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| **NAT-VI/004** |
| **116th plenary session, 10 and 11 February 2016** |

**OPINION

Innovation and modernisation of the rural economy**

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| THE EUROPEAN COMMITTEE OF THE REGIONS* wishes to draw attention to the fact that austerity measures and the general funding cuts for agriculture and rural development threaten the future viability of rural areas and thus contradict the principle of territorial cohesion in the EU;
* requests to increase overall EU financial support for rural development in order to counterbalance the growing concentration of agricultural production, which is leading to major regional disparities, and put a cap on transfers from the second to the first pillar;
* to consider, within the Multiannual Financial Framework mid-term review, allocating more EU funds available for local development in the 2014-2020 programming period;
* supports the call made by the European Countryside Movement (ECM) and the enlarged European Parliament Intergroup on Rural, Mountainous and Remote Areas to the Commission to draw up a white paper to serve as the starting point for a post-2020 development policy for rural areas and to strive for more differentiated approaches and take rural interests into account in all EU policy areas, as is currently the case for cities;
* regrets the results of the interim report on the implementation of the operational programmes which highlights the fact that at present, only 11% of ERDF funds are set to be allocated to rural areas;
* asks to modernise the vocational training opportunities on offer in rural areas and to tailor this to worldwide competition conditions and the needs of local businesses and to further develope ESF funding to vocational training in rural areas;
* calls, with the help of new-generation access networks promoting the implementation of the Digital Agenda for Europe 2020, for more intensive efforts to develop high-speed internet in rural areas;
* expresses its firm support for the local development coordination platform to be set up by the European Commission;
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| Rapporteur: Randel Länts, Member of Viljandi City Council (EE/PES) |

**Opinion of the European Committee of the Regions –
Innovation and modernisation of the rural economy**

1. **BACKGROUND**

# The Europe 2020 strategy views towns and cities as the main engines of economic growth. However, it will not be possible to attain the goals of this strategy and preserve territorial cohesion without harnessing all the available potential, which includes the potential offered by rural areas.

# Rural and intermediate regions constitute 91% of the EU's area, are home to 60% of the EU's population, produce 43% of gross value added and host 56% of the EU's jobs.

# Rural life boasts a rich cultural, architectural, natural, social, culinary and economic heritage. Thus rural areas are of prime importance in new political approaches that foster sustainable development and territorial cohesion.

# Many rural areas in the European Union are faced with similar problems: physical accessibility, distance from centres of decision-making and research and educational establishments, and inadequate technological infrastructure. This causes the technology gap to grow even wider. Labour market participation is lower in rural areas and fewer jobs are created there. On the other hand, rural areas also offer a whole range of advantages: countryside, a pleasant living environment and lower levels of pollution, to name but a few.

# It should, however, be noted that rural areas can be very diverse in terms of their characteristics and challenges. Some areas are suffering from rural exodus and an ageing population, together with low population density and dispersed centres of population, while others that are closer to urban areas are under increasing pressure due to a rising demand for building plots and demographic developments. Decreased agricultural activity means that some areas are struggling with an economic downturn; others are meeting with increasing success due to the attributes of their natural surroundings or other qualities related to their living environment, tourism, and/or an influx of people coming to live in those areas. Some areas have a relatively well developed road network and good information and communications infrastructure, while others are relatively isolated. Some areas are located on the mainland and others in island regions, which have to cope with the handicaps characteristic of islands. What they all have in common is that the level of development in rural areas is lower than that of the EU, particularly compared with development levels in urban areas – and the gap is widening.

# In any event, European legislation recognises various types of rural areas, such as mountain areas and sparsely populated areas, which require a targeted approach jointly addressing their constraints and potential for development.

# Maintaining high quality public and private services often requires significant political, civic and financial investment and more solidarity between town and country. At the same time, the development of public services or products can constitute a new challenge for businesses. For example, the conditions for the award of public contracts can create incentives for businesses to seek innovative solutions and so on.

# In comparison with the previous period, funding available under the CAP has been cut by 11.1%. Eleven Member States have already decided to compensate for this change by transferring funds from the first to the second pillar, while five of them – including four central and east European countries which receive direct payments below the EU average – have decided to do the opposite. However, these funds continue to be dedicated more to bringing in revenue than to modernising and stimulating rural areas.

# It is impossible to envision a genuine policy for rural development without taking all the stakeholders into account. In rural development programmes, the European institutions, Member States and regional and local authorities should take due account of social integration, the fight against poverty and the promotion of rural economic growth. The decrease of resources make it very difficult for LRAs to finance these priorities.

# Only 6% of the EAFRD budget is put towards the LEADER programme, which in some Member States may not be sufficient to revive investment. Meanwhile, the LEADER programme has helped to create 150 000 jobs since 1991 and it is an important instrument that stimulates employment, thereby helping to preserve and enhance the socio-economic fabric in rural areas.

# In addition to funds being increased, the scope of local development should be enlarged to encompass all projects for stimulating economic and social development in rural areas. Cooperation among small producers should be supported with the aim of boosting their production capacity and the performance of local markets, overcoming problems related to short supply chains, and promoting product development and collaborative marketing. Measures like this can also enhance cooperation with regional educational and vocational training institutions, LEADER networks and other forms of local cooperation.

# A study carried out by the European Commission's Directorate-General for Regional Policy to support local development under cohesion policy, best practice and future policy options recommends setting up a coordination platform for local development with the task of incorporating the local dimension of development into the Europe 2020 strategy. The platform should focus on simplifying procedures and examine whether the various sector-specific policies are consistent. In practice, the platform should take the form of a Commission inter-service working group, which could be enlarged with representatives of other EU institutions.

# As various studies have shown, a key contribution to the development of rural communities and to fostering innovation in this area is increasingly being made by rural development networks, in that they are able to provide advice and information to help devise creative solutions for addressing local issues, share lessons learned and successful experiences among their members and identify sources of funding; to this end, we welcome the establishment of the European Network for Rural Development and the European Innovation Partnership under Articles 52 and 53 of Regulation No 1305/2013.

# During the previous programming period (2007-2013), rural development was supported with EUR 91 billion from the EAFRD and EUR 85 billion from other Structural Funds. However, the new ERDF Regulation is principally concerned with urban areas; it does not even mention rural areas. Thus the question arises as to what real possibilities remain for co-financing development projects in rural areas using the other Structural Funds (the ERDF and ESF in particular), given that most measures in the EAFRD Regulation are reserved for agriculture.

# It is also necessary to consider the question of cooperation between funds, using specific funding to address the situation of areas with low population density and severe and permanent demographic handicaps.

# A recent overview of the implementation of the operational programmes shows that for the moment only EUR 22.6 billion of ERDF is labelled as to be spent in rural areas. This is only 11% of the total ERDF budget.

# It should be emphasised that European funds for territorial cooperation can help to pool human and technical resources in cross-border zones for the development of rural areas located in border regions.

# On 23 March 2015, the European Commission and the European Investment Bank (EIB) presented a guarantee fund model for agriculture intended to ensure better access to loans in rural areas so that farmers and other players in rural areas can get loans more easily.

# Population decline and the exodus of young people from rural areas to towns and cities is a serious problem throughout Europe. The main reasons for leaving are a lack of jobs, low wages and a general lack of appeal. At the same time, rural businesspeople complain that they are unable to find new, skilled workers. Therefore rural vocational training must be rapidly improved, in terms of both initial vocational training and further vocational training.

# It is important that training in areas where there is a need for it is provided flexibly, rapidly and on a scale that is appropriate to a given region. It is, of course, more difficult to provide vocational training in rural areas than in urban areas, because learners are widely dispersed in terms of where they live and have different needs. One of the easiest ways to engage educational institutions and businesses is to take on trainees; however, without external support this may be too burdensome for small businesses. Consideration should be given to plans for supporting companies that take on trainees, pay them a decent wage and offer genuine prospects for their long-term employment. Regional vocational training institutions and other educational institutions should be provided with comprehensive resources and should have clear missions relating to further training and retraining. Meanwhile, civil society has helped set up the necessary institutions in some areas, and these experiences should be shared with other areas.

# Thanks to rapid technological developments, forestry has become more significant to rural areas and the rural economy. Nowadays, forestry means much more than just raw material (wood). Processed wood is used in construction, while wood fibres are used in the clothing and automotive industries, and even in the food industry.

# Fast telecommunications networks are vitally important for competitiveness and economic growth. Quality digital services can only be offered if fast and reliable internet is available. Although broadband coverage in the EU has greatly improved over the past few years, and the necessary infrastructure is now in place in some areas, many places are still lagging far behind. Moreover, coverage statistics do not always reflect the quality of broadband provisions in rural areas. In line with the targets set out in the Digital Agenda for Europe 2020, efforts must be made to ensure the same capacity across the whole EU. The contrast between rural and urban areas is particularly visible in this regard. In some areas with basic accessibility, end users still have to invest large sums of their own money for a connection. Further efforts must be made to promote the breakthrough of the virtual market, to improve access to affordable digital communication services and to develop online services in rural areas.

# In addition to the availability of infrastructure, it is important to ensure that the general public and businesses make good use of this potential. Studies show that, even with good internet access, most people make only relatively limited use of the possibilities on offer. Training and the dissemination of information on the various possibilities – in particular, on the use of ICT in small businesses for developing products – could be an opportunity for rural areas.

# Today, the concept of "smart cities" is usually associated with big cities, where changes play out and development prospects are sought. However, rural areas, too, would be well advised to be receptive to this concept. "Town" and "country" should not be seen as opposites; rather, there should be a synergy between them, which new technologies and their practical implementation can help to foster. The term "smart regions" should be used in order to avoid the urban-rural dichotomy.

# The common agricultural policy governs agriculture and the key role it plays in rural development. At regional level, rural development and the development of agriculture are closely linked. Although rural area is not necessarily synonymous with agriculture, there is no doubt that without agriculture there would be no rural areas. Agriculture cannot be developed in isolation from everything else. It is important to continue to ensure convergence between the conditions and aims of agriculture and those of rural development, so that the development of agriculture contributes to raising the standard of living not only of rural communities and farm workers but also of the inhabitants of neighbouring towns.

# The European Innovation Partnership "Agricultural Productivity and Sustainability" is an innovative approach to addressing weaknesses, shortcomings and obstacles that hinder or slow down the development and marketing of good ideas arising from European research and innovation. Solutions must be found, in particular with regard to under-investment, outdated regulations, a lack of standards, and problems due to market fragmentation.

# Given that many rural areas face problems in terms of physical accessibility that can prevent them from developing their full economic potential, public funds also need to take account of connecting rural and urban areas effectively through fast transport networks that also respect the environment they have to pass through.

1. **POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS

# takes the view that the economic, environmental and social problems emerging in all regions, and particularly in the EU's rural areas, can only be solved by integrated policy approaches

and therefore wishes:

# to welcome the newly established common strategic framework and to invite the Commission to continue harmonising the rules for the Structural Funds in order to better plan and steer rural development;

# to ensure the efficiency and effectiveness of the legislative provisions concerning integration of the Funds, innovation in the agricultural and rural sector and cooperative approaches, which are the most innovative elements of the rural development policy reform;

# to strive for more differentiated approaches and take rural interests into account in all EU policy areas, as is currently the case for cities;

# to draw attention to the fact that austerity measures and the general funding cuts for agriculture and rural development threaten the future viability of rural areas and thus contradict the principle of territorial cohesion in the EU;

# to ask the Commission to better support rural areas which have had to make major efforts to change their economic model, for example in switching from farming to the tourism sector;

# to increase overall EU financial support for rural development in order to counterbalance the growing concentration of agricultural production, which is leading to major regional disparities, and put a cap on transfers from the second to the first pillar;

# to consider, within the Multiannual Financial Framework mid-term review, allocating more EU funds for local development in the 2014-2020 programming period;

# given that the importance of promoting rural development is now recognised, to call for Leader to be accorded a minimum share higher than 5% of the total contribution from the EAFRD;

# to pay special attention to programmes aimed at regenerating or developing municipalities that are sparsely populated or at risk of depopulation and at promoting their historical and cultural heritage for tourism purposes;

# to support the call made by the European Countryside Movement (ECM) and the enlarged European Parliament Intergroup on Rural, Mountainous and Remote Areas to the Commission to draw up a white paper to serve as the starting point for a post-2020 development policy for rural areas;

# to express its firm support for the local development coordination platform to be set up by the European Commission;

# to emphasise the importance of rural areas as hubs for development and innovation, which contribute to the Europe 2020 strategy;

# to ensure that the ERDF reflects a firm belief in the added value of cooperation between urban and rural areas and more practical account being taken of these areas, so as to make full use of the potential of such cooperation and to use this to make a substantial contribution to territorial cohesion;

# to counter the principle of macroeconomic conditionality for the allocation of EU funding: social and environmental indicators must also be taken into account;

# to pay particular attention to innovative approaches in rural areas, since these can serve as examples for other regions and areas;

# to work towards gearing EIB funds, agricultural innovation programmes and scientific research primarily to areas with livestock farming and natural handicaps, as is the case of mountain areas, and small family agricultural holdings while also considering solutions to social challenges in order to maintain sustainable agriculture in all regions and preserve rural communities, thereby reducing regional disparities;

# to underline the importance of the Innovation Partnership for modernising the rural economy, especially in so far as it aims to achieve closer ties between agricultural and research policies and between researchers and farmers. To this end, full use should be made of the measures provided for by Regulation No 1305/2013 to support the priority "fostering knowledge transfer and innovation in agriculture, forestry and rural areas";

# to call for the drafting at European level of appropriate guidelines identifying the roles and tasks of the various national rural networks and arrangements for assisting in the implementation of the respective rural development plans;

# to strive for better coordination of innovation policy at EU level;

# to strongly deplore the fact that rural areas are not included among the primary target group of the European Commission's Innovation Partnership for Local Development ("Smart Cities and Communities");

# to regret the results of the interim report on the implementation of the operational programmes which highlights the fact that at present, only 11% of ERDF funds are set to be allocated to rural areas;

# to modernise the vocational training opportunities on offer in rural areas and to tailor this to worldwide competition conditions and the needs of local businesses;

# to work towards some ESF funding being allocated to vocational training in rural areas which must be further developed;

# to call on the Commission, the Member States and their relevant regional and local authorities to encourage cooperation between businesses and regional educational and vocational training institutions, including by facilitating the development of centres to support innovation in agriculture, on the basis of solutions already tested in other Member States;

# to reiterate its call for the need to educate society as a whole about the importance of preserving rural areas for the general public[[1]](#footnote-2) and, consequently, to ensure the provision of basic public services such as education, health or social services to the people living in rural areas;

# to develop measures to stimulate small businesses' product development and tackle market barriers and also encourage local consumption and short distribution chains for agrifood products;

# to call, with the help of new-generation access networks promoting the implementation of the Digital Agenda for Europe 2020, for more intensive efforts to develop high-speed internet in rural areas;

# to emphasise that fundamental ICT knowledge must be improved.

Brussels, 10 February 2016

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| The Presidentof the European Committee of the RegionsMarkku Markkula |  |
|  | The Secretary-Generalof the European Committee of the RegionsJiří Buriánek |

1. **PROCEDURE**

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| **Title** | Innovation and modernisation of the rural economy |
| **Reference(s)** |  |
| **Legal basis** | Article 307(4) TFEU |
| **Procedural basis** | Own-initiative opinion |
| **Date of Council/EP referral/Date of Commission letter** | - |
| **Date of Bureau** | 2 June 2015 |
| **Commission responsible** | Commission for Natural Resources |
| **Rapporteur** | Randel Länts (EE/PES), Member of Viljandi City Council |
| **Analysis** | July 2015 |
| **Discussed in commission** | 21 September 2015 |
| **Date adopted by commission** | 24 November 2015 |
| **Result of the vote in commission****(majority, unanimity)** | Majority |
| **Date adopted in plenary** | 10 February 2016 |
| **Previous Committee opinions** | CdR 65/2012 fin – Opinion on *Legislative proposals on the reform of the common agricultural policy and rural development policy post-2013*[[2]](#footnote-3)CdR 1684/2012 fin – Opinion on *Community-led Local Development*[[3]](#footnote-4)CdR 1749/2012 fin – Opinion on *The European Innovation Partnership: Agricultural productivity and sustainability*[[4]](#footnote-5)CdR 3765/2013 fin – Opinion on *The sustainability of rural areas*[[5]](#footnote-6) |
| **Date of subsidiarity monitoring consultation** | - |

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1. NAT-V/029. [↑](#footnote-ref-2)
2. [OJ C 225, 27.7.2012, pp. 174–199](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52012AR0065). [↑](#footnote-ref-3)
3. [OJ C 17, 19.1.2013, pp. 18–24](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52012IR1684). [↑](#footnote-ref-4)
4. [OJ C 17, 19.1.2013, pp. 51–55](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52012AR1749). [↑](#footnote-ref-5)
5. [OJ C 356, 5.12.2013, pp. 80–85](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013IR3765). [↑](#footnote-ref-6)