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Trends in agricultural, rural and environmental policies of EU Candidate Countries

1 Introduction

Let me start my presentation with a quotation of the political agreement of the EU Agricultural Council of March 1999.

“The new policy for rural development seeks to establish a coherent and sustainable framework for the future of Europe’s rural areas. It will complement the reforms progressively introduced into the market sectors by promoting a competitive, multi-functional agricultural sector in the context of a comprehensive, integrated strategy for rural development and hence become the second pillar of the CAP. The new policy explicitly recognises that farming plays a number of roles including the preservation of the rural heritage, while emphasising the creation of alternative sources of income as an integral part of rural development policy.” (EU Commission, Internet download)

This shows the importance, the EU is addressing to agriculture as a main element and contributor to rural economy. And I like to add that this attitude can also be recognised at CCs governments.

Before I go into further detail, please let me make clear, how I define certain key words in this presentation.

When talking about Candidate Countries, I refer to the nine eastern European Candidate Countries, leaving Latvia aside as we will have Andris Miglavs to outline the situation here later on.

If not explicitly otherwise mentioned, I summarise agricultural, rural and environmental policy as “green policies”.

Furthermore, I like to stress that I do not intent to go into the bits and pieces of each country’s individual policy approach, but to find out whether there can be observed any integration trends between these three policy areas.

With integration I mean here a kind of linking together instruments of these three policies to address the multi-functions of agriculture and the requirements for EU membership.

So the objective of this presentation is to analyse which trends in agricultural, rural and environmental policies can be observed in the candidate countries in addition to what we have heard about the Austrian approach.

This presentation will be structured into the following parts: FOLIO

Introduction, some words concerning The new Rural Development Policy of the EU, Trends in CCs - starting with some general remarks and then looking at each country separately, Conclusions.

2 The new Rural Development Policy in EU

As mentioned earlier, the new policy for rural development is seeking to establish a coherent and sustainable framework for the future of Europe’s rural areas.

The new policy explicitly recognises that farming plays a number of roles including the preservation of the rural heritage, while emphasising the creation of alternative sources of income as an integral part of rural development policy.

This objective shall be achieved with the following fields of action, their order not reflecting any ranking:

➤ **Creation of a stronger agricultural and forestry sector**

This element is aiming at a sector adapted to market circumstances and producing better without producing more. The measures to reach this are:

- ⇒ Streamlined and simplified conditions for granting assistance for investments on farm level, focused on viable farm holdings.
- ⇒ Specific support for young farmers and encouragement of early retirement.
- ⇒ Training emphasising quality and environmentally beneficial production for all involved in agricultural activities and their restructuring.
- ⇒ Consolidated payments for less-favoured areas acknowledging the role of farmers for the maintenance of landscape.

The forestry sector is recognised as a key element of rural development. The major innovation is a new measure allowing support where it serves an ecological function.

➤ **Improving the competitiveness of rural areas**

- ⇒ Support the quality of life of the rural community;
- ⇒ Promote diversification into new activities including support for multifunctional farm holdings;
- ⇒ Support a number of direct actions concerning land improvement, re-parcelling and relief services as well as indirect actions including the marketing of niche products;
- ⇒ Improvement of rural infrastructure and water resource management;
- ⇒ Creation of new on-farm and off-farm activities to provide alternative sources of income.

➤ **Maintaining the environment and preserving Europe's unique rural heritage**

The agri-environment measures introduced into the CAP in the 1992 reforms will be the only compulsory element of the new generation of rural development programmes. Agri-environment actions are designed to encourage farmers to manage land in a way that goes beyond the mere application of normal practices.

Activities supported are:

- ⇒ Extensification of agricultural practises;
- ⇒ Maintenance of landscapes and areas of high nature value where agriculture has ceased;
- ⇒ Protection and maintenance of historical farmland features as well as non-productive capital expenditure for environmental purposes.

Guiding principles for the new rural development policy are those of the decentralisation of responsibilities and flexibility.

By and large, this is the direction, the EU is going for its member states also giving some orientation points for the CCs.

3 Trends in Candidate Countries (CCs)

When starting to think about trends in agricultural, rural and environmental policy design in the light of EU accession, the following questions have to be answered:

- How will CAP look like at the time of accession?
- How to deal with current challenges the agricultural and rural sectors are confronted with?
- How are “green policies” developed in CCs to prepare agricultural and rural sectors for membership?
- To which extend can these policies be integrated?

The answers to these questions have to be as “developing” as the EU policies are right now. And on the other hand, the answers are of course different for each of the Candidate Countries due to their particular situation and developments.

How CAP will look like at time of accession is more clear after the Berlin Summit of March 1999, providing helpful orientation for CCs when drafting their national policy.

However, some open points still remain **how best to shape national policy** and those are intensively addressed by each relevant ministry.

How to deal with the current challenges of agricultural and rural sectors is relevant since the beginning of the transition process and it is still asking for a high degree of sensitivity towards producers, consumers, markets, environment and international trade relationships - not to forget all the obligations to be respected related to EU accession as such.

How are “green policies” developed in CCs to prepare agricultural and rural sectors for membership?

The framework given by the EU and its accession requirements are more or less the same for each candidate country. They have, however, to be set into the individual context of each country.

This context is a combination of many divergent factors like:

- ⇒ inherited ownership structures;
- ⇒ geographical situation (proximity to EU (markets));
- ⇒ resource endowments;
- ⇒ timing of reforms;
- ⇒ historic, political, administrative and cultural legacies and finally
- ⇒ psychological attitudes.

The farm structure that emerged in each country in the course of the privatisation process can be considered crucial when it comes to the design of “green” policies. Measures applied have to take account of the often bimodal structure and be aware of different impacts they will have on the different farm types.

Across the CEECs, a wide range of support instruments is applied varying from market price support and several types of direct payments to input subsidies, investment aid and tax exemptions. The main market price support instruments applied are border measures (tariffs, import/export licensing and export subsidies) and intervention in the market to underpin minimum of floor prices. Although in most cases support prices are still lower than in EU, the gap has become smaller in recent years as (nominal) support prices have been increased.

Some countries have been introducing direct aids to support crop and livestock production, f. ex. in the form of area and/or headage payments. Nearly all countries support agricultural production through credit and input subsidies and tax exemptions.

Various structural and rural policy instruments are being developed by the CCs such as support for agricultural investment and for farming in less favoured areas. Policies and support instruments for off-farm investment and economic diversification in rural areas are still limited, but show an increasing tendency.

Having a look at the individual countries, the situation is as follows:

Bulgaria

Bulgaria is still at an early stage of restructuring its agriculture and food sectors.

It has not initiated any of the specific regulatory schemes of the E.U. common market regulations. The recent Farmers Support Act aims to establish a comprehensive single framework for extending assistance to farmers during the transition towards a more efficient and competitive market-oriented agriculture. A state fund was created in 1995 to manage direct subsidies and short term preferential credit lines for certain types of productions.

Although Bulgaria has a long experience with social and regional policies to equalise rural and urban income, pensions and employment, current rural development policy is mainly concentrated in the restoration and development of mountain agriculture. In this way, rural tourism and the development of traditional production - tobacco, sheep and goats - is encouraged. A specific fund and preferential financing programmes on infrastructure in these areas were set up since 1997. However, these measures are insufficient and do not cover non-mountainous rural areas.

Although agri-environmental problems in Bulgaria are serious, very little attention has been paid to these problems. Until a few years ago, agri-environmental and nature protection policies were of minor concern and had a low political priority.

Czech Republic

In the context of its preparations for the participation in the Structural Funds, the Ministry has identified a number of areas with poor natural conditions and low socio-economic potential, which are intended to benefit from future assistance.

No progress was achieved in the improvement of the functioning of the administrative structures, of the Ministry of Agriculture, to ensure the preparation for and implementation and enforcement of the policy instruments of the CAP.

In 1998 the existing direct payments for less favoured areas were extended to a generalised agricultural area payment. Its level is depending on the administrative land price and intended as a support to farming in general (maintenance of the landscape), organic farming and afforestation in particular. In LFAs also for livestock activities (beef cattle and sheep) depending on animal density per hectare.

Rural development measures focus mainly on village infrastructure and communal services, but policy tends to be fragmented and in the hands of different ministries, although a new ministry for regional and rural development (the Ministry of Local Development) was established in 1996. An inter-ministerial commission manages the Programme for the Restoration of Villages, aiming to promote socio-economic diversification in rural areas.

A specific agri-environmental programme has not been developed.

Estonia

Estonian policy is focussing on developing efficient commodity markets and assisting it's agro-processing industry in restructuring and improving its competitiveness on domestic and international markets. Further emphasis is put on supporting the development of a viable agriculture in the framework of rural policy approaches.

The definition of integrated agricultural/rural support policy is a priority.

In 1998, the Agriculture and Rural Life Credit Fund as investment subsidy to agricultural or rural entrepreneurship started. Up to 25% of the total investment are granted by this fund. The Rural Credit Guarantee Fund launched in 1997 aims to give additional guarantees to rural enterprises when they are borrowing more than their own collateral assets.

Hungary

Hungarian agricultural and environmental policies are closely inter-linked.

“The Basic Principles of the National Agricultural Programme” of 1997 led to a re-balancing of agricultural spending from budgetary support (reduced from 42% to 35% of the total allocated to agriculture) towards direct subsidies (which increased from 21% to 27%). Market support is mainly provided through export refunds and, for a limited number of products, by direct price support. Direct subsidies include credit grants and support for those farming poor quality land. A new subsidy designed to encourage farm employment was introduced in 1998.

Structural policy instruments for agriculture have been developed and an agri-environmental policy is slowly emerging (implementation in 1997 of the 1995 Act on Environmental Protection). The Act of Environmental Protection drew up policies for key socio-economic sectors, including agriculture.

However, there is not yet a fully-fledged concept of rural policy to accompany changes in agriculture. In particular, the Ministry of Agriculture does not have a budget line to support on- or off-farm economic diversification.

Lithuania

A new *Rural Support Fund* came into force in 1997, with an allocation of 5,8 % of the state budget. For 1998 the amount of the allocation has been somewhat reduced. About 62 % of the 1997 agricultural budget was devoted to price subsidies. Rural development policies are at an early stage. In 1997 high priority was given to the new *Farm Establishment Programme*, co-financing farmers' start up costs. Environmental and less favoured areas programmes have been pursued, but on a modest scale.

Poland

Since 1994, rural development has been increasingly recognised as a priority of Polish policy due to high levels of agricultural employment, the need to modernise and develop agricultural practices and the need to create non-agricultural jobs in rural areas.

The 1994 “Strategy for Poland” mentions 4 objectives for rural development policy:

- ⇒ Village renewal including job creation and encouragement of non-agricultural activities;
- ⇒ Encouraging the modernisation of agricultural structures and processes;
- ⇒ Supporting the development of socio-economic infrastructure such as co-operatives, commodity exchanges, telephone, road networks, agricultural advisory services;
- ⇒ Recognition of the natural value of villages.

The government targeted assistance to those enterprises, organisations and activities which would make most efficient use of it. Commitments were also made to support regional development and to strengthen local government through decentralisation.

The adoption by the Government in April 1998 of a medium-term strategy for agriculture and rural development has marked a first step towards the establishment of a coherent structural and rural development policy to deal with the problem of the heavy dependence of rural areas on agriculture. The main objectives of the policy are to improve the structure of farm holding, to reduce agricultural employment from 27% to 5-7% (f. ex. through early retirement schemes), to assist in adapting agricultural output to market requirements (quality improvement etc.), to support farming in less favoured areas, to support producer and marketing groups, to assist the creation of non-agricultural jobs in rural areas, and to develop rural infrastructure (physical and social).

Agri-environmental policy in Poland is directed toward the adoption of the Community Acquis and in particular measures compatible with Council Regulation 2078/92.

Romania

A General Direction for Rural Development was set up in order to favour a harmonised approach to public interventions in rural areas and to progressively draw up and implement multi-sectoral development programmes. The Ministry of Agriculture has also started implementing a specific policy for less favoured areas.

Communication between the central and regional administrations remained hampered and the number of regular meetings between the regional and central administration was reduced for financial reasons.

Slovak Republic

Slovakia implemented a less-favoured area support programme in 1993 already, being the largest share of expenditures on structural policy in agriculture. The scheme is based on fix per hectare rates, appointed for particular land value groups, generated from the cross-country classification of agricultural land in Slovakia. Since these payments are linked with area units, they are not product specific. Recipients of the area based income support are mandated for proper maintenance of eligible land area, subject to checks by regional agricultural offices.

As a first step towards an integrated rural development policy was the setting up of the Rural Development Agency in 1995. Its tasks are to support activities for sustainable, balanced socio-economic development of rural settlements, creation of employment and additional sources of income for rural population. The agency helps communities to prepare and perform projects in these fields and assists potential and existing enterprises in their business. Several other agencies are dealing with rural issues in addition.

In 1998, the MoA drafted a "Conception of rural development in the Slovak Republic" with the long term objective to establish national rural policy in a shape, the EU is heading for.

The following programmes are amongst the most important to be applied in rural areas:

- ◆ Active and passive employment policy, funded by the National Employment Office;
- ◆ Support programmes for small and medium-sized business;
- ◆ Programme for the development of craft production;
- ◆ Tourism support programme including agro-tourism;
- ◆ Programme for technical infrastructure construction in settlements;
- ◆ Maintaining of agriculture in less favoured areas;

◆ Village restoration programme.

However, there is still a lot of technical, administrative and financial problems to solve. Specific information on rural areas is still lacking.

Slovenia

There is no significant development as regards the strengthening of rural development policy mainly due to the overlapping of responsibilities and the lack of co-ordination in the execution of rural measures.

Slovenia has not made any notable progress in setting up structures needed for regional and structural policy. More progress needs to be made to ensure a functioning system for land registration.

4 Conclusions

To summarise:

Agriculture and agricultural policy in the EU are in an evolutionary phase which has intensified as the accession calendar looms nearer.

Attempting to align themselves with a policy model that is itself under transformation is proving difficult.

It can be stated that the support of agriculture in the broad sense has first priority. This is due to the still significant although varying contribution of the agro-food sector to national economies. Improvements and modernisation of agricultural production is the guideline for policy instruments applied or planned to be introduced.

The main such instruments cover credit subsidies, investment support for “modern”/efficient farming and often specific scheme for agricultural - environmentally friendly - production in less favoured areas.

The need to establish a wide range of agri-environmental instruments has been acknowledged in all CCs, however, budgetary constraints are often limiting the possibilities to implement them.

Agri-environment policy will be needed as long as market failures to take account of the environmental consequences of farming.

The importance of the agricultural sector as a preserver of natural heritage and a certain “social net” must not be neglected - in contrary - the sector’s multi-functionality has to be set into the focus of policy makers.

All CCs have acknowledged the objective to support the creation of non-farm income alternatives in the countryside.

A tendency towards integration of “green policies” is recognisable in the CCs. They are in line with the new rural development policy of the EU and Commissioner Fischler, who recently stated that money must be invested in rural development, because the introduction of cattle and area premia of the present type should not have first priority for the CCs.

Looking at the current discussions and towards future membership, CEECs should take a lead in the evolution of “green policies” toward deeper integration reflecting the numerous functions and tasks of the agri-food sector and rural areas.

Thank you very much for your attention.

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