining the different ESI Funds explicitly within one local strategy is only one way of achieving this coordination – and is optional.

At the time of writing, not all RDPs had been approved, so the following information is based on information in the Partnership Agreements adjusted to take account of comments received from certain Managing Authorities.<sup>(14)</sup>

As many as 19 Member States (MS) explicitly allow multi-funded strategies in their Partnership Agreements. Only three limit their application of CLLD to the mandatory minimum of the EAFRD. In principle, the scope for using more than one Fund is therefore quite wide.

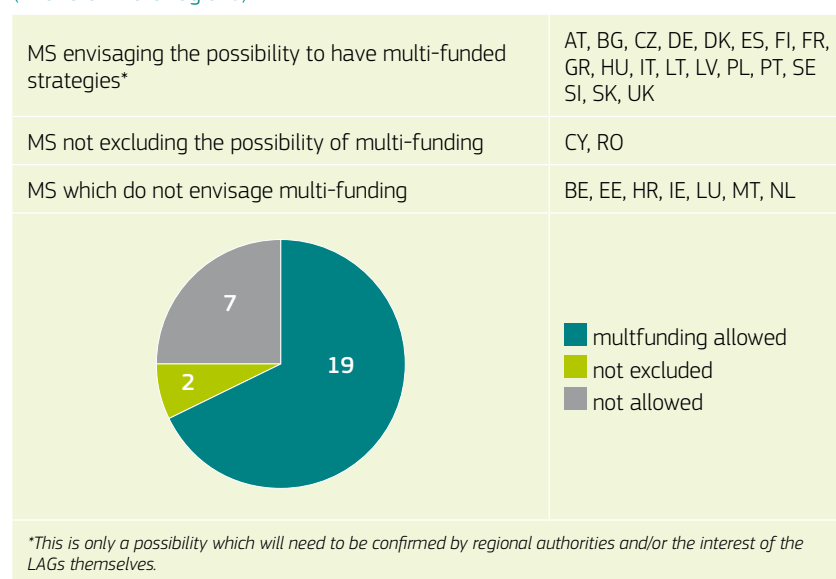
However, the fact that CLLD can be applied in several ESI Funds does not automatically mean that communities will actually be able to benefit from several Funds for their local strategies on the ground.

For instance, Estonia, Croatia and Ireland envisage CLLD in both EAFRD and EMFF, but do not allow these two Funds to be combined within a single strategy. In these cases, rural and fisheries CLLD areas will have to be separate.

The general picture, at the time of writing, was that the EU has

encouraged more integrated approaches but left considerable scope for Member States (MS) to decide whether and how to do this. MS have in turn left a lot flexibility to the regions and even to the local level.

From the preliminary figures, it appears that a minority of regions will take up this opportunity.

**Figure 4.** Member States (MS) allowing multi-funded strategies (in one or more regions)

## SCENARIOS AND STRATEGIES FOR INTEGRATION

The full picture of multi-funding use and good practice will only become clear in time. However, certain categories of approach already seem to be emerging.

**D**ifferent types of approach for managing multi-funding are emerging across Member States. In this context, the key point to remember is that if **less** integration takes place at higher levels, it means **more** must be done by local communities themselves.

### 1. Some MS have put in place integrated governance structures for managing all the ESI Funds.

The most developed example of this approach is **Sweden** which has created a single Managing Authority responsible for CLLD under all four ESI Funds. This allows for more integrated strategies at local level, which for example can also cover fisheries and coastal issues normally financed by the EMFF. The Swedish approach is made easier by the fact that the EAFRD is by far the largest and most experienced contributor. The extent to which the relatively small amounts of ERDF, ESF and EMFF funding will allow LAGs to widen their scope to deal with some of the new challenges facing rural areas – such as the arrival of large numbers of asylum seekers – remains to be seen.

### 2. Some MS have put in place a series of procedures to make it easier for the regions and local communities to use multi-funding if they wish to.

For example, Poland has put in place a number of tools to facilitate multi-funding:

- Common LDS selection procedures and criteria;

- Common legal form of the LAG and common definition of LAG responsibilities in all ESI Funds;
- One point of contact for LAGs at regional level;
- Umbrella projects to make it easier for beneficiaries;
- Simplified Cost Options;
- Special NRN working group for better communication with LAGs;
- Clearer division of tasks in applications processing;
- Greater emphasis on LAG performance via LDS results assessment.

### 3. In some MS, the ERDF has become the dominant fund for CLLD.

There is a group of countries where ERDF has taken over from the EAFRD to become the largest fund (e.g. **Czech Republic, Bulgaria**) or a very significant contributor to CLLD (e.g. **Hungary and Portugal**).

In some of these cases, a large part of the ERDF investment may be directed to urban areas. However, in rural areas, it will be important to see whether the injection of significant amounts of ERDF funds really allows rural LAGs to broaden their scope to deal flexibly with new rural challenges – or whether it means more of the same, but with another layer of complexity.

### 4. Some MS have made it easier for LAGs to manage specific programmes financed by different funds even when only mono-fund strategies are allowed.

This approach would be similar to that used in the previous period in Ireland where the LAGs were entrusted to manage significant programmes for social inclusion. The 'Pays' in France and the Development Agencies in Greece have in the past also managed separate rural and coastal development strategies – each financed by separate Funds.



© Serge Gomes da Silva (FARNET Support Unit)

In this period, some Managing Authorities, including certain regions in **Poland**, recognise the role of LAGs in implementing specific Measures of ERDF and ESF programmes and are designing specific calls with this end in mind.

**5. In some MS, it is up to LAGs to research ways of integrating sources of funding without the benefit of any coordinating systems at higher levels.**

Even when there are no systems to facilitate coordination, nearly all experienced LAGs actively search

and find ways of integrating new programmes and sources of funding at local level. This can mean fusing local partnerships into one, managing them

under a single umbrella organisation or looser forms of collaboration between the partners and staff of separate organisations.

#### LAG-FLAG COOPERATION

A good demonstration of how local groups can potentially integrate sources of funding without any official coordination mechanisms at a higher level was already provided in the previous programming period through cooperation between LAGs financed by the EAFRD and FLAGs financed by the EMFF.

Two thirds of the 300 FLAGs were involved in some form of cooperation with LAGs in the previous programming period and this is likely to be stronger in the future. A good example, is the cooperation between the LAG and FLAG in **Puglia, Italy**.<sup>(15)</sup>

## NEXT STEPS TOWARDS INTEGRATED POLICY PACKAGES IN RURAL AREAS

Even though the high hopes of a major extension of multi-funded CLLD have not been completely fulfilled, there are a number of promising avenues towards more effective and integrated policy coordination in local rural areas.

LEADER remains the only EU-wide initiative where representative groups of local citizens design integrated strategies for sub-regional rural areas and select local projects. The real challenge is **not** primarily to concentrate more resources and functions into one organisation. It is to use the broad participative nature of LEADER partnerships and strategies, together with the limited funds at their disposal, as a lever for more innovative and responsive rural policies – even when these are managed by others.

If LEADER strategies and partnerships can play a role in supporting the

implementation of integrated packages of support to key investment areas such as rural broadband, health, education, social, cultural and environmental facilities, this would be a major step forward. Enabling and ensuring integrated and complementary approaches between the different EAFRD Measures is a crucial starting point in this context (see box on p. 27).

Beyond this, if multi-funding is well-managed at national and regional levels, it can create new opportunities for building the even more extensive integrated policy packages

recommended by the EU and open the door for local partnerships to have a greater say in the application of the broader range of policies funded by the ESIF.

Over the coming months, the ENRD Contact Point will be monitoring and collecting examples of emerging approaches to CLLD and holding a series of events and workshops to share experiences. We would welcome your examples – both good and bad.



## 5. The European Fund for Strategic Investments: potential for rural areas

© European Union, Vladimír Šimicek

The key tool for implementing the European Commission's 'Investment Plan for Europe' is the European Fund for Strategic Investments (EFSI) set up in 2015. This is complemented by the European Investment Advisory Hub and the European Investment Projects Portal, as well as structural reforms and simplification to provide an investment-friendly environment.

The EFSI aims to mobilise €315 bn of investment in key growth-enhancing areas experiencing investment gaps by providing €21 bn of financial guarantees. It particularly targets higher risk financing for large-scale strategic investments in infrastructure, education and innovation, as well as finance for SMEs.

This article explores how the EFSI might be used to support the achievement of Rural Development objectives and its potential complementarity with the EAFRD. Finally, it examines the structures and tools created to help stakeholders understand and make the most of the opportunities provided.

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THE 'INVESTMENT PLAN FOR EUROPE'

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THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS (EFSI)

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EFSI AND RURAL DEVELOPMENT

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EFSI DELIVERY CHANNELS

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COMBINING EFSI AND EAFRD

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SUPPORT AND ADVICE ON ACCESSING FINANCE

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MAKING THE MOST OF THE POTENTIAL FOR RURAL AREAS

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## THE 'INVESTMENT PLAN FOR EUROPE'

According to European Commission figures, investment in the EU in 2015 was still 15% below pre-crisis levels. There appears to be a reduced capacity of investors to take risks. This points to a market failure, which the EU must remedy to put Europe on the path to economic recovery.

The response by the European Commission has been to launch the 'Investment Plan for Europe', also

communicated as the 'Juncker Plan', as one of its key priorities. It has the aim of **mobilising investments of at least €315 billion** in three to four years; supporting investment in the real economy and creating an investment-friendly environment.<sup>(1)</sup>

The ultimate aim is address market gaps in order to ensure **essential investment in infrastructure, innovation and SMEs** (small and medium-sized enterprises). It

targets higher risk investment in the real economy in areas such as infrastructure, education, research, innovation and renewable energy.

## UNDERSTAND THE ACRONYMS

It is important to understand the difference between some of the very similar looking acronyms used in this field. They refer to instruments or bodies, which play different roles.

| <b>EFSI</b><br>European Fund for Strategic Investments   | <b>ESIF</b><br>European Structural and Investment Funds   | <b>FIs</b><br>Financial Instruments  | <b>EIF</b><br>European Investment Fund  |
|--|---|--|---|
| <p>Operational since 2015, EFSI is the new instrument at the heart of the European Commission's 'Investment Plan for Europe'.</p> <p>The EFSI aims to provide €21 bn of financial guarantees in order to mobilise €315 bn of public and private investment in the economy.</p> <p>It will catalyse investment in two main areas: infrastructure and innovation; and risk finance for SMEs.<sup>(2)</sup></p> | <p>The ESIF (or ESI Funds) is the collective term for five major EU funds supporting projects and other initiatives across the EU:</p> <ul style="list-style-type: none"> <li>• Cohesion Fund;</li> <li>• European Regional Development Fund;</li> <li>• European Social Fund;</li> <li>• European Agricultural Fund for Rural Development;</li> <li>• European Maritime and Fisheries Fund.</li> </ul> <p>With a total budget of €454 bn for 2014-2020, they are still "the EU's main investment policy tool."<sup>(3)</sup></p> | <p>FIs are specific tools which support access to finance. They include financial products such as loans, guarantees, equity and other risk-bearing mechanisms.</p> <p>FIs can be used under the ESIF and the EFSI.</p> <p>FIs are an efficient way to support investments because the finance can be 'recycled' to support further initiatives.<sup>(4)</sup></p> | <p>The EIF and the European Investment Bank (EIB) together form the EIB Group.</p> <p>The EIB works closely with other EU institutions to implement EU policy. The EIF is a specialist provider of risk finance – primarily through financial intermediaries – to benefit SMEs in the EU.</p> |

(1) Source: [http://ec.europa.eu/priorities/jobs-growth-investment/plan/index\\_en.htm](http://ec.europa.eu/priorities/jobs-growth-investment/plan/index_en.htm)

(2) Regulation (EU) 2015/1017. See also: [http://ec.europa.eu/priorities/jobs-growth-investment/plan/efsi/index\\_en.htm](http://ec.europa.eu/priorities/jobs-growth-investment/plan/efsi/index_en.htm)

(3) Source: [http://ec.europa.eu/contracts\\_grants/funds\\_en.htm](http://ec.europa.eu/contracts_grants/funds_en.htm)

(4) Visit [www.fi-compass.eu](http://www.fi-compass.eu) for specific advice on the use of FIs under the five ESI Funds.

## THE EUROPEAN FUND FOR STRATEGIC INVESTMENTS (EFSI)

At the heart of the ‘Investment Plan for Europe’ is the European Fund for Strategic Investments (EFSI).<sup>(5)</sup> The EFSI builds on financial guarantees amounting to €21 bn which aim to address the shortage of higher-risk financing in the EU.

Through an agreement between the European Commission and EIB, the EFSI is set up and managed within the structures of the EIB Group. It is made up of a **€16 bn guarantee provided by the EU** and a **€5 bn guarantee from the EIB**.

The EFSI is not a funding mechanism to pay or co-finance the activities of projects/initiatives in the way that the European Structural and Investment Funds (including the EAFRD) do. Rather, it provides financial products – such as **loans, guarantees and equity investments** – which aim to go a

long way to mobilising the targeted €315 bn of mostly private capital for strategic investments in the EU and strengthening the SME sector. As Figure 1 shows, the EFSI is structured in two components:

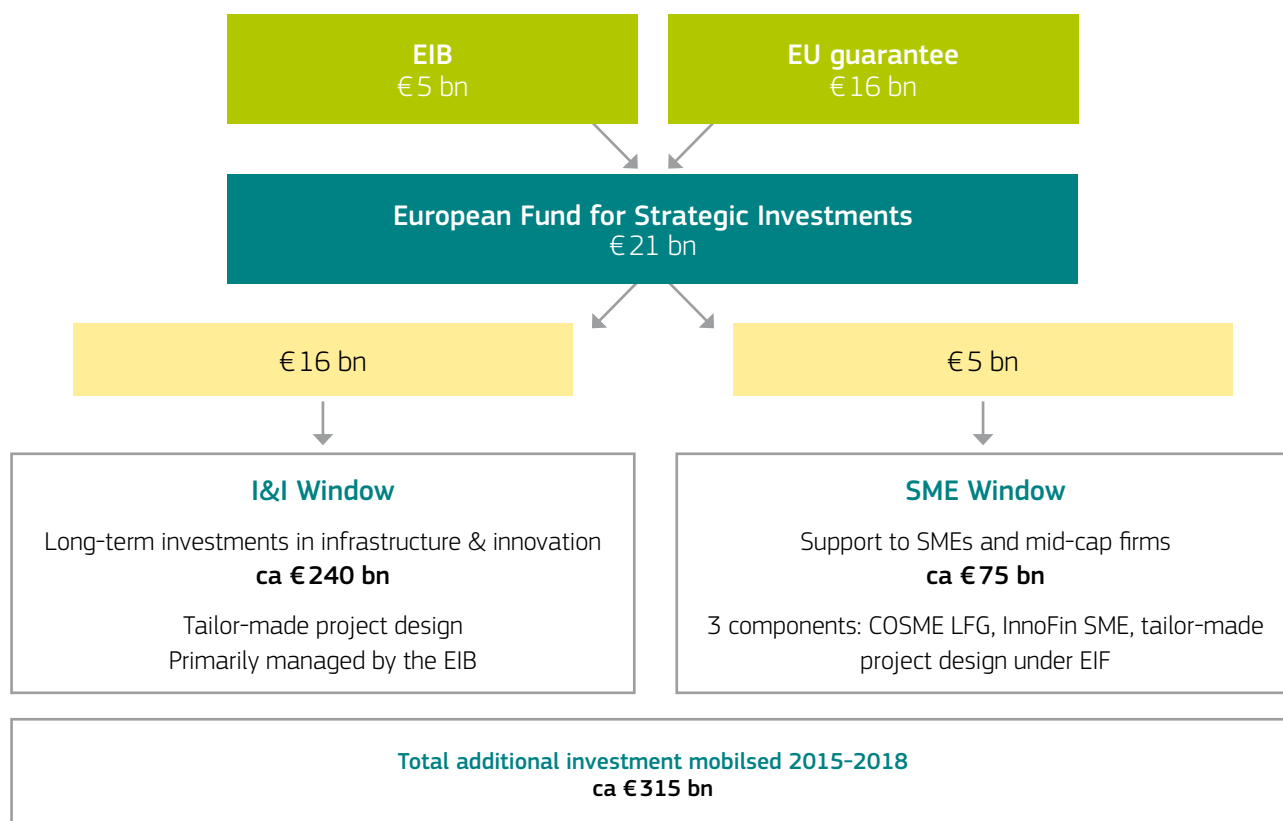
- 1. I&I Window** – provides finance to support longer-term investments in ‘Infrastructure & Innovation’. It mainly targets larger-scale investments (€25 million).
- 2. SME Window** – provides risk finance to support SMEs and mid-cap companies – defined as up to 3000 employees.

EFSI guarantees are primarily aimed at projects which:

- a.** attract private capital and/or address market failures;
- b.** be economically and technically viable;
- c.** be risk-bearing; and
- d.** be unlikely to have been supported by other instruments.

However, there is no strict requirement for sectoral or geographical balance in the allocation of EFSI funds.

Figure 1. Structure of the European Fund for Strategic Investments (EFSI)



Source: EIB website / ENRD Contact Point

(5) <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL%3A2015%3A169%3ATO>

## EFSI AND RURAL DEVELOPMENT

The EFSI has the potential to contribute to the achievement of EU Rural Development objectives. Of particular interest is the fact that it can support projects which would not previously be supported under the existing ESI Funds.

The official priorities for EFSI financing are of high potential relevance for rural areas in Europe. Focuses on innovation, energy and resource efficiency, transport, ICT, employment creation, SME support, health and culture all match with the various ambitions of rural stakeholders.

The EFSI Regulation<sup>(6)</sup> specifically states that these investments should “include projects of common interest in the urban and rural development and social fields and in the environmental and natural resources fields”.

One of the most interesting potential benefits of the EFSI is its ability to support **projects which could not previously be supported under the existing ESI Funds**, whether because of their financial volume, a lack of financial guarantees, or because the specific project did not fit with the

exact requirements or objectives of existing programmes.

Not being bound to a fixed set of Measures, EFSI is generally able to support any project that meets the investment criteria established. Furthermore, the focus of the EFSI on **supporting higher-risk projects** can be of great interest in addressing some of the obstacles that many rural stakeholders face in accessing mainstream finance.

One example could be support for the provision of **rural broadband access**. Generally, it is harder for stakeholders in rural areas to access the private finance to set up the necessary infrastructure because it is seen as a riskier investment than in urban areas. In such a case, the EFSI can provide financial guarantees to support innovative financial models and the mobilisation of private capital.

Both EFSI windows are potentially relevant for rural areas and the achievement of Rural Development objectives. While a major broadband infrastructure project is likely to be supported under the ‘Infrastructure & Innovation’ Window, the SME Window is more accessible for small-scale producers and rural businesses. As the EFSI focuses on riskier undertakings, this is particularly interesting for (new) farmers or enterprises with little capital of their own, as well as for SMEs and mid-cap businesses in countries where access to credit is currently limited.

### EFSI PRIORITY ISSUES

Priority issues for EFSI have been defined broadly. Projects supported by EFSI are expected to contribute to at least one of the following areas:

- a) Research, development and innovation;
- b) Development of the energy sector;
- c) Development of transport infrastructures;
- d) Development of SMEs and small mid-cap companies;
- e) Development of ICT;
- f) Environment and resource efficiency;
- g) Human capital, culture and health.



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## EFSI DELIVERY CHANNELS

The portfolio of (Financial) Instruments or products potentially made available under the EFSI is extremely diverse. These can include mechanisms for combining EFSI-backed financial guarantees with European Structural and Investment Funds.

The portfolio of delivery channels for the EFSI financial guarantees will be continuously extended and developed, including tailor-made solutions for specific project ideas. Nevertheless, some key delivery channels can already be identified:

### 1. Direct applications to the EIB – under the ‘Infrastructure & Innovation’ (I&I) Window.

The I&I Window is managed by the European Investment Bank (EIB). **Applications can be made on an ongoing basis by any public or private promoter.** As well as avoiding administrative layers, applications for EFSI-backed financing enjoy a fast-track state-aid approval process. The main scope of the I&I Window is to support large-scale investments of more than €25 million.

Some of the EIB’s first EFSI projects under the I&I Window include investment in healthcare research in Spain, energy efficiency in France, the construction of 14 new healthcare centres across Ireland and backing for industrial innovation in Italy.

### 2. Applications to financial intermediaries supported by existing EU Financial Instruments – under the SME Window.

One of the delivery mechanisms set up by European Investment Fund (EIF) under the SME Window has been to make €2.5 bn available in the form of front-loading for two existing EU-level Financial Instruments that it already manages:

**a) InnovFin SME Guarantee Facility<sup>(7)</sup>** – covers a portion of

losses incurred by selected financial intermediaries on higher risk financing to SMEs for innovative projects under the Horizon 2020 Programme.

**b) COSME Loan Guarantee Facility (LGF)<sup>(8)</sup>** – offers guarantees and counter-guarantees, including

securitisation of SME debt finance portfolios, to selected financial intermediaries to help them provide more loans and leases to SMEs who might be having difficulties in accessing the traditional banking system. The LGF is part of COSME



© Metsä Group

### LARGE-SCALE EFSI SUPPORT FOR A FORESTRY BIOMILL IN FINLAND

The first loan under the EFSI I&I Window in Finland has been granted to support construction of a large-scale bio-product mill in Äänekoski, Finland.

EFSI is providing €275 million of finance to enable a €1.2 billion investment in a new biomill to replace an old pulp mill in the same location. The project represents one of the largest industrial investments ever undertaken in the country and is expected to sustain an estimated 2 500 long-term jobs in the forestry sector – with 1 500 of them being new jobs.

The project promoter is Metsä Fibre – a private company producing bioproducts and bioenergy from sustainably managed northern forests. It is aiming to increase its competitiveness through higher product quality, higher resource efficiency, and innovative process optimisation.

The mill is the first of its kind in the world and will produce 1.3 million tonnes of high-quality pulp per year and a broad range of bioproducts, such as tall oil and bioelectricity. The project includes the generation of energy from renewable sources and an innovative bark gasification plant that will allow the mill to be fossil fuel free.

For more information, see:

- [www.bioproductmill.com/about-the-bioprocess-mill](http://www.bioproductmill.com/about-the-bioprocess-mill)
- [www.eib.org/projects/loans/2014/20140557.htm](http://www.eib.org/projects/loans/2014/20140557.htm)

(7) [www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/innovfin-guarantee-facility](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility)

(8) [www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/cosme-loan-facility-growth/index.htm](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/index.htm)



– the EU's Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises.

For potential final beneficiaries, i.e. SMEs, counterparts for project implementation will be financial intermediaries, such as guarantee institutions, banks, leasing companies, etc.

### 3. Applications to investment platforms backed by EFSI guarantees – under the 'Infrastructure & Innovation' (I&I) Window.

Investment Platforms are co-investment arrangements under which private and public entities can jointly channel financial contributions to

create an umbrella body for investing in various projects within its agreed target fields. The platforms can be of regional, national or transnational scope; they can also have a sectoral scope.

Such platforms are quite attractive for investors as they spread the risks involved compared to investing in one specific project and transaction costs are reduced. Investment amounts and contributions to individual projects can vary on the basis of specific contractual arrangements.

EFSI guarantees are not a pre-requisite, but can be used to support investment platforms by providing guarantees and offsetting some of the investment risks. Investment platforms

backed by EFSI guarantees are more likely to attract private investors, and to be willing to provide higher-risk financing.

Moreover, investment platforms, allow to more easily achieve a critical mass of finance needed for large-scale investments falling into the scope of the I&I Window.

Several Member States have already declared that they will co-finance projects supported under the EFSI or contribute to investment platforms – including Bulgaria, France, Germany, Italy, Luxembourg, Poland, Spain, Slovakia and the UK.



#### IMPLEMENTATION OF AN EFSI-SUPPORTED AGRI-GUARANTEE SCHEME IN GERMANY

One national and 16 regional guarantee banks in Germany have signed a contract with the EIF for implementation of an Agri-Guarantee-Scheme under the COSME Loan Guarantee Facility (LGF), backed by the EFSI.

The aim is to use €670 million of loans to support around 4 000 new and existing SMEs in the agriculture and horticulture sectors.

Despite the bank's long-standing experiences in supporting SMEs, the new scheme enables it to branch out into riskier investments in the relatively new sectors of agriculture, aquaculture and horticulture.

Beneficiaries can apply for loans for activities including start-ups, succession, purchase of land and company shares,

renovation and modernisation measures or actions for accessing markets. Bank branches have the local knowledge and can make a first assessment of the undertaking before taking forward the appropriate applications to the guarantee bank on behalf of the SME.

The scheme aims to allow agricultural SMEs to obtain loans for investments which would not normally have been considered. The network of actors around the bank and the cooperation with the German farmers' association and its promotional work have been essential for implementing the scheme so far. Easily comprehensible information is key to raising potential beneficiaries' awareness of the support available.

## COMBINING EFSI AND EAFRD

Given the potential contribution of EFSI to leveraging investment in support of Rural Development objectives, it will be important for the appropriate authorities to explore effective means to use that potential and achieve complementarity between the EFSI and EAFRD.

Combination of EFSI and ESI Funds, such as the EAFRD, is possible at the level of investment platforms or individual projects. Direct links between EFSI and ESIF are possible where the respective funding and eligibility criteria are satisfied. Multiplier

effects and positive linkages between the EFSI and other EU instruments are amongst the parameters considered in the selection of EFSI projects.

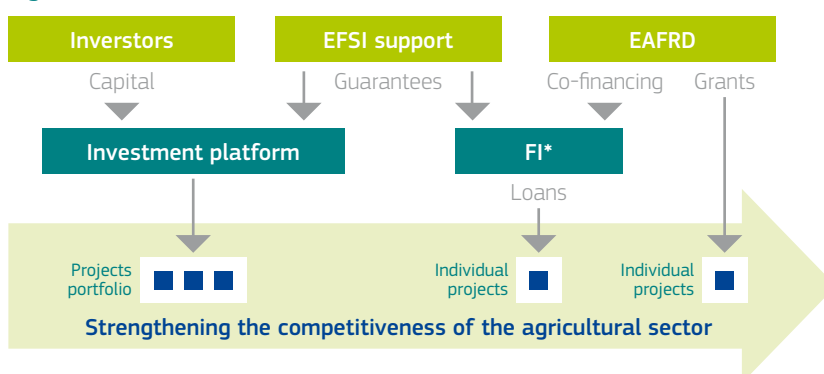
One particular area of interest is that **EAFRD Managing Authorities**

**can not only promote but also contribute to the development of investment platforms** (see page 37) to further investments in the development of rural areas and the agri-business sector.

Several approaches are possible. For example, backed by an EFSI guarantee, a Managing Authority could set up a new investment platform or make a financial contribution from an ESI Fund to an existing investment platform.

Furthermore, Managing Authorities, like guarantee banks, could set up a Financial Instrument backed by an EFSI guarantee. One option is to devote ESIF resources to Financial Instruments at EU level – such as COSME, as described above.

**Figure 2. Combination of EFSI and EAFRD**



Source: ENRD Contact Point

## SUPPORT AND ADVICE ON ACCESSING FINANCE

Support tools have been foreseen at EU level to help make finance reach the European economy. Stakeholders can use these tools to navigate the potentially complex financing landscape, which includes the opportunities provided by EFSI.

As explained earlier, the range of financial products potentially available under the EFSI is extremely diverse. Furthermore, investments in some project ideas will require specific investment concepts based on tailor-made support.

To help both investors and potential beneficiaries to understand and make the most of the potential opportunities available, tools to facilitate access to information, guidance and advice have been foreseen. In particular, work has been undertaken to create the **European Investment Advisory Hub (EIAH)**.

In addition, 2016 sees the launch of the **European Investment Project Portal**, which aims to bring together potential investors with project promoters. More than simply flagging new investment opportunities to potential investors, it aims to help build the relationship with investors and encourage investor confidence by providing clear and transparent project information.

Once in place, any legal entity based in the EU with a project idea seeking investment of at least €10 million should be able to submit their project

proposal to the Portal. After approval, these investment opportunities will be listed on the Portal for consideration by potential investors.

For instance, a regional authority could post their concept for developing broadband facilities in rural areas and attract private partners like telecommunication companies to create a form of public-private partnership.

Projects do not have to fall under the scope of the EFSI to be posted on the

platform. Nevertheless, if they do so and are submitted to the EIB specifically for that purpose, they might receive a guarantee under the EFSI.

### EUROPEAN INVESTMENT ADVISORY HUB (EIAH)

The EIAH provides a single point of access to a network of partner institutions able to provide investment support, advisory services and technical expertise. Through the Hub, project promoters, public authorities and private companies can be directed to technical support to make their projects investment-ready, gain advice on suitable funding sources, and access a unique range of technical and financial expertise.

Stakeholders are directed to advice on how to access European investment support from the different Technical Assistance, Financial Instruments or Guarantee Funds. If a project proposal does not fall within the scope of the EFSI, it can be directed to alternative support instruments.

The EIAH can direct potential beneficiaries to the appropriate authorities, banks, financial intermediaries or specialised units – such as Fi-compass, JEREMY and JASPER – providing tailor-made advice and guidance on specific investment tools.

[www.eib.org/eiah](http://www.eib.org/eiah)

## MAKING THE MOST OF THE POTENTIAL FOR RURAL AREAS

One of the keys to ensuring effective use of EFSI in support of projects and investments furthering the development of rural areas and the agricultural, food, and forestry sectors is increasing awareness and understanding of its potential.

Different stakeholder groups have different roles they can play at this stage to promote effective use of EFSI for Rural Development objectives:

- **Managing Authorities (MAs)** can trigger the implementation of parts of the SME Window in their country or region by supporting the provision of EAFRD co-financing or establishment of effective investment platforms. MAs could usefully review their RDP for options to increase potential synergies with the EFSI, for example by extending the scope of the cooperation Measure to enable beneficiaries to take advantage of undertakings supported under the EFSI.
- **National promotional banks and other financial intermediaries** may also contribute to the establishment of investment platforms or specific Financial Instruments aimed at rural sectors of activity including agriculture, food or forestry.
- **The range of EFSI and rural development stakeholder organisations** have a key role to play in raising stakeholder awareness of the potential of EFSI, particularly amongst those

who would not normally be clients of the EIB Group. This means the EU institutions and national promotional banks and other financial institutions, but also rural networks, Managing Authorities, farmers' associations, and European and national sectoral organisations.


- **Potential project promoters** themselves should not hesitate to contact the Advisory Hub and/or to post a proposal on the Project Portal. For many, it could be worth exploring potential partners to develop more substantial project ideas with the critical mass to attract investment support under the EFSI. Banks may also be able to provide information on the range of Financial Instruments and EFSI support options. Moreover, interested SMEs might want to encourage financial intermediaries to apply for and offer an EFSI-backed SME scheme.

“*Now is the time for project promoters to submit an application and thus to benefit and contribute to the Investment Plan.*”

*Phil Hogan, European Commissioner for Agriculture and Rural Development*

The ENRD Contact Point (CP) is jointly organising with DG AGRI two workshops on the European Fund for Strategic Investments (EFSI) in early 2016. These aim to support understanding of the EFSI, the European Investment Advisory Hub (EIAH) and the European Innovation Project Portal (EIPP) amongst a range of rural stakeholders and to enable them to make full use of the potential made available by these tools.

For more information and to see presentations and other EFSI-specific outputs, please visit the news and events section of the ENRD website



## 6. Achieving more with the Cooperation Measure

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The 2014-2020 programming period offers new and exciting possibilities for rural development stakeholders to develop activities through cooperation.

Although the Cooperation Measure (Measure 16) is relatively small in terms of budgetary allocation, it has the potential to be a significant catalyst for improved implementation of the Rural Development Programmes (RDPs).

In particular, it can be used to set up partnerships that are then better placed to improve the performance of other Measures.

This article gives insight into some of the potential of the Cooperation Measure in the new programming period and offers some guidance on making the most of the Measure.

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NEW POSSIBILITIES FOR COOPERATION 2014-2020

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BUDGET ALLOCATIONS 2014-2020

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COOPERATION AS A CATALYST

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TYPES OF COOPERATION ACTIVITY

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MAKING THE MOST OF THE POTENTIAL

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## NEW POSSIBILITIES FOR COOPERATION 2014-2020

The Cooperation Measure of the 2014-2020 EU Rural Development policy – Measure 16 – goes far beyond the provisions of the 2007-2013 programming period.

Whilst the previous provisions focused on the use of cooperation “in the development of new products, processes and technologies in the agri-food and forest sectors”, the current EAFRD Regulation<sup>(1)</sup> provides for much more varied kinds of cooperation so long as they can “contribute to achieving the objectives and priorities of Rural Development policy”.

This means that there is now the possibility to use the Cooperation Measure to support a much broader range of rural development activities, whether economic, environmental or social in nature.

The European Commission's ‘Guidance Document on the 2014-2020 Cooperation Measure’<sup>(2)</sup> highlights three major reasons why the decision was taken to extend the scope of

cooperation support in the current programming period. Firstly, the Cooperation Measure “attracted limited interest” during the 2007-2013 period. Secondly, it was observed that there were “gaps in the [previous] provision”. Thirdly, the “requirement always to involve a primary producer or processor [was] problematic”.

### Who can cooperate

A fundamental rule of the Cooperation Measure is that at least two entities must be involved in a supported project.

A very wide range of operators working together are potentially eligible for support. The EAFRD Regulation leaves it open for programming authorities to define their own eligibility criteria for the Cooperation Measure under each RDP.

### LEADER COOPERATION

LEADER cooperation is supported under sub-Measure 19.3.

This article covers the cooperation activities that can be supported under article 35 of the EAFRD Regulation<sup>(3)</sup> – elaborated as Measure 16 under the Implementing Regulation.<sup>(4)</sup>

### Cooperation 2007-2013

Rural Development policy\* offered support for certain limited types of joint activity, such as cooperation in the development of new products, processes and technologies in the agri-food and forestry sectors (art. 29).

*\*Council Regulation (EC)  
No 1698/2005*

### Cooperation 2014-2020

Rural Development policy\* now offers much broader support for cooperation, covering:

- (a) cooperation approaches among different actors in the Union agriculture sector, forestry sector and food chain and other actors that **contribute to achieving the objectives and priorities of Rural Development policy**, including producer groups, cooperatives and inter-branch organisations;
- (b) the creation of **clusters and networks**;
- (c) the establishment and operation of **Operational Groups** of the European Innovation Partnership for Agricultural Productivity and Sustainability as referred to in Article 56.

*\*Regulation (EU) No 1305/2013, art.35*

(1) Regulation (EU) No 1305/2013 on support for rural development by the EAFRD

(2) [http://ec.europa.eu/eip/agriculture/sites/agri-eip/files/16\\_measure\\_fiche\\_art\\_35\\_co-operation.pdf](http://ec.europa.eu/eip/agriculture/sites/agri-eip/files/16_measure_fiche_art_35_co-operation.pdf)

(3) Regulation (EU) No 1305/2013 on support for rural development by the EAFRD

(4) Commission Implementing Regulation (EU) No 808/2014 laying down rules for the application of Regulation 1305/2013

## BUDGET ALLOCATIONS 2014-2020

The allocations to Measure 16 (M16) tend to be higher in RDPs from regionalised Member States. A further observation is that M16 has been targeted towards two EU Focus Areas: 2A and 3A.

Now that all 118 RDPs have been approved, we can already make a first assessment of the budgets allocated to the Cooperation Measure (M16) in the current programming period.

Overall, an average of 2.9 % of RDP budgets are allocated to Measure 16. However, a few RDPs have devoted a significantly greater percentage to it.

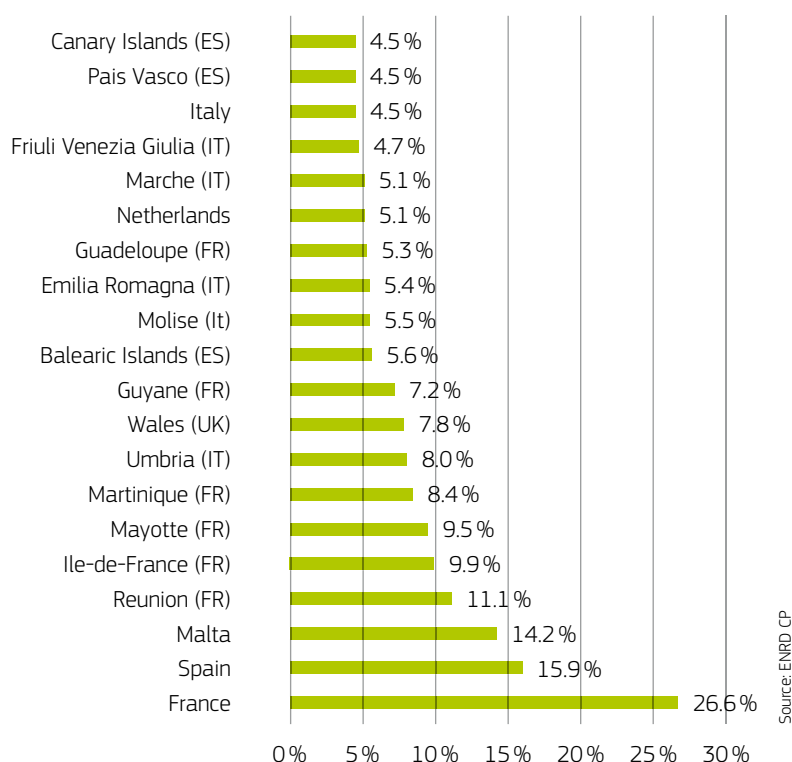
An interesting observation is that 18 of the 20 RDPs that allocate the greatest percentage of their budgets to cooperation are from regionalised Member States. This includes seven RDPs from France, six from Italy and four from Spain.

The French National Programme allocates as much as 26.6 % to cooperation, followed by the Spanish National Programme with 15.9%. Programming relatively few Measures at the national level, the French and Spanish RDPs prioritise those Measures which have a bigger potential for multi-regional approaches.

A further observation is that the Cooperation Measure is relatively strongly targeted at improving the economic performance of farms and improving the competitiveness of primary consumers. Understanding

the reasons behind this programming approach and what potential advantages and challenges may arise from allocating Measure 16 in this way will require more detailed examination in the future.

**Figure 1. Top 20 RDP Budget Allocations to Cooperation Measure**  
M16 share of the RDP



### MEASURE 16 TARGETED TOWARDS TWO EU FOCUS AREAS

More than 50 % of the total budget allocation for cooperation across the RDPs is programmed for just two Focus Areas:

- 2A – improving the economic performance of all farms and facilitating farm restructuring and modernisation, notably with a view to increasing market participation and orientation, as well as agricultural diversification.
- 3A – improving competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and organisations and inter-branch organisations.

#### M16 Allocation by Focus Area across all RDPs

| 2A      | 2B     | 3A      | 3B     | P4      | 5A     | 5B     | 5C     | 5D     | 5E     | 6A     | 6B     | 6C     |
|---------|--------|---------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| 27.40 % | 0.70 % | 27.22 % | 0.87 % | 15.70 % | 2.61 % | 1.29 % | 3.22 % | 1.37 % | 2.68 % | 8.88 % | 7.51 % | 0.27 % |

## COOPERATION AS A CATALYST

An exciting area of potential for rural development stakeholders is the possibility to use Measure 16 (M16) to support the set-up costs of a partnership or initiative, which could then access funding under another RDP Measure.

The essence of the Cooperation Measure is that it is about supporting entities to work together. Its reach can therefore go far beyond supporting only projects under M16.

M16 can support costs involved in establishing a partnership, including the elaboration of studies or plans, animation and running costs. In this way it can support stakeholders to prepare themselves to access other RDP Measures collectively.

The Cooperation Measure should be used to make new things happen, either by creating a new partnership or supporting a new project for an existing group. As long as the operation contributes towards one of the Rural Development priorities and stays within the given eligibility rules for beneficiaries and cost, the only potentially limiting factor is imagination.

For example, cooperation projects could be in the field of innovation in the agri, food and forestry sectors, but also for the development of short supply chains and local markets, joint forest management plans, machinery rings and buyers' clubs.

The table below sets out the two categories of costs that are eligible under the Cooperation Measure: the costs arising from running a partnership; and the costs arising from project activities themselves.

The Cooperation Measure has a strong potential to boost performance of other Measures by organising collective action. Nevertheless, it is still a Measure in its own right and, as such, it is also possible to fund

all project costs under the Measure, provided it follows the same support rates as other similar Measures. So if there are investment costs that could have fitted under the Investment Measure, the support rates should not exceed what is allowed for 'normal' investments.

EAFRD Regulation, Article 35 (6) states: "Where a business plan or an environmental plan or a forest management plan or equivalent or a

*development strategy is implemented, Member States may grant the aid either as a global amount covering the costs of cooperation and the costs of the projects implemented or cover only the costs of the cooperation and use funds from other Measures or other Union Funds for project implementation."*<sup>(5)</sup>

### ELIGIBLE COSTS UNDER THE COOPERATION MEASURE

| Costs arising from coordination / organisation | Costs arising from project activities themselves   |
|--|--|
| Feasibility studies / plans                    | Direct costs linked to a detailed plan   |
| Animation / running                            |  |
| Costs of cooperation                           | Promotion activities (only eligible for short supply chains and local markets set up under 16.4)                                   |
|  | Dissemination costs (in particular for sub Measures 16.1 and 16.2 where EIP Operational Groups are obliged to disseminate results) |



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## TYPES OF COOPERATION ACTIVITY

The types of activity that can be supported under Measure 16 are defined by ten sub-Measures. Importantly, although sub-Measures 16.1-9 set out the main activities suitable for support, the list is not closed; sub-Measure 16.10 provides the space for other types of activity.

### Measure 16 sub-Measures

**16.1** support for the establishment and operation of **Operational Groups** of the EIP for Agricultural Productivity and Sustainability

**16.2** support for **pilot projects** and for the development of **new products, practices, processes and technologies**

**16.3** cooperation among small operators in organising **joint work processes and sharing facilities and resources**, and for **developing and marketing tourism**

**16.4** support for horizontal and vertical cooperation among supply chain actors for the establishment and **development of short supply chains and local markets** and for promotion activities in a local context relating to the development of short supply chains and local markets

**16.5** support for joint action undertaken with a view to **mitigating or adapting to climate change** and for joint approaches to **environmental projects** and ongoing environmental practices

**16.6** support for cooperation among supply chain actors for **sustainable provision of biomass** for use in

food and energy production and industrial processes

**16.7** support for **non-CLLD strategies**

**16.8** support for drawing up of **forest management plans** or equivalent instruments

**16.9** support for **diversification of farming activities** into activities concerning health care, social integration, community-supported agriculture and education about the environment and food

**16.10 Others** (see project box below)

Managing Authorities (MAs) can use the existence of sub-Measure 16.10 'Others' to programme support for other types of cooperation activity which can contribute to the achievement of the priorities of Rural Development policy. It is up to them to define at the programming stage what types of cooperation activity will be eligible under sub-Measure 16.10.

Nevertheless, MAs cannot use 16.10 to propose a 'new' category which is similar to one of the other sub-Measures – the categories defined

by the EAFRD Regulation, art.35 (2) – as a means of avoiding specific conditions which apply to support granted under that category.

For example, under the EAFRD Regulation art.35, points 2 (d) and (e), support is foreseen for the development and related promotion of short supply chains and local markets. These limitations are there for a reason. Therefore 16.10 could not be used to support supply chains which are not short, or markets which are not local. If an MA proposes to activate sub-Measure 16.10 in its RDP then it must provide a very sound justification.

An initial screening of the 2014-2020 RDPs has found at least seven RDPs which have activated sub-Measure 16.10.<sup>(6)</sup> A typical approach is to use the sub-Measure to support the operational costs of creating specific types of partnership. The expectation is that these partnerships will then develop new projects supported under other sub-Measures.



### EXAMPLE OF ACTIVATING SUB-MEASURE 16.10 'OTHERS'

The Austrian RDP describes three types of cooperation activity supported by sub-Measures 16.10:

- "Set-up and operation... of a new cluster or cooperation in the framework of an existing cluster... Funding is provided for innovation activities, networking, information exchange, shared use of facilities."
- "Set-up and operation of... a new network or cooperation in the framework of an existing network."
- "Cooperation of producer groups / organisations, cooperatives and sector associations. Support is given to management of cooperation; studies for the area, feasibility studies, the preparation of a business plan; events and training, recruitment of new members."

(6) These include Austria, Andalusia (ES), Champagne Ardenne (FR), Lazio (IT), Lombardia (IT), Mainland Portugal and Scotland (UK).



## FORMS OF COOPERATION 2014-2020

Measure 16 provides for many forms of cooperation. Whilst Operational Groups (OGs) are under the auspices of the EIP-AGRI network, the ENRD has an important role to play in supporting rural development stakeholders to make the most of the many other forms of joint working which can be supported under the Cooperation Measure.

The EAFRD Regulation<sup>(7)</sup> specifies that Measure 16 can be used to support the creation of ‘clusters’ and ‘networks’. However, support “shall be granted only to newly formed clusters and networks and those commencing an activity that is new to them”.

The term ‘network’ is not defined as such. It can be understood in a broad sense, although to be eligible it must have a clear outcome in mind.

The same Regulation sets out the following definition of a ‘cluster’:

*“a grouping of independent undertakings, including start-ups, small, medium and large*

*undertakings as well as advisory bodies and/or research organisations – designed to stimulate economic / innovative activity by promoting intensive interactions, the sharing of facilities and the exchange of knowledge and expertise, as well as contributing effectively to knowledge transfer, networking and information dissemination among the undertakings in the cluster”* (art. 2 (q) EAFRD Regulation).

Measure 16 can also be used to support other more varied forms of cooperation, including **producer groups, cooperatives** and **inter-branch organisations**. The most important condition

is that the cooperation should be among different actors that can contribute to achieving the objectives and priorities of Rural Development policy.

The breadth of possibilities covered by this wording is exciting because it opens the potential for a much broader range of partnerships on a much broader range of topics, responding to real needs in different thematic and geographical areas.

### EIP-AGRI OPERATIONAL GROUPS

#### What are Operational Groups?

The EAFRD Regulation specifically provides for the “establishment and operation of Operational Groups (OGs) of the European Innovation Partnership for Agricultural Productivity and Sustainability” (EIP-AGRI). OGs are an exciting area of opportunity for the promotion of innovation and knowledge transfer.

The distinction between LEADER Local Action Groups (LAGs) and OGs is useful for understanding the particular role and value of the OGs. LAGs act on the basis of a comprehensive Local Development Strategy (LDS), approving several projects to implement this strategy in their geographical area. OGs are built around a single innovation project, targeted toward finding a solution for a specific issue.

OGs consist of several partners from a diverse combination of practical and scientific backgrounds with a common interest. All the partners involved should have an active role in carrying out the project

#### Measure 16 and Operational Groups

The Cooperation Measure is central to the implementation of OGs. Firstly, under sub-Measure 16.1, support can be given both for the setting up of an EIP Operational Group and for the implementation of its project.

Another pathway available is that an OG can receive operational support from sub-Measure 16.1 and then access support for its project activities under the other Cooperation sub-Measures.

In practical terms, this means that sub-Measure 16.1 could be used to support OGs in the development of various activities, including the development of new products or practices, pilot projects, supply chain cooperation or joint environmental approaches.

Significantly, the EAFRD Regulation Article 17(3) provides for **increased aid intensity** for operations supported in the framework of the EIP. This means that a partner in an OG could benefit from a higher rate of support for investments which form part of the OG’s project and are clearly described as such in the internal arrangements of the group (see the EAFRD Regulation art. 56-57).

Furthermore, OGs have a **dissemination obligation** which helps to systematise knowledge transfer to others (without precluding intellectual property rights).

*For more information and updates, visit the EIP-AGRI website, including for an “EIP-AGRI Brochure on Operational Groups – Turning your idea into innovation”.*

## USING MEASURE 16 IN A STRATEGIC WAY

An important message about the Cooperation Measure is that it can be used by Managing Authorities in a strategic way to support the main priorities of their Rural Development Programme.

Managing Authorities can match the activation of Measure 16 sub-Measures with the priority Focus Areas identified under their RDP.

Over the coming months, it will be interesting to examine in more detail how the potential of the Cooperation Measure to support the RDP priorities has been programmed into the RDPs for the 2014-2020 period.

Nevertheless, some initial examination already highlights how this can be done successfully in practice. For example, the following box sets out how the Managing Authority in Wallonia (Belgium) is intending to use the Cooperation

Measure to support its work on two selected Focus Areas under “Union Priority 6: Promoting social inclusion, poverty reduction and economic development in rural areas”.



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### STRATEGIC USE OF MEASURE 16 IN WALLONIA

#### The issue of social farming

Social farming is an approach that uses agricultural and rural resources for enhancing the social, physical and mental well-being of people.

It is a subject of growing interest in Europe. In Wallonia, specific attention has been devoted to the issue through a Working Group of the Wallonian Rural Network on “Social Dimensions”.

Social farming seems to offer an innovative way of directly addressing two Focus Areas under EU Rural Development policy, Union Priority 6.

- Focus Area 6A: “facilitating diversification, creation and development of small enterprises, as well as job creation”;
- Focus Area 6B: “fostering local development in rural areas”.

The Managing Authority picked up on this to develop a **strategic way of activating Measure 16 within its 2014-2020 RDP**. In addition to selecting the above two Focus Areas, it has explicitly activated the Cooperation Measure to support work in these areas.

**Figure.** Allocation of the M16 budget by Focus Area

|               | P2   | P3   | P4+  | P5   | P6    |       |      | TOTAL  |
|---------------|------|------|------|------|-------|-------|------|--------|
|               |      |      |      |      | 6A    | 6B    | 6C   |        |
| Wallonia (BE) | 0.0% | 0.0% | 0.0% | 0.0% | 47.0% | 53.0% | 0.0% | 100.0% |

As the chart shows, Wallonia has allocated 100% of its cooperation budget to the two targeted Focus Areas.

Furthermore, it has programmed in a logical connection between the two Focus Areas and the Measure by activating the two sub-Measures that link most strategically to them: 16.3 and 16.9 (see page 45).

The Wallonian Rural Network is now following up with the Managing Authority and rural stakeholders in order to promote effective take up of the strategic potential being offered.

## MAKING THE MOST OF THE POTENTIAL

The ENRD will be working throughout the current period to support knowledge development and exchange on how the potential of M16 can best be exploited.

Currently, the key messages on the 2014-2020 Cooperation Measure are that it:

- offers new opportunities to bring a broad range of people as well as other entities together, thereby overcoming the disadvantages of fragmentation;
- widens the provisions on scope and identity of participants in pilot or development projects;
- provides additional 'soft' support, covering set-up and organisational costs of running partnerships;
- supports more specific, less comprehensive cooperation than LEADER...

- ...but broader cooperation than through other Measures;
- enables Managing Authorities to think strategically about supporting cooperation as a key tool for achieving their RDP priorities.

In the future, stronger budgetary

allocations to cooperation would provide more 'fuel' to drive cooperation initiatives. This would not be instead of other Measures, but as a means of creating stronger partnerships of rural development actors, which could then access and implement the other Measures more effectively.

The ENRD Contact Point (CP) will be conducting a screening of all the Rural Development Programmes in 2016 for Measure 16.

This will support future analysis of the different ways in which Managing Authorities have programmed and will implement the Cooperation Measure.

The CP will create a Measure 16 information sheet with comprehensive budgetary information for all RDPs and identifying key trends and examples of good programming.



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ENRD Contact Point  
Rue de la Loi/Wetstraat, 38 (bte 4)  
1040 Bruxelles/Brussel  
BELGIQUE/BELGIË  
Tel. +32 2 801 38 00  
[info@enrd.eu](mailto:info@enrd.eu)



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