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CAP Reform and EU Enlargement: Effects on the Second Pillar Endowments

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DRAFT

Abstract
The paper deals with the financial issues of the CAP reform at the edge of the EU enlargement, looking at the new distribution of resources programmed for the "second pillar" of the CAP. More in details, the papers focuses on three aspects: the distribution of resources coming from the implementation of modulation of direct payments, with regards to both the current and the new Member States; the future financial perspectives for Rural Development Regulation (RDR) in the framework of the cohesion policies, in the light of the proposal of a "single Fund" that include both Guarantee and Guidance sections of the EAGGF; the new distribution of resources for Rural Development Plans (RDPs) as it comes out of the "Objective Criteria" coming from the European Commission. Modulation of direct payments is the current only instruments that actively shifts resources from the first to the second pillar of the CAP. The proposal of a single fund would change the geography and the distribution of resources for the second pillar quite consistently. It would also affect the equity of the "objective criteria", that would probably will be debated and eventually revised.

1 Introduction

With the reform of June 2003 the process of re-orientation of the CAP support has reached a focal point. The shift from unconditional support to selective instruments, explicitly related to the behaviour of farmers and to the local dimension of rural development, has moved farther up following the pattern traced by the Mac Sharry in 1992 and by Agenda 2000 in 1999.

The Mac Sharry reform introduced two main innovations: direct payments and accompanying measures, both aimed at integrate traditional market support, the former as a form of compensation due to lower institutional prices, the latter as a direct support to a more environmentally sound agriculture, the care of rural landscape, forestation and early retirements. Agenda 2000 followed on the same route, turning compensation payments into direct aids, aimed at supporting farmers' income, and stressing the importance of rural development policies that must be reinforced in order to become the "second pillar" of the CAP to sustain agriculture together with the market policies (first pillar). Moreover, Agenda 2000 introduced the so-called horizontal regulation, in which two brand new instruments were set out: modulation of direct aids (to reinforce the second pillar) and conditionality of direct aids to meet minimum (environmental) standards.

The latest CAP reform (also knows as the Fischler reform) introduced the so-called single payment scheme, which features a total de-coupled support for farmers with no obligation of production. Furthermore, direct payments have been made conditional to the respect of minimum standards related to environment, animal welfare and food safety, and modulation of direct payments was turned compulsory, so that each Member States is to divert a (small)

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part of its direct payment endowments to the resources available for Rural Development policies.

With specific refer to the second pillar, a great emphasis has been put on its financial reinforcement within the CAP support since Agenda 2000. However, looking at the financial outlook of the European Commission, the status quo between first and second pillar in terms of financial resources is kept. Currently, (and also in the next future) the only active measure that diverts resources from the first to the second pillar is the modulation of direct payments. In the final version of the CAP reform (October 2003) a very simplified mechanism of modulation was approved, that is a linear cut of direct payments over 5.000 euro (from 3 to 5% over three years).

Generally speaking, modulation marked a new approach in agricultural policies of the EU, not only in terms of reorienting support from market policies to rural policies, but also in terms of managerial, administrative and institutional aspects. However, it is worth noting that what is considered one of the most innovative instrument among the tools of the EU has gone through deep changes in its shape, objectives and effects, in a relatively short amount of time (between 1999 and 2003), so that it is almost impossible to see what its real effects on distribution of direct aids and reinforcement of the second pillar are.

The Fischler reform was closed before the fifth enlargement of the EU, featuring the adhesion of 10 new Member States from 2004. The reform was a necessary step in order to design a new CAP to address the needs of 25 partners. The enlargement will have a significant impact on the resource distribution for both pillars of the CAP support: market policies and direct payments on one side, and rural development policies on the other.

Given such changes in the policy structure and the institutional feature of the EU, the paper will focus on the financial issues of the CAP reform and of the enlargement, looking at the new distribution of resources for the second pillar after the enlargement and the latest CAP reform, with a specific focus on three aspects:

- The distribution of resources coming from the implementation of modulation of direct payments, with regards to both the current and the new Member States;
- The future financial perspectives for Rural Development Regulation (RDR) in the framework of the cohesion policies, in the light of the proposal of a "single Fund" that include both Guarantee and Guidance sections of the EAGGF.
- The new distribution of resources for Rural Development Plans (RDPs) as it comes out of the "Objective Criteria" coming from the European Commission;

The total amount of resources for RDP within EAGGF-guarantee will not differ substantially after enlargement and the CAP reform, considering the current budget for RDP and for pre-adhesion measures for the new Member States. However, the distribution of resources among partners will differ substantially, considering the "objective criteria" fixed by the European Commission.

As for the implementation of modulation, it will start in 2005 in the current Member States, but it will not start before 2010 in the New Member States according to the agreement of Copenhagen (when the new partners will enjoy 100% of the total direct payments, national top-ups included). In the paper the effects of modulation implemented in the new Member States and resources diverted from the first to the second pillar of the CAP will be analysed. Generally speaking, given the structural and productive characteristics of the primary sector within the new Member States, the re-distribution effects of modulation in the EU-25 should not be given for granted, and it will be undoubtedly rather diversified in the new Member States.

The last part of the paper will focus on the budgetary perspectives for the RDR considering enlargement and modulation and in the light of the proposal of a "single fund" that is supposed to finance RDR in all areas of the enlarged EU (Objective and non Objective 1). The main issue here is the new cohesion policies framework and the coherence of such

framework with the new RDR, on one hand, and the adequacy as cohesion criteria of the "objective criteria" of resource distribution announced by the Commission, on the other hand. Given the proposal of the single fund, and the EU enlargement, some "correction factors" will be necessary; they will be discussed in section 4.

2 Financial issues in the CAP and Structural Funds

As a consequence of the financial agreement signed in Brussels the expenditure for agriculture for the 2007-2013 has been tied up to a ceiling according to which:

- in real terms, the expenditure cannot exceed the ceiling fixed by Agenda 2000 for 2006;
- in nominal terms, the expenditure cannot grow more than 1% per year of the amount fixed by the ceiling.

That is, the expenditure for agriculture should not exceed 45.3 billion euro in 2006 and 48.6 billion euro in 2013. This amount of resources includes the expenditure for rural development policies (Pillar 2) and the expenditure for the New Member States, that will join EU starting from 2004[2]. The Brussels agreement also fixed the Pillar 1 element of the CAP budget for 2007-2013 taking into account the future budget requirement, including expenditure for the EU enlargement (Swinnen, 2003). More in details, the grant of direct payments to the New Member States (NMS) will be based on a progressive phasing in starting at 25% of ERU-15 direct payments in 2004 and raising up to 100% in 2013. However, NMS were allowed to "top-up" payments from national budget or using part of the SAPARD pre-accession funds. That will let them reach the level of EU-15 direct payments earlier than planned, in 2010 instead of 2013 (INEA, 2002).

With regards to rural development, expenditure has been not capped and additional resources for rural development should be made available with the modulation of direct payments. It is worth keeping in mind that at the moment a large part of resources for rural development and other structural policies for agriculture come from the section "guidance" of EAGGF and through Structural Funds. Resources coming from the section "guidance" of the EAGGF amount to 6 billion euro (4,35 billion euro for EU-15 and the rest for NMS), while resources available from Structural Funds for rural development amount to about 4 billion euro. Altogether, resources available for rural development amount currently to about 10 billion euro.

Generally speaking, the financial framework for agriculture coming out of the Brussels summit and the Fischler reform is not particularly new: the highest share of expenditure being absorbed by market policies, a relatively small share of resources within EAGGF-Guarantee assigned to Pillar 2 (Rural Development Policies) and only one active policy shifting resources from the first to the second pillar of CAP. In the new financial framework presented after the agreement on agriculture in June 2003, it seems to be that the financial budget for the second pillar takes into account the proposal of a single fund that includes funds for rural development previously assigned through the section Guidance of EAGGF[3] (Agra Europe, 2004).

Looking more in details at the resources available for rural development, the average expenditure moving from the current planning period to the next one is not significantly changing, also considering the proposal of a single fund for rural development. Resources for rural development were also assigned to NMS as pre-accession funds through the SAPARD and other programmes; so it is not so much the EU enlargement itself to modify substantially the distribution of resources. However, what do really change are the criteria of distribution of financial resources for rural development policies. It is well known, in fact, that the

[2] According to the most recent data presented by the EU, the general budget has been deeply re-organised into new sections, in which it is not possible to identify the old sections 1a and 1b (expenditure for agriculture and rural develpment) of the previuos general budget (EC Commission, 2004)

[3] Resources for rural development amount to about 12 billion euro in 2007, and they are supposed to grow to 13,2 billion euro in 2013.

Commission has deeply changed such criteria and that they will be implemented starting from the next planning period (2007-2013), involving also the NMS and the resources shifted to Pillar 2 from Pillar 1 (modulation).

With regards to the latest planning period (2000-2006) the allocation of funds for rural development policies was based on the following criteria: the level of spending under the previous planning period (1994-1999), that is the efficacy of spending; the commitments made in 1994-1999 carried over to 2000-2006; the level of implementation of rural diversification measures (Art. 33) (Mantino, 2003). As underlined by experts, such criteria were weak in many ways: they did take into account merely only the past level of spending and were certainly not applicable to the NMS.

The new criteria established by the Commission are the same used for the allocation of funds under SAPARD, based on: the share of utilised agricultural area (UAA), that accounts for 65% of the total weight; the share of agricultural employment, that accounts for 35% of the total weight; the GDP per capita as a correction factor of the first two criteria. Such criteria are based on structural variables adjusted by per capita GDP, which is a broad cohesion variable, but there is no refer to rural indicators as well as environmental ones.

What happens to the funding distribution with the new criteria and with the EU enlargement to 10 NMS? In table 1 figures based on the old and the new criteria are reported, with regards to the EU-15 and the NMS. The combination of the new criteria and the enlargement has a relevant impact on such distribution: the current 15 Member States will enjoy only 54% of the total Funds, while the 10 NMS will enjoy the 46%; among their NMS, Poland alone will account for 28% of the total new allocation. Among the current member States, Germany's share decreases from 16% to 6.5%, France's from 17.5 to 10.5%, Italy's from 12.9% to 6.5%. Austria's from 9.7% to 1.9%; at the same time, UK's share increases from 3.5% to 5.1%, Spain's from 10.6% to 11.1%, Greece's from 3% to 3.7%[4].

Tab. 1: Distribution of RDR Funds according to the current and the new criteria (%)

	Current Allocation	New allocation EU-15	New allocation EU-25
Belgium	1,2	1,0	0,5
Denmark	1,1	1,7	0,8
Germany	16,1	12,9	6,5
Greece	3,0	7,1	3,7
Spain	10,6	18,5	11,1
France	17,5	19,8	10,5
Ireland	7,3	2,7	1,3
Italy	13,7	12,9	6,5
Luxemburg	0,3	0,1	0,0
Netherlands	1,3	2,2	1,0
Austria	9,7	4,2	1,9
Portugal	4,6	4,9	3,1
Finland	6,7	1,8	0,9
Sweden	3,4	2,0	1,1
United Kingdom	3,5	9,8	5,1
EU-15	**100,0**	**100,0**	**54,0**
Cyprus	-	-	0,1
Czech Republic	-	-	2,7
Estonia	-	-	0,9
Hungary	-	-	4,1
Latvia	-	-	3,2
Lithuania	-	-	4,6
Malta	-	-	0,0

4 In the table the EU-15 distribution according to the new criteria is reported, not only as an element of comparison, but also because that distribution will be used for modulation resources from 2006 till 2010, when NMS will be involved into the modulation process, as it will be pointed out later in the paper.

Poland	-	-	28,1
Slovakia	-	-	1,9
Slovenia	-	-	0,5
NMS	**-**	**-**	**46,1**
EU-25	**-**	**-**	**100,0**

Source: Elaboration on European Commission and EUROSTAT data

3 Modulation of direct payments

Modulation of direct payments, according to the Fischler reform, affects all common market organisations (CMOs) providing direct payments. Such list includes the “new” direct payments (approved with the reform itslef), and it involves direct payments independently from the de-coupling process.

Since the first proposal launched in July 2002, modulation was intended as mandatory. Such shift from a voluntary based to a mandatory implementation of modulation can be read as a specific strategy of the Commission: from the launch of a new instrument whose application is left to the will of the Member States, in order to test effects and reactions to it, to the compulsory enforcement within a common framework[5].

The approved modulation is based on a cut from 3 to 5% in 3 years, with a franchise that exclude for the cut the first 5.000 euro of direct payment per each farm, aimed at excluding little farmers from modulation[6].

Looking at the resource distribution, modulation, in the process of reform was progressively intended as a tool to shift resources from one pillar to the other according to equitable criteria. Such shift from market policies to RD policies implies different institutions involved and criteria of redistribution: to this regard, the Commission chose to fix a ratio of return to the Member State (1 percent point of the cut) and the rest going back to the EU to be redistributed according the “objective” criteria (seen in the previous section) and a threshold of total return to each Member State that amounts to 80% of the total cut (through the franchise, the Member State share of 1 percent point and the return according to the objective criteria).

It is important to underline that compulsory modulation intends to reinforce all measures in the RDP, not only accompanying measures and allowances for disadvantaged areas as it was with the voluntary modulation in agenda 2000. Such opportunity is, in fact, offered only to Non Objective 1 Regions, since Regions in Objective 1 put into their RDP only those measures. In other words, only Non Objective 1 Regions have the chance to add resources coming from modulation to the whole set of 22 measures available in RDP, while Objective 1 Regions can still add resources only to the former accompanying measures and allowances for disadvantaged areas, so basically for them the menu has remained the same.

With regards to modulation in NMS, it will be implemented when the level of direct payments in the new partners will reach that of the EU-15, that is in 2010. For this reason, the analysis of modulation will be divided into two parts: in the first part (section 3.1) the focus will be on the 15 current EU partners, since modulation will hit only their direct payments; in the second part (section 3.2) the analysis will include also the NMS.

5 The different pressures of Member States in favour or against modulation resulted also in a continuous shift of the implementation date: from 2004 in the first proposal to 2006 in January 2003 and 2005 in the approved version.

6 Regulation n. 1782/2003 talks about a “supplementary aid” to farmers, calculated as a “restitution” to farmers after the modulation cut and tied to the threshold of DP under 5.000 euro. Nonetheless, it could be easily turned into a simple “franchise”, with no big effect on the quantity of resources modulated per each farm.

3.1 Modulation in the EU-15 (2005-2009)

Data in table 2 give an idea of the distribution of direct payments in EU-15. In this case data refer to the projection of the EU Commission for 2007, adjusted on the basis of the recent approved reform. Data show that, generally speaking, Mediterranean Countries feature the highest level of farms enjoying less than 5.000 euro of DP: Greece (70.2% of total direct payments), Portugal (61.4%), Italy (51.4%), plus Austria (56.3%) and Finland (49.4%). This is due to either the relatively small dimension of farms in these countries and the structure of production, less oriented to products whose support is granted through direct payments. On the other extreme, UK features only 14.9% of its DP under the threshold of 5.000 euro, France 20.6%, Germany 24%.

Tab. 2: EU 15 - Direct Payments per Member State (2007)

	Total	< 5.000 euro	> 5.000 euro	< 5.000/ Tot.
	(Meuro)	(Meuro)	(Meuro)	(%)
Belgium	531,5	144,5	387,0	27,2
Denmark	1.034,1	258,1	776,0	25,0
Germany	5.613,1	1.345,8	4.267,3	24,0
Greece	1.942,0	1.363,0	579,0	70,2
Spain	4.855,5	1.883,7	2.971,8	38,8
France	8.556,4	1.760,2	6.796,2	20,6
Ireland	1.299,5	504,8	794,7	38,8
Italy	3.993,3	2.051,6	1.941,7	51,4
Luxemburg	31,7	6,7	25,0	21,1
Netherlands	797,8	230,1	567,7	28,8
Austria	719,4	404,8	314,6	56,3
Portugal	597,5	366,7	230,8	61,4
Finland	548,5	271,1	277,4	49,4
Sweden	745,5	218,8	526,7	29,3
United Kingdom	3.877,2	579,3	3.297,9	14,9
EU-15	**35.143,1**	**11.389,1**	**23.754,0**	**32,4**

Source: Council Working Party, 2003

Starting from 2007, modulation will be stabilised on a 5% cut of the total direct payments, whose result will be a total amount of 1.8 billion euro. Considering the structure of the direct payments distribution in the partners, the "restitution" will amount to 570 million euro (32.4%)[7]. Once the restitution has been granted, the difference between the total cut and the restitution is the actual amount of resources available for rural development. According to the agreement reached in July 2003, the reinforcement of Pillar II is realised through two different mechanism: the amount of resources equal to 1 percent point of the modulation rate will be kept in the Member State where cut each year; the rest will return to the EU and will be redistributed to Member States following the "objective criteria" indicated by the Commission. This means that, since modulation rate will increase in the first 3 years (from 3 to 5%) the share of resources kept in the Member State will proportionally decrease, from 33% to 20%, in favour of the share redistributed by the EU. In 2007 (up to 2009), revenues form modulation should amount to slightly less than 1.200 million euro, of which about 228

[7] According to Reg. 1782/2003, the total amount of the restitution must not exceed a ceiling that has been fixed by the Commission (annex II).

million will be kept by Member States and the rest (round 913 million euro) will return to the EU and redistributed according to the objective criteria. Also, the actual rate of modulation will be, on average, 3.4%, but it will change according to the distribution of direct payments, the lowest being in Greece (1.5%) and the highest in United Kingdom (4.3%).

Tab. 3: EU-15 - Modulation of direct payments at 5% (2007)

	Cut (Meuro)	Suppl. aid (Meuro)	Net cut (Meuro)	MS (20%) (Meuro)	EU (80%) (Meuro)	Act. rate (%)
Belgium	26,6	7,2	19,4	3,9	15,5	3,6
Denmark	51,7	12,9	38,8	7,8	31,0	3,8
Germany	280,7	67,3	213,4	42,7	170,7	3,8
Greece	97,1	68,2	29,0	5,8	23,2	1,5
Spain	242,8	94,2	148,6	29,7	118,9	3,1
France	427,8	88,0	339,8	68,0	271,8	4,0
Ireland	65,0	25,2	39,7	7,9	31,8	3,1
Italy	199,7	102,6	97,1	19,4	77,7	2,4
Luxemburg	1,6	0,3	1,3	0,3	1,0	3,9
Netherlands	39,9	11,5	28,4	5,7	22,7	3,6
Austria	36,0	20,2	15,7	3,1	12,6	2,2
Portugal	29,9	18,3	11,5	2,3	9,2	1,9
Finland	27,4	13,6	13,9	2,8	11,1	2,5
Sweden	37,3	10,9	26,3	5,3	21,1	3,5
United Kingdom	193,9	29,0	164,9	33,0	131,9	4,3
EU-15	**1.757,2**	**569,5**	**1.187,7**	**237,5**	**950,2**	**3,4**

Source: INEA elaboration on EU data

Tab. 4: EU - Redistribution effects of Modulation (cut at 5%, 2007)

	EU Criteria (%)	Cut EU (Meuro)	Restitution (Meuro)	Net Cut (Meuro)	Diff. % (%)	Return MS (%)
Belgium	1,0	15,5	9,5	-6,0	61,4	77,5
Denmark	1,7	31,0	16,2	-14,9	52,0	71,2
Germany	12,9	170,7	122,6	-48,1	71,8	82,9
Greece	7,1	23,2	67,5	44,3	291,3	145,6
Spain	18,5	118,9	175,8	56,9	147,9	123,4
France	19,8	271,8	188,1	-83,7	69,2	80,4
Ireland	2,7	31,8	25,7	-6,1	80,7	90,6
Italy	12,9	77,7	122,6	44,9	157,8	122,5
Luxemburg	0,1	1,0	1,0	0,0	95,0	96,9
Netherlands	2,2	22,7	20,9	-1,8	92,1	95,5
Austria	4,2	12,6	39,9	27,3	317,1	176,0
Portugal	4,9	9,2	46,6	37,3	504,3	224,9
Finland	1,8	11,1	17,1	6,0	154,1	121,9
Sweden	2,0	21,1	19,0	-2,1	90,2	94,5
United Kingdom	9,8	131,9	93,1	-38,8	70,6	80,0
EU-15	**100,0**	**950,2**	**950,2**	**0,0**	**100,0**	**100,0**

Source: INEA elaboration on EU data

Looking at the distribution effect of modulation in the EU-15, it depends from both the distribution of direct payments (under and above the 5.000 euro threshold as aforementioned) and the allocation of resources to Member States according to the

“objective criteria”. Such allocation, together with the funds kept by each partner, represents the amount of resources available for additional rural development measures. In table 4 winners and losers of the redistribution process of modulation among the member States are displayed. Among winners: Portugal (+37.4 million euro, 504% of the actual cut), Greece (+44.3 million euro, 291%), Austria (+27 million euro, 317%), Italy (+44.9 million euro, 157.8%); main losers are France (-83.7 million euro, 69%), Germany (-48 million euro, 72%), UK (-38.8 million euro, 70.6%) and Denmark (-15 million euro, 52%). In the same table it was considered also the total return for each Member State that, according to the Reg. 1782/2003, should amount to not less that 80% of the total cut. All the “net beneficiaries” of the modulation are well above the ceiling, while three countries have a total return below the threshold: Belgium (77.5%), Denmark (71.2%) and Germany (82.9%, being its ceiling at 90%).

3.2 Modulation in the EU-25 (2010-2013)

Starting from 2010, modulation will affect also direct payments in the NMS. This means that NMS will contribute to create the total amount of resources available to reinforce Pillar II policies, but also that they will be full beneficiaries of such resources. Given the agricultural structure of the NMS, the distribution of direct payment will differ significantly among them and between them and the actual Member States. Said that, it is reasonable to suppose that most of them if not all of them will be net beneficiaries of the financial resources coming from modulation. With regards to the possible allocation of such resources, it is tied to their acknowledgement as Objective 1 areas.

Tab. 5: NMS - Direct Payments (2010)

	Total DP Meuro	Total DP %	DP <5000 Meuro	DP <5000 %	DP >5000 Meuro
Cyprus	20,9	0,4	9,4	45,0	11,5
Czech Republic	809,7	14,5	202,4	25,0	607,3
Estonia	93,8	1,7	61,0	65,0	32,8
Hungary	1.168,0	20,9	525,6	45,0	642,4
Latvia	127,1	2,3	82,6	65,0	44,5
Lithuania	341,0	6,1	221,7	65,0	119,4
Poland	2.579,2	46,1	1.160,7	45,0	1.418,6
Slovakia	338,7	6,1	152,4	45,0	186,3
Slovenia	115,6	2,1	52,0	45,0	63,6
NMS	**5.594,1**	**100,0**	**2.467,8**	**44,1**	**3.126,3**

Source: INEA elaboration on EU data

Table 5 shows direct payment data for NMS[8]. Most of direct payments are concentrated into three NMS: Poland (46%), Hungary (21%) and Czech Republic (14.5%). However their contribution to modulation is tied not only to the total amount of direct payments, but also to their distribution according to the threshold of 5.000 euro. Given both the dimensional structure of farms in the NMS and the similarities with the distribution of direct payments in the current Member States, a hypothesis of distribution under and above the 5.000 threshold has been supplied (the fourth column in table 5): The Baltic Countries were given the highest percentage of direct payments below the threshold (65%); The Czech Republic was given a percentage of 25%; the rest of NMS was given a share of 45%[9].

[8] Data for Malta are not available, so the exercise will be run on 9 out of 10 NMS.

[9] Such percentages were attributed on the basis of the average dimension of farms in NMS: in the case of Czech Republic, large farms and co-operatives are relevant in farm typology; in Baltic Countries, small subsistence farms are a large share of total farms; in the other NMS family farms medium size represent the highest share of total farms (INEA, 2002).

In table 6 modulation in the NMS, starting from 2010, is featured. The total amount of resources modulated would be 279.7 million euro, that is 16% of the resources modulated in the EU-15. Slightly less than 90% come from the three “big”: Poland (45.4%), Hungary (20.5%) and Czech Republic (19.4%). The total supplementary aid is equal to 123.4 million euro, so that the actual modulated resources available for rural development are 156.3 million euro. Following the same allocation of resources featured earlier for the EU-15, 31.3 million euro would be kept into the NMS, and 125 million would return to the EU and redistributed according to the “objective criteria”. The actual rate of modulation would be, for the whole NMS, 2.8%, while in the EU-15 it is 3.4%.

Tab. 6: NMS - Modulation of direct payments at 5% (2010)

	Cut (Meuro)	Suppl. aid (Meuro)	Net cut (Meuro)	MS (20%) (Meuro)	EU (80%) (Meuro)	Act. rate (%)
Cyprus	1,0	0,5	0,6	0,1	0,5	2,8
Czech Republic	40,5	10,1	30,4	6,1	24,3	3,8
Estonia	4,7	3,0	1,6	0,3	1,3	1,8
Hungary	58,4	26,3	32,1	6,4	25,7	2,8
Latvia	6,4	4,1	2,2	0,4	1,8	1,8
Lithuania	17,1	11,1	6,0	1,2	4,8	1,8
Poland	129,0	58,0	70,9	14,2	56,7	2,8
Slovakia	16,9	7,6	9,3	1,9	7,5	2,8
Slovenia	5,8	2,6	3,2	0,6	2,5	2,8
NMS	**279,7**	**123,4**	**156,3**	**31,3**	**125,1**	**2,8**

Source: INEA elaboration on EU data

Tab. 7: Modulation of direct payments, EU-25

	2007-2009				2010			
	Obj. Cr. EU-15 (%)	EU Cut Meuro	Restit. Meuro	Diff. Meuro	Obj. Cr. EU-25 (%)	EU Cut Meuro	Restit. Meuro	Diff. Meuro
Belgium	1,0	15,5	9,5	-6,0	0,5	15,5	5,4	-10,1
Denmark	1,7	31,0	16,2	-14,9	0,8	31,0	8,6	-22,4
Germany	12,9	170,7	122,6	-48,1	6,5	170,7	69,9	-100,8
Greece	7,1	23,2	67,5	44,3	3,7	23,2	39,8	16,6
Spain	18,5	118,9	175,8	56,9	11,1	118,9	119,3	0,5
France	19,8	271,8	188,1	-83,7	10,5	271,8	112,9	-159,0
Ireland	2,7	31,8	25,7	-6,1	1,3	31,8	14,0	-17,8
Italy	12,9	77,7	122,6	44,9	6,5	77,7	69,9	-7,8
Luxemburg	0,1	1,0	1,0	0,0	0,0	1,0	0,0	-1,0
Netherlands	2,2	22,7	20,9	-1,8	1,0	22,7	10,8	-12,0
Austria	4,2	12,6	39,9	27,3	1,9	12,6	20,4	7,8
Portugal	4,9	9,2	46,6	37,3	3,1	9,2	33,3	24,1
Finland	1,8	11,1	17,1	6,0	0,9	11,1	9,7	-1,4
Sweden	2,0	21,1	19,0	-2,1	1,1	21,1	11,8	-9,2
United Kingdom	9,8	131,9	93,1	-38,8	5,1	131,9	54,8	-77,1
EU-15	**100,0**	**950,2**	**950,2**	**0,0**	**53,9**	**950,2**	**579,5**	**-370,6**
Cyprus					0,1	0,5	1,1	0,6
Czech Republic					2,7	24,3	29,0	4,7
Estonia					0,9	1,3	9,7	8,4
Hungary					4,1	25,7	44,1	18,4
Latvia					3,2	1,8	34,4	32,6
Lithuania					4,6	4,8	49,5	44,7
Poland					28,1	56,7	302,1	245,4
Slovakia					1,9	7,5	20,4	13,0
Slovenia					0,5	2,5	5,4	2,8
NMS					**46,1**	**125,1**	**495,7**	370,6

EU-25		100,0	1.075,2	1.075,2	0,0

Source: elaboration on EU data.

Summing up, in table 7 it is compared modulation implemented in the EU-15 between 2007 and 2009 and the EU-25 scenario starting from 2010. It is evident from the table that the NMS are net beneficiaries from the modulation, for a total amount of 370.6 million euro; Poland alone gains about 245 million euro. The net losers are France, Germany, United Kingdom and also most of the partners that were gainers up to 2009: Italy, the Netherlands, Finland. Among the Fifteen, the only net beneficiaries after enlargement are Greece, Portugal and Austria, with Spain around zero.

3.3 The reinforcement of CAP Pillar 2

Looking at the planning period 2000-2006, and considering only the effects on the EU-15, modulation adds resources to the rural development funds that are about 26% of the total programmed resources. The EU average share hides quite a differentiated level of contribution among partners: from 6.3% in the case of Finland up to 75% in the case of United Kingdom (Henke, Sardone, 2003).

The situation changes significantly if one looks at the planning period 2007-2013 and considers enlargement. In this case, current Member States will be granted 54% of the total RDR funs, while NMS will receive the remaining 46% (table 8). In order to quantify the weight of additional resources coming from modulation in favour of the second pillar, we refer to the recent proposal of the “single fund” (that is, guarantee and guidance section of EAGGF for RDR) that allots around 13.000 million euro to rural development)[10].

Tab. 8: Modulation and Rural Development (2010-2013)

	Obj. Criteria	Modulation	Ip. RDR Funds = 13.000 Meuro	
			RDR Funds	Mod./RD
	(%)	(Meuro)	(Meuro)	(%)
Belgium	0,5	9,2	65,0	14,2
Denmark	0,8	16,4	104,0	15,7
Germany	6,5	112,6	845,0	13,3
Greece	3,7	45,6	481,0	9,5
Spain	11,1	149,1	1.443,0	10,3
France	10,5	180,9	1.365,0	13,2
Ireland	1,3	21,9	169,0	13,0
Italy	6,5	89,3	845,0	10,6
Luxemburg	0,0	0,3	0,0	-
Netherlands	1,0	16,4	130,0	12,6
Austria	1,9	23,6	247,0	9,5
Portugal	3,1	35,6	403,0	8,8
Finland	0,9	12,5	117,0	10,6
Sweden	1,1	17,1	143,0	12,0
United Kingdom	5,1	87,8	663,0	13,2
EU-15	**53,9**	**817,1**	**7.007,0**	**11,7**
Cyprus	0,1	1,2	13,0	9,2
Czech Republic	2,7	35,1	351,0	10,0
Estonia	0,9	10,0	117,0	8,6
Hungary	4,1	50,5	533,0	9,5
Latvia	3,2	34,9	416,0	8,4
Lithuania	4,6	50,7	598,0	8,5
Poland	28,1	316,3	3.653,0	8,7
Slovakia	1,9	22,3	247,0	9,0

[10] As it is stressed later in the paper, with the single fund objective criteria should be revised given that they would redistribute resources coming from Guidance section of EAGGF to all member States, independently from the number of regions under Objective 1 in each Member State. This point will be deepen later in the paper.

Slovenia	0,5	6,0	65,0	9,2
NMS	**46,1**	**526,9**	**5.993,0**	**8,8**
EU-25	**100,0**	**1.344,0**	**13.000,0**	**10,3**

Source: INEA elaboration on EU data

Considering such scenario, resources available for rural development will amount to 7.000 million euro for the EU-15 and to about 6.000 million euro for NMS. Accordingly, modulation ratio to rural development funds will be 11.7% in the previous case and 8.8% in the latter. Altogether, resources coming form modulation are the 10% of RDR funds in an enlarged EU. It is also quite evident that, to the extent that a larger amount of resources will be available for RDR, modulation will represent a smaller portion of additional resources for rural development.

Finally, it is worth underlining that compulsory modulation intends to reinforce all measures in the RDP. Such opportunity is, at the moment, offered only to Non Objective 1 Regions, since Regions in Objective 1 put into their RDP only accompanying measures and allowances for disadvantaged areas. Considering the proposal of the "single Fund", such different behaviour of Objective 1 and Non Objective 1 Regions should be overcome, since the RDP, financed by the single Fund, should include all measures. That means modulation will make resources available for specific measures that are in need to be financed in the regional RDPs.

4 Rural development policies: future budgetary perspective and criteria for resources distribution

4.1 The future rural development policies in the framework of cohesion policies

In November 2003, the Commission promoted the Second European Conference on Rural Development in Salzburg: "Planting seeds for rural futures". The Conference, which was meant "to assess the implementation of EU rural development policy since agenda 2000 and to look ahead to future needs" (EU, 2003), wound up with a document of conclusions listing the principles that shall guide the future of rural development regulation and the essential elements of the planning activity to be followed by the European Union in the next years. The emphasis is placed on the need to invest in the broader rural economy and rural communities, in order to increase the attractiveness of rural areas, to promote sustainable growth and to generate new employment and, finally, to encourage multifunctional agriculture; but emphasis is also placed on the competitiveness of the farming sector (to be addressed through diversification, innovation and high added value products), that is key for the role of agriculture in the development of rural areas. The sustainable development of rural areas shall contribute to cohesion, by serving the needs of the broader society in rural areas.

Also the Conference of Salzburg introduced important issues for the next programming period regarding the definition of applicability, programming and implementation procedures and delivery mechanism of EU rural development policy. Future rural development regulation must apply in all rural areas of the enlarged Europe and should bring support for rural areas through bottom-up local partnerships (based on LEADER experience) into the EU mainstream. Furthermore, its delivery shall be based on a single programming, financing and control system and on a single Fund. That is, rural development will be delivered, out of the cohesion policies, through ad hoc regional and/or national programmes.

The rural policy perspective coming out from the Salzburg Conference basically confirms the orientation in the EU policy, which began to emerge in the second half of the Eighties. In 1986 the Single European Act, in a modification to the Treaty of Rome, added the strengthening of economic and social cohesion (Art. 158) to the Union's objectives,

identifying rural policies as one of the instruments to reach such objective. Nevertheless the new course coming out from Salzburg Conference moves away from integrated programming, representing in this respect a step behind, to the period preceding the 1988 reform of the Structural Funds which signalled the definitive shift towards a more comprehensive EU regional policy.

Another point worth of being considered is that rural development policies must apply in all rural areas of the enlarged Europe. In this way the policies become horizontal with a "spreading" nature and are distinct from regional policies that seek to redress territorial imbalance by the concentration of interventions in priority areas.

The Commission communication: "Building our common future – Policy challenges and budgetary means of the enlarged Union 2007-2013" (COM (2004) 101 final) outlines the new financial requirements and the EU priorities for the enlarged European Union. These include the new framework for cohesion policies, the reformed CAP, its new objectives and the criteria which might determine in the next programming period the resources distribution among Member States for what concerns rural development policies.

The framework of cohesion policies for the new programming period, according to the Commission proposal outlined in the Commission document (COM (2004) 101 final), will bring several innovation. In first place there will be a change in the priorities of Structural Funds, replacing the current objectives as follows:

- Objective 1 - convergence and competitivity
- Objective 2 - regional competitivity and employment
- Objective 3 - territorial cooperation.

The new Objective 1 is mainly focused on the less developed Member States and regions in the enlarged Union, the so called convergence regions. It should be considered that the regions covered by this objective, in the current programming period, are[11] regions corresponding to level II of the Nomenclature of Territorial Statistical Units (NUTS level II) whose per capita GDP is less than 75% of the Community average. Enlargement will reduce average GDP per head in the EU and, according to present estimates (EU, 2004), for 17 regions which at present have an Objective 1 status this will mean that their income per head, even if in real terms lower than before, would be no longer below the threshold of 75%. If such criteria remained unchanged these region would loose eligibility to structural assistance. The new objective 1, though would also include those regions that would no longer be eligible to assistance because their income per head went up in relative terms because of the so-called "statistical effect".

Objective 2, alongside the past period, would address, out of convergence regions, needs of economic and social restructuring. The regional competitivity and employment programmes will be managed at national and/or regional level within each Member State on the base of a thematic targeting and would not imply the preventive selection by the Commission of eligible areas at sub-regional level. Within this framework support will be granted also to those regions no longer meeting the criteria for Objective 1 programmes.

Objective 3 addresses, trough cross border and trans-national programmes focused on promotion of exchanges of experience and good practice, the peculiar problems in achieving competitivity and a sustainable development in Member States divided by national borders.

The budgetary framework of cohesion policies for the next programming period is presented in table 9.

Tab. 9: Overview of the new budgetary framework of cohesion policies 2007 - 2013
Million euro (2004 prices)

	Objective 1	Objective 2	Objective 3	**Totale**	Transfers to RD Fund

[11] This objective includes also the most remote regions and areas eligible under *Objective 6* for the period 1995-99

EUR 15	109.764	56.547	7.498	**173.809**	EUR 15	18.302
EUR 10	132.972	1.352	5.847	**140.171**	EUR 10	18.001
EUR 25	21.311	-	906	**22.217**	LEADER+	1.463
TOTALE	**264.047**	**57.899**	**14.251**	**336.197**		**37.766**

Source: elaboration on EU data.

As already pointed out, rural development regulation are no more integrated in the Structural Funds programmes. This implies a transfer of resources from structural Funds to the new rural development budget.

The diversified policy goals attaining at the first and the second pillar of the CAP are unified in a new priority that is “Sustainable management and protection of natural resources: agriculture, fisheries and environment”. The last reform of CAP, as already underlined, draws the framework for the sector until 2013. In this framework the objective of the future rural development policies will be:

- increasing the competitiveness of the agricultural sector;
- enhancing the environment and countryside through support for land management (as an example agri-environment, forestry and less favoured areas);
- enhancing the quality of life in rural areas and promoting diversification of economic activities(food quality, village restoration)

4.2 The new financial framework for rural development policies

According to the new financial framework for the enlarged European Union, outlined by the Commission (COM (2004) 101 final) the expenditure heading “sustainable management and the protection of natural resources: agriculture, fisheries and environment”, for the part attaining agricultural policies (CAP) is devoted to market related expenditure and direct payments, from one hand, and to rural development, on the other hand. The resources available for rural development (expressed in commitment appropriations) are estimated to amount at 88,753 billion euro for the period 2007-2013 (99,297 billion euro if we consider also the 2006 budget), while the annual budget will rise from 10,544 billion of euro in 2006, to 13,205 billion in 2013.

Another point worthy of consideration regards the factors that will influence future distributions of rural development resources among Member States and more specifically between old and new members of the Union.

At the moment such factors can be identified in the following:

- the need to concentrate resources on convergence regions;
- the criteria of distribution of financial resources for rural development policies set by the Commission (see paragraph 2);
- the opportunity to introduce awards mechanism to strengthen the conditionality attached to this instruments to achieve the expected objectives, including the improvement of financial management.

The first point might imply that a given financial share of the resources available for rural development could be devoted to “convergence” regions. In the current programming period such mechanisms worked within the realm of structural Funds to define a breakdown between objectives of budgetary resources, available for commitment from the Funds, such as to achieve a significant concentration on Objective 1 regions (reg. (EC) 1260/99). This circumstance led to allocation of 69,7% of the Structural Funds to Objective 1. For the future this concern might have relevance in the case of rural development, considering the potential of such policies in contributing to economic cohesion. Nevertheless it is not clear trough which mechanism it will be taken into account and how it will impact on the budgetary

allocation among countries in the enlarged Union. There are at least two possible modalities to ensure concentration of the resources:

- a first hypothesis would be to reserve a quote of the overall budget to convergence regions (which are mainly concentrated in new Member states), similarly to what happens for structural Funds;
- a second possibility might be to utilise, among the others, a prosperity criteria (such as GDP per capita[12]) for the allocation of funds to different regions.

The first solution, considering that convergence regions are mainly concentrated in new Member states, will probably led to a more substantial reduction in the share of the old ones.

Another factor capable of impacting on budget breakdown by Member States relates to the criteria to be used for the distribution of financial resources for rural development policies, the so called "objective criteria". For the time being, as underlined earlier in this paper, a set of cohesion criteria[13] has already been identified by the Commission and it seems possible that such criteria could be applied to all Rural Development funds, Union wide, starting from the next programming period. The point is that they not include any indicators related to the significance of rural areas or to the relevance of protected areas. It is important to point out that here is an ongoing debate, at European level, on the concept of rurality, the need to harmonise definition among Member States and the opportunity to define indicators suitable to identify rural space and to support policy makers in the design of rural policies. At this regard the tendency is towards an approach capable of taking into account the growing importance for rural areas of local factors such as rural amenities, cultural and natural heritage, in which protected areas play an important role. Such debate could even result in a revision of the "objective criteria", to include rurality indicators as well as environmental ones, such as the extent of environmentally protected areas in each member Sstate (as % of total land area). A revision of the criteria in this direction would probably have a differentiated effect on different member states, depending on the geography of rural areas, on their socio-economic characteristics and level of institutional support to the definition of protected areas.

As for the third question to be addressed for what concerns the distribution of finance we recalled the opportunity to introduce some sort of award mechanism to strengthen the conditionality attached to this instruments to achieve the expected results. It should be noticed that within the structural fund framework for the current programming period was established that 4% (performance reserve) of the available funds would have been distributed according to given performance criteria, linked among the other things to the financial performance. The adoption of such a mechanism would be desirable and, if adequate criteria were adopted, could be used as an incentive to improve the overall management of programmes, contributing to the institutional building in NMS countries. On the other hand, it would most likely work in favour of old member states were the administrative bodies devoted to programme implementation are more experienced in managing EU policy measures.

Finally it could be considered the need to adopt for the actual Member States, which will probably see their allocation decrease, a sort of "safety net" by fixing the maximum reduction in the budget allocated compared to the budget set out for the present programming period.

[12] At the moment the GDP criteria works as a correction factor of the objective criteria (UAA and the share of agricultural employment) which have been established by the Commission as the base for the allocation of Funds under SAPARD and later on adopted for the distribution among countries of the additional funds raised from modulation.
[13] See previous note.

Tab. 10: Distribution of Rural Development resources 2007-2013 according to objective criteria and annual avarage variation on 2000-2006

	Obj. Criteria	RDR Funds 2007-2013 = 13.000 Meuro + modulation		RDR Funds 2000-2006 = EAGGF Guidance and Guarantee		Annual average variation (2007-2013 on 2000-2006)
		annual avarage	Total	annual avarage	Total	
	(%)	(Meuro)		(Meuro)		%
Belgium	0,5	74,4	520,9	62,9	440,4	18,3
Denmark	0,8	121,0	847,2	54,9	384,6	120,3
Germany	6,5	959,3	6.714,9	1.284,2	8.989,4	-25,3
Greece	3,7	526,6	3.685,9	411,3	2.879,3	28,0
Spain	11,1	1.580,6	11.064,3	1.254,5	8.781,3	26,0
France	10,5	1.544,4	10.810,8	972,9	6.810,6	58,7
Ireland	1,3	191,8	1.342,3	374,1	2.618,9	-48,7
Italy	6,5	936,0	6.552,1	1.098,1	7.687,0	-14,8
Luxemburg	0,0	0,7	4,6	13,2	92,7	-95,0
Netherlands	1,0	147,6	1.033,0	66,5	465,5	121,9
Austria	1,9	272,8	1.909,8	472,2	3.305,4	-42,2
Portugal	3,1	434,4	3.040,5	528,1	3.696,9	-17,8
Finland	0,9	129,7	908,2	346,2	2.423,4	-62,5
Sweden	1,1	159,6	1.117,5	182,3	1.276,0	-12,4
United Kingdom	5,1	750,8	5.255,9	241,2	1.688,4	211,3
EU-15	**53,9**	**7.809,9**	**54.669,2**	**7.362,8**	**51.539,7**	**6,1**
Cyprus	0,1	14,0	94,0	25,0	74,9	-44,0
Czech Republic	2,7	383,5	2.561,0	232,4	789,8	65,0
Estonia	0,9	124,4	840,1	70,7	263,0	76,1
Hungary	4,1	576,8	3.866,6	294,4	1.042,9	95,9
Latvia	3,2	441,0	2.981,3	158,2	566,3	178,8
Lithuania	4,6	635,1	4.290,0	191,4	699,5	231,8
Poland	28,1	3.893,3	26.261,6	1.363,2	4.797,8	185,6
Slovakia	1,9	265,1	1.782,9	139,3	494,8	90,2
Slovenia	0,5	70,0	470,4	148,2	471,2	-52,7
NMS	**46,1**	**6.403,2**	**43.147,9**	**2.622,8**	**9.200,2**	**144,1**
EU-25	**100,0**	**14.213,1**	**97.817,2**	**9.985,6**	**60.739,9**	**42,3**

Source: INEA elaboration on EU data

For instance it could be hypothesised that such reduction should not exceed one third compared to the past situation.

Summing up, at the moment, it is not yet clear which of the different hypothesis will be adopted and therefore if for the distribution of the rural development resources it will be taken into account the average situation at country level or the economic situation of regions (such would be the case if the choice was to concentrate the available resources in convergence regions). Also we do not know whether or not the outcome of the debate on the concepts of rurality will be such to influence the criteria for the distribution of resources among Member states.

Nevertheless is still possible to give a rough estimate of the financial distribution of Rural Development resources in the next programming period, by applying the allocation system used for the distribution of funds raised from modulation to allocate the resources available for rural development, according to the new financial framework for the period 2007-2013 (see table 10). To estimate the total amount of resources for the period 2007-2013, we considered the 88,7 billion euro available for the period 2007-2013 together with resources coming yearly from modulation at the 5% level[14].

Moreover, 2000-2006 resources for NMS countries are estimated by summing the following figures:

resources from EAGGF- guidance section committed for Sapard programmes over the period 2000-2003;

EAGGF - Guarantie section financial allocation for RDP for the period 2004-2006;

an estimate of the EAGGF- Guidance section resources devoted to rural development measures within Objective 1 programmes 2004-2006.

This last estimate is based on the indicative breakdown of commitments appropriations for rural development under the Structural Funds in acceding countries for the period 2004-2006, given by the Commission in the third cohesion report.

For NMS the annual average 2000-2006 is an estimate based on the resources available for Rural Development in these countries for the period 2004-2006.

2000-2006 resources for EU-15 are obtained by summing RDP resources (including those coming form modulation) and funding attaining at Objective 1 programmes . Leader + resources are not included.

Out of the not negligible increase, with respect to current programming period, in the overall budget for Rural Development, partly due to modulation, it should be noticed that the application of the “objective criteria” produces a strongly differentiated impact depending on the member state. In terms of annual average, while the budget of the EU-15 slightly increases, there are several countries with a quite marked decrease in the average budget. Strangely enough some of these (such as Portugal, Germany, Italy) are characterised by a relative importance, in terms of population, of Objective 1 regions. In Member States (Greece, Spain) where convergence regions are even more relevant, the total budget for Rural Development increases. United Kingdom, Denmark, Netherlands and France are those who would gain more from the use of the considered allocation systems. On the other end, as would have been expected, NMS, with the exception of Slovenia and Cyprus, increase consistently their annual budget compared to the period 2004-2006.

Further analysis would be required in order to assess if the resulting distribution is fair enough for old member states compared to their past situation and if it is respondent to the

[14] This level will be reached only in 2010 by NMS, and therefore we determined total amount coming from modulation, for these States, by considering only the years going from 2010 to 2013. In the annual average calculation the total amount was than divided by the total number of years in the next programming period, but we assumed that the percentage of modulation might be increased as the PAC reform process goes on. In other words, modulation for the period 2007-2010 will be lower than the amount we considered in our application, but it will most likely be higher for the following years (2011-2013).

specific needs of the NMS. Nevertheless it seems that additional work it is advisable in order to improve the allocation criteria, by taking into account more directly structural gap between states, specific rural needs and the environmental dimension. The challenge here is to select adequate indicators, based on reliable data, capable of taking into account the complexity of environmental objective and the diversity of rural reality.

5 Concluding Remarks

The emphasis on the reinforcement of the second pillar, announced with Agenda 2000 and gone on with the Fischler reform, is at the moment based only on the modulation of CAP direct payments. Such instrument does relocate a significant amount of resources, though quite differently among the current EU members according to their structural features of agriculture; however, the distribution effects of modulation change very much with the EU enlargement to 10 NMS. In fact, from 2010, when modulation will affect their direct payments, all the NMS will be net beneficiaries of modulation, gaining more support via the second pillar than their contribution to modulation.

Furthermore, with the new objective criteria of resource distribution for rural development support, modulation will embody a sort of paradox: given the reduction in the absolute amount of resources granted by each current Member State, resources coming form modulation will in turn become a meaningful share of the second pillar endowments, even if the cut realised on the first pillar endowments is quite limited (5% at its maximum). This will, of course, be amplified by the EU enlargement. Once again, we face a situation where the unbalance among pillars is far from being reduced and the only instrument that actively shifts resources from one pillar to the other is partially diminished in its impact on the relatively narrow budget for rural development.

Furthermore our analysis indicates that additional work is required in order to improve the actual allocation criteria, by taking into account more directly structural gap between states, specific rural needs and the environmental dimension trough adequate indicators.

In conclusion, both the CAP reform and the EU enlargement seem to underline the need for a deep rethinking of the whole system of the rural development policies. The emphasis on the second pillar is to be turned into a genuine and substantial financial support within the framework of the multifunctional approach to agriculture and in accordance with a revised model of European agriculture and rural areas. Moreover, the new Member States would probably enjoy specific measures of rural development that better fit their overpopulated and backward rural areas. It is hard to believe that what is good in rural areas where agriculture is only one of the many component of the social and economic system is also good for regions where agriculture still employs 30% of population, where self-consumption is still rather relevant and where any form of income diversification (within and out of agriculture) is extremely limited to scarce and under-remunerative activities.

Finally, the multi-funding financial support for rural development is still rather confusing and can represent an “access barrier” for New Member States where the institutional structure is relatively poor and not fully adapted to the EU rules and *acquis*. A simpler and more flexible mechanism is, on one side, to be welcome, not only by the new Member States but the whole EU-25; on the other side, it can represent a step behind in the integration of human and financial resources and institutions for a effective, long-term development strategy for rural areas.

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