What future for rural development funds in Europe?
Some scenarios for the Financial Perspectives over 2007-2013 period.

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1. The debate on the new financial perspectives: positions and actors in the arena.

A new proposal for the future budget of the European Union was presented by the Commission on February 2004. Since then a strong and also very conflicting debate has taken place in the European arena. This proposal was presented in a very crucial period for Union's life and future. A reform of the institutional framework presented by the new Treaty, the recent enlargement to ten new Member States, a further enlargement to Romania and Bulgaria, the low level of growth in many European countries and the permanence of high levels of unemployment or low rates of activity in some countries require a very ambitious development strategy in Europe. In order to face the slow rates of growth and the structural problems of competitiveness, European Council defined the Lisbon Agenda, launched in 2000, completed in the Goteborg European Council of 2001. The Lisbon strategy requires to strenghten the efforts towards sustainable development, whose rural development can be a relevant component.

Sustainable development is one of the three main EU priorities for the next financial perspectives. Sustainable development implies, according to the document "Building our common Future" presented by the Commission to the Council and the European Parliament, the following priorities (European Commission, 2004):

- Transforming the European Union into a dynamic knowledge-based economy geared towards growth;
- Pursuing greater cohesion in the context of an enlarged Union;
- Reinforcing the competitiveness of our agriculture, strengthning rural development, ensuring sustainable exploitation of fish resources and the quality of the environment.

Turning such priorities into concrete actions and statements into deeds needs actions at both national and Union level. And if the Union is to make its financial contribution, it needs an adequate budget.

To cope with these priorities, the financial perspectives proposed by Commission in February 2004 stated that "....A credible plan to meet the Union's needs can be drawn up within the current budget disciplines, represented by the own resources ceiling of 1,24% of GNI" (European Commission, 2004, pag. 27).

Unfortunately this opinion was not shared by six important countries (Germany, France, United Kindom, Austria, Netherland and Sweden), which even before the formal presentation of the financial perspectives wrote to the Commission President asking to reduce the ceiling to 1% of GNI. The most important reason that can explain such opposition was clearly expressed by the France's President, Mr. Chirac, who stated that "...nobody can demand rigour to Member States within the rules of Stability Pact and at the same time impose a strong financial contribution to the Union".

This position was clearly stated before the pubblication of the new financial perspectives. And that was the reason why European Commission, in the final text, stressed the risk and the negative implications for EU policies of such position (European Commission, 2004, pag. 27): "...A ceiling around 1% of GNI would fail to meet the European Council commitments on agricultural payments, would undermine the phasing-in of cohesion policy in the new Member States, and would jeopardise the existing levels in other policies, let alone to implement the new priorities. Under such scenario, the EU would have to:

- reduce its efforts in terms of external aid,
- reduce support for rural development, one of the key objective of CAP reform,
- renege on international commitments and pledges;
- drastically decrease cohesion support in the current Member States in the face of major problems of lagging development, unemployment and social exclusion,
- retreat from commitments it has already made, its neighbourhood policy or justice and security tasks, and jeopardise further enlargment."

Therefore, the discussion on the future of rural development policy has to be developed in a more general context, where all EU policies are under reform and where rural development role and specific weight will depend on the more general decisions about EU budget.

The main objectives of this paper are as follows:

1) firstly, try to summarize the main issues of the debate on resources for rural development policies within the general reform of the CAP;
2) secondly, to examine carefully the probable scenarios of resources' allocation in European Union following the Commission's proposal on 2007-2013 financial perspectives;
3) thirdly, try to simulate the probable effects of announced cuts in 2007-2013 budget in terms of allocations among EU Member States, particularly in the field of rural development.

2. The debate on the future of rural development policies: how many resources for the 2007-2013 period ?

In which context the debate on the 2007-2013 financial provisions for rural development policies has taken place? The role and the amount of financial endowments for rural development has always been one of the crucial justification for a reform of the CAP. Before and even after Agenda 2000 reform such debate were centred around the following main issues of the reform process:

a) the financial share of rural development within the CAP, even after Agenda 2000, remains unbalanced if compared with the first pillar of CAP;

b) the Mid Term Review (MTR) of CAP (June 2003) has introduced the "modulation" mechanism in order to provide additional funds to rural development, but the final compromise only transfers 5% of the budget from the first to the second pillar;

c) the enlargement process needs additional resources even in the rural development field;

d) the MTR introduces new important measures (meeting standards, animal welfare, food quality and management of local integrated strategies), but in spite of modulation the additional resources are very few and available only in 2005;

e) the resources coming from modulation can only be used according to the rules of EAGGF-Guarrantee, so it implies that they can not be used to implement structural measures in Objective 1 programmes togheter with measures funded by EAGGF-Guidance. This constraint is not acceptable in those regions which need more structural measures. The most probable scenario in the allocation of additional resources coming from modulation is that Member States will raise the Community contribution in favour of measures like agri-environmental ones, rather than introducing new measures.

In conclusion, before the presentation of the new financial perspectives by the Commission, the amount of available resources is still a crucial issue for rural development policies. In this context the European Commission presented a proposal, within the new financial perspectives, on rural development future resources which, according to our opininion, should be considered really well-balanced and realistic. We will argue for this point further, but the evaluation of the EC proposal can not be negative in any case.

The European Commission has proposed an allocation of 88,75 billion € for rural development policies (heading 2b of the EU financial perspectives for the 2007-2013 period). This amount of money was then confirmed in the proposal of new Regulation on rural development, that was recently approved by European Council of agricultural ministries. Additional funds will come, over the 2007-2013 period, from other sources: a) firstly, from the modulation mechanism it will derive about a net amount of 7,1 billion €; b) a second transfer relates to the reforms of cotton and tobacco common market organisations and amounts to a further 1,4 billion €. Globally, 8,5 billion € additional financing will become available for rural development over the period. Apart from modulation mechanism, the total budget available for rural development would increase substantially between 2006 and 2013 (around 25% in 2004 prices, 44% in current prices). This increase is exclusively due to enlargement (Ahner, 2004).

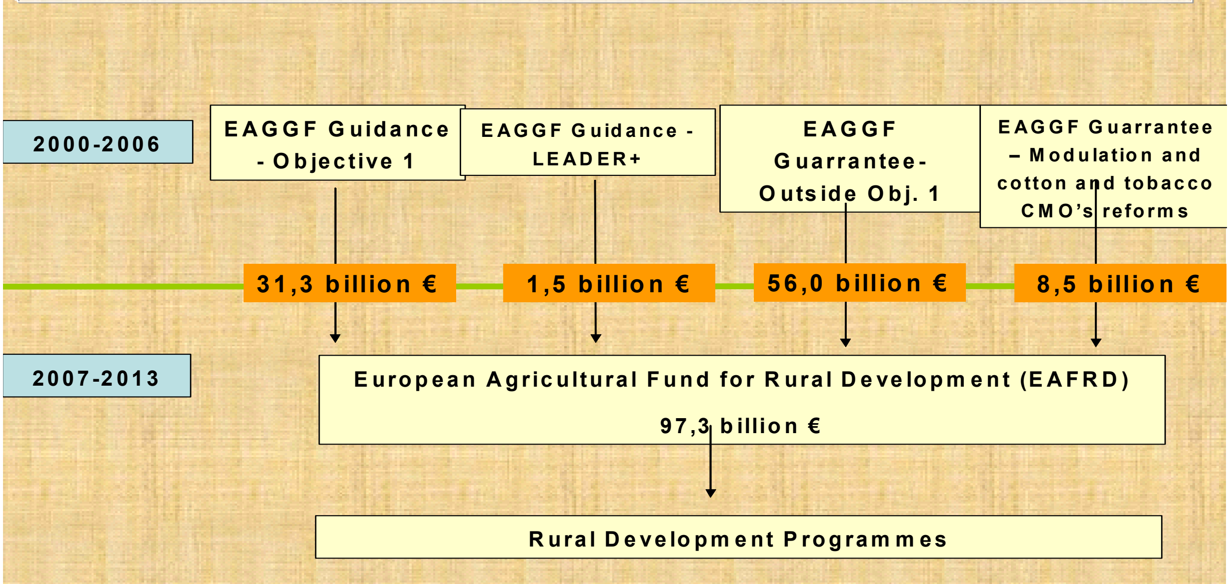
The provisions of funds will be made within the context of a unique financial instrument, the European Agricultural Fund for Rural Development (EAFRD), that will unify under the same mechanism the financing of programmes and measures. The figure 1 shows how the funding sources will be simplified and at the same time how the global amount was defined over the 2007-2013 period. This mechanism also shows that 31,3 billion € were transferred from the Structural Funds area (the "convergence" envelope) to the new EAFRD on the basis of the historical share of the EAGGF Guidance Section in Objective 1 funding, following an agreement between the former Commissioners for Agriculture and Regional Policies. The share for the EU-25 coming from the EAGGF Guaranteee Section remains stable at the level of 2006, with an additional provision for Bulgaria and Romania, whose formal adhesion is foreseen in 2007. Finally, due to the introduction into the maistream of future programmes, even the Community Initialive LEADER was financially taken into account: an additional amount of 1,5 billion € was included into the available resources for rural development.

Obviously, as the same Commission has foreseen in its document for new financial perspectives, the demand of the "group of six" to reduce the ceiling to 1% of GNI can not be compatible with the allocation of 88,7 billion € to rural development. Last June, negotiation coordinated by the Luxemburg EU Presidency proposed, in the last European Council, to cut rural development heading to 74 billion € (a reduction of 16,5% of the initial proposal). Other relevant cuts were proposed by Luxembourg on cohesion policy. In one word, the initial proposal of European Commission was substantialy revised in order to fulfill compatibilities with national budgets of the major net contributors of EU budget. The interests of these countries prevailed over the ambitious priorities established by European Commission over the 2007-2013 period. This factor, together with other issues (the British rebate and the existing agreements on CAP direct payments), caused the failure of the Brussels Summit on Final Perspectives.

The priorities of "the group of six" also prevailed over the official position of the European Parliament. In March, the Parliament pubblished a Report that was officially presented by Mr. Reimer Boge (the member of EP co-ordinating the Parliament's views on the 2007-2013 financial perspectives), where it was stated that the amount of resources proposed by European Commission for heading 2b was the absolute minimum for the rural development priority.

The negotiation on the next Financial Perspectives is still open, but it is supposed that the final agreement will be reached in 2006, under the Austrian Presidency. The possibility that this negotiation will be more complicated and radical is really concrete: on the table there is also the proposal to re-discuss the 2002 deal on CAP reform. This challenge was launched by Italy via the proposal of co-financing the CAP direct payments and was seriously taken into consideration by some country. United Kindom seems one of the most interested potential supporter of such proposal. Within the negotiation, CAP co-financing and existence and amount of the rebate are strictly linked issues. In a report prepared by European Union Committe of House of Lords published on March 2005 it is stated that: "......Previous proposals to shift CAP spending on direct subsidies to the national level, or at least to 'co-finance' it between EU and national governments, as is done for most Structural fund spending, have been fiercely resisted by Member States that benefit, net, from the CAP. But we believe that the Reform of the CAP and the continuing enlargement of the EU has strengthened the case for national financing, or at least co-financing......A move towards national financing of the direct subsidies under CAP would also do much to eliminate budgetary imbalances between Member States, since it is the uneven distribution of the CAP receipts that cause them. Those that are arguing against retaining the special abatement for the United Kingdom should be willing to accept that the need for such an arrangement would be considerably reduced by a decision to finance, or at least co-finance, the CAP at the national level" (House of Lords, 2005).

Figure 1 - Financial changes between the present period and the future



Sources - European Commission Working Documents

3. The allocation of resources among 27 Member States: three different scenarios

The second important issue concerns the amount of money that each country is going to get from the rural development budget. This issue, on turn, demands some analyses of criteria and method to be used for allocation purposes. Given the global amount of resources established for heading 2b, which is the most appropriate and well-balanced allocation of funds among the 27 Member States?

To answer to this question we have to start from the allocation criteria established by the new Regulation on rural development. These criteria are stated in the article 59 of the Regulation:

a) the amounts reserved for regions eligible under the Convergence Objective (the former Objective 1);

b) past performance (it means the financial implementation of the 2000-2006 period);

c) particular situations and needs based on objective criteria.

The allocation of funds must also follow the so-called capping rule: the sum of resources received by each Member State under Structural Funds and Rural Development headings should not exceed 4% of its GDP.

In order to estimate the distribution of future rural development funds among countries we have taken into account criteria a) and b) because they are clearly evaluable. The third criterium is very vague and ambigous, and it is supposed to introduce some element of flexibility in the hands of the Commission for the final negotiations with Member States. To estimate the funds' allocation we have imagined three different scenarios for the 2007-2013 period:

- **Scenario A: Statu quo.**

In this scenario the allocation of 2007-2013 funds is calculated according the 2000-2006 model of distribution. The shares coming from EAGGF-Guidance and from EAGGF-Guarantee are in the first step distributed among three groups of countries: EU-15, EU-10 and EU-2 (Bulgaria and Romania). An important adjustment was made because the EAGGF-Guarantee share for EU-10 was defined on the basis of three years (2004-2006), rather than seven as in EU-15. Consequently we have introduced the hypothesis that for the new Member States the annual amount (Guidance+Guarantee) remains stable at the average level 2000-2006. Then, in the second step they are allocated within each group according the 2000-2006 distribution. Funds coming from LEADER are allocated in the third step, according the resulting percentages coming from the previous calculations. This scenario is very conservative and does not take into account the new Regulation criteria.

- **Scenario B: Changes due to the new Convergence regions.**

This second scenario introduces a sort of correction deriving from the new Convergence area. A certain number of regions can not be classified as Convergence regions, and this happens in Spain, Portugal, Greece, Italy, Austria, Finland, Ireland and UK. In this exercise we have excluded only those regions losing eligibility due to growth (phasing-in regions), and we kept regions in phasing out due to the statistical effect. On the basis of the most recent DG REGIO simulations Austria, Finland and Ireland loose their former Objective 1 regions; Greece, Ireland and Italy loose between 5 and 8% of the present Obj. 1 population; Spain looses more than other countries in absolute terms (about 8,3 million of population in Castilla-Leon, Comunidad Valenciana and Canarias).

- **Scenario C: New Convergence Regions and adjustements due to the financial past performance.**

The third scenario introduce the efficiency variable and it is referred to the amount of payments made on the first four years of the 2000-2006 by EAGGF-Guidance in EU-15. This criterium was limited to EU-15 because of the initial difficulties met by new Countries at the beginning of the 2000-2006 programming phase.

Table 1 - Rural Development funds 2007-2013 allocated among EU-27 countries. Three different scenarios

Total per year- Meuro							
European Countries	**2000-2006**	**2007-2013**					
		Statu quo	**Variation 2007-13 / 2006-7**	**With new Convergence regions**	**Variation 2007-13 / 2006-7**	**Convergence regions+ financial efficiency 2000-6**	**Variation 2007-13 / 2006-7**
Total EU 27		**12.679**		**12.679**		**12.679**	
Total EU 25	**8.650**	**11.181**	**2.530**	**11.181**	**2.530**	**11.181**	**2.530**
Total EU 15	**7.498**	**8.145**	**647**	**8.145**	**647**	**8.145**	**647**
Austria	475	586	111	581	106	630	155
Belgium	62	74	12	74	12	68	6
Denmark	52	63	11	63	11	65	13
Finland	350	423	73	398	48	430	80
France	958	1.129	170	1.129	170	1.143	184
Germany	1.288	1.393	105	1.393	105	1.475	187
Greece	491	463	- 28	441	- 50	453	- 38
Ireland	374	454	80	433	59	469	95
Italy	1.111	1.191	80	1.159	48	1.221	110
Luxembourg	13	16	3	16	3	17	4
Netherlands	73	77	4	77	4	83	10
Portugal	543	540	- 2	526	- 17	513	- 30
Spain	1.286	1.260	- 26	1.037	- 248	1.077	- 209
Sweden	183	219	36	219	36	236	53
United Kingdom	238	256	18	247	9	265	27
Total EU 10	**2.688**	**3.036**	**347**	**3.036**	**347**	**3.036**	**347**
Cyprus	25	13	- 12	8	- 17	8	- 17
Czech Rep.	236	252	16	246	10	246	10
Estonia	68	80	11	80	12	80	12
Hungary	312	400	88	415	103	415	103
Latvia	138	145	7	140	2	140	2
Lituania	202	201	- 1	191	- 10	191	- 10
Malta	9	9	- 0	8	- 1	8	- 1
Poland	1.370	1.625	255	1.645	275	1.645	275
Slovakia	227	240	13	246	19	246	19
Slovenia	102	71	- 31	58	- 44	58	- 44
Total EU 2		**1.499**	**1.499**	**1.499**	**1.499**	**1.499**	**1.499**

Table 1 shows the results of this simulation when applied to the three different scenarios and compared with the average financial endowments 2000-2006. Given the global amount of 88,7 billion € proposed in EC Financial Perspectives, most of countries gain additional resources or keep the same amount of the present period. Obviously in the statu quo scenario the internal allocation does not produces substantially losses in any country. Most of gains go to the biggest countries (France, Germany and Poland). Some of the previous distortions are still present in the new allocation (like the exaggerate share gained by Austria). Significant losses appears in the second scenario, all concentrated in Spain and, to some extent, also in Greece and Portugal because of their regions leaving the Ojective 1 area. In the third scenario the financial efficiency allows some country to improve the relative share (Italy, Germany, Austria and UK).

On the whole, the allocation system that comes out from this simulation confirm that the EC proposal is well-balanced and realistic. Whatever scenario it is followed, there are wide margins to compensate countries eventually unhappy with the criteria used. To this regard, the flexibility that the Regulation allows (see the above mentioned third criterium) can be very useful to close successfully next negotiations.

Figure 2 shows the percentage of funds per each country.

The first result which should be examined is a sort of redistribution of rural development resources in favour of the new Member States. This result does not depend from the scenario we are following, it depends essentially from the hypotheses we have used corcerning the maintenance of an annual average like that new countries received in 2004-2006.

The second result concerns the distribution of funds among old countries. It must be noticed that Spain reduces its share of 5 points, Italy and France 3 points, Portugal and Greece 2 points, UK about 1 point. This can be considered as the contribution of these countries to the enlargment. But, in any case this contribution can be considered financially acceptable if the global amount remains around 86-88 billion €. As we have seen, the EC proposal allows to maintain an adequate amount of absolute resources. The situation dramatically changes when the global pie must be reduced to meet the ceiling of 1% of GDP.

What is the role of rural development in the next programming period? The amount of money to be spent in rural development offers an important information when compared with the previous period, both in absolute and relative terms. But an additional source of information can be provided by indicators which compares financial resources with economic and social role of agricultural sector (see table 3). From this point of view, the role these policies can play in old countries is really different from that in new countries. The role in promoting development processes in new countries can be very relevant when we relate available resources to GDP or Agricultural Added Value (AAV) (table 3). In some new country estimated resources for the 2007-2013 period can even represent 1% of GDP and between 33% and 50% of AAV. It must be stressed that in some countries estimated 2007-2013 resources, when added to Structural Funds, could be higher than capping of 4%. When compared with the farm holdings and labour employed in agriculture, the intensity of rural investments is higher in old countries than in new ones. This is largely due to the great amount of small farms operating as subsistence units for self-consumption purposes in new countries.

Table 2 - Rural Development funds 2007-2013. Scenarios of % distribution among EU-27 countries

Total programming period (seven years)- %				
European Countries	2000-2006	2007-2013		
		Statu quo	With new Convergence regions	Convergence regions+ financial efficiency 2000-6
Total EU 27		**100,0**	**100,0**	**100,0**
Total EU 25	**100,0**	**88,2**	**88,2**	**88,2**
Total EU 15	**86,7**	**64,2**	**64,2**	**64,2**
Austria	5,5	4,6	4,6	5,0
Belgium	0,7	0,6	0,6	0,5
Denmark	0,6	0,5	0,5	0,5
Finland	4,0	3,3	3,1	3,4
France	11,1	8,9	8,9	9,0
Germany	14,9	11,0	11,0	11,6
Greece	5,7	3,7	3,5	3,6
Ireland	4,3	3,6	3,4	3,7
Italy	12,8	9,4	9,1	9,6
Luxembourg	0,2	0,1	0,1	0,1
Netherlands	0,8	0,6	0,6	0,7
Portugal	6,3	4,3	4,1	4,0
Spain	14,9	9,9	8,2	8,5
Sweden	2,1	1,7	1,7	1,9
United Kingdom	2,8	2,0	2,0	2,1
Total EU 10	**13,3**	**23,9**	**23,9**	**23,9**
Cyprus	0,1	0,1	0,1	0,1
Czech Rep.	1,2	2,0	1,9	1,9
Estonia	0,3	0,6	0,6	0,6
Hungary	1,5	3,2	3,3	3,3
Latvia	0,7	1,1	1,1	1,1
Lituania	1,0	1,6	1,5	1,5
Malta	0,0	0,1	0,1	0,1
Poland	6,8	12,8	13,0	13,0
Slovakia	1,1	1,9	1,9	1,9
Slovenia	0,5	0,6	0,5	0,5
Total EU 2		**11,8**	**11,8**	**11,8**

Table 3 - Indicators of role and intensity of rural development funding in 2007-2013 period

Intensity of Rural development funding					
European Countries	Funds as % of GDP	Funds as % of Agricultural Added Value	2007-2013: financial resources		
			per hectare of agric.used area (€)	per farm holding (€)	per agricultural employed (€)
Total EU 27	**0,11**	**7,7**	**70**	**1.229**	**910**
Total EU 25	**0,10**	**7,1**	**69**	**1.083**	**1.109**
Total EU 15	**0,07**	**5,5**	**63**	**1.224**	**1.255**
Austria	0,24	23,2	187	3.152	3.090
Belgium	0,02	2,5	49	1.239	974
Denmark	0,03	2,2	25	1.327	731
Finland	0,25	29,3	191	5.735	3.414
France	0,06	3,7	39	1.861	1.097
Germany	0,06	9,4	87	3.579	1.693
Greece	0,24	5,5	116	554	692
Ireland	0,28	18,1	107	3.477	4.154
Italy	0,08	4,2	81	567	1.174
Luxembourg	0,06	13,8	133	5.692	3.415
Netherlands	0,02	0,9	43	967	382
Portugal	0,33	15,6	137	1.232	780
Spain	0,12	4,0	43	837	1.153
Sweden	0,08	14,9	75	3.471	2.126
United Kingdom	0,01	2,4	16	944	745
Total EU 10	**0,51**	**33,5**	**96**	**828**	**845**
Cyprus	0,11	3,9	122	367	973
Czech Rep.	0,31	35,9	85	5.755	1.466
Estonia	0,68	40,2	88	1.903	1.903
Hungary	0,36	18,4	61	464	1.700
Latvia	1,05	60,2	80	901	870
Lituania	0,84	43,7	73	659	666
Malta	0,22	17,8	1.117	1.117	3.070
Poland	0,66	39,9	104	770	675
Slovakia	0,54	59,2	411	2.909	1.611
Slovenia	0,21	17,8	135	893	916
Total EU 2	**1,57**	**20,9**	**74**		**389**

4. Main implications of the reduction of resources

As we have already discussed in second paragraphe, in the present debate there are strong interests in favour of reducing own resources ceiling of 1,24% of GNI to 1%. Which kind of implications could this choice have upon the resources allocation and on the consistency between priorities and means in the field of rural development?

In order to give a reasonable answer to this questions we identify two different hypotheses of cutting resources:

a) a proportional reduction in each country, in relation to the share of each country in the final allocation for 2007-2013 period. To implement this hypotheses we apply a proportinal reduction to the third scenario (given by "new Convergence Regions and adjustements due to the financial past performance");

b) a reduction applied only to those resources outside the Convergence Objective. This implies that the negative implications of cutting the budget will exclude the most lagging behind regions, which need more than other regions the EU financial support. Even in this case the reduction is applied to the results of third scenario.

Results of this exercise are shown in table 4. The difference between the two hipotheses lies firstly in the implications upon old and new countries. A proportional reduction clearly distributes the negative impact of cuts among all countries, while a reduction concentrated on outside Convergence objective has only a negative impact on old countries. According this second hypothesis, new countries whose territories are almost entirely included into Convergence gain additional resources when compared with the third 2007-2013 scenario. For this reason, although very reasonable in terms of equity and cohesion, the reduction limited to those regions outside the Convergence objective will be perceived as not acceptable by most of old countries. Major looser, whatever hypotesis might be considered, remains Spain. For this country does make no difference the type of reduction. Italy, Greece and Portugal loose more or less 100 Meuro with a proportional reduction; their losses are slightly smaller when cuts are focused outside Convergence. But when we use the outside Convergence cutting method, the North-European countries double their losses: particularly significant are the losses of France, moving from – 5 Meuro of the first hypothesis to – 90 Meuro of the second one. In conclusion, it seems that a proportional reduction is politically and financially more acceptable, both by old countries and a good number of new countries. It allows to minimize potential conflicts arising from the need to cut the rural development budget, if it has to be included into the next agenda.

Table 4 - Scenarios deriving from different hypotheses of cutting rural development resources

Total per year- Meuro							
		2007-2013: three scenarios					
European Countries	2000-2006	Convergence regions+ financial efficiency 2000-6	Variation 2007-13 / 2006-7	With proportional reduction	Variation 2007-13 / 2006-7	With reduction only outside Obj. 1	Variation 2007-13 / 2006-7
Total EU 27		**12.679**		**10.579**		**10.579**	
Total EU 25	**8.650**	**11.181**	**2.530**	**9.329**	**679**	**9.386**	**736**
Total EU 15	**7.498**	**8.145**	**647**	**6.796**	**-702**	**6.510**	**-988**
Austria	475	630	155	526	51	466	-9
Belgium	62	68	6	57	-5	52	-11
Denmark	52	65	13	54	2	48	-4
Finland	350	430	80	359	9	318	-32
France	958	1.143	184	953	-5	868	-90
Germany	1.288	1.475	187	1.230	-57	1.205	-83
Greece	491	453	-38	378	-113	404	-87
Ireland	374	469	95	392	18	347	-27
Italy	1.111	1.221	110	1.019	-93	993	-118
Luxembourg	13	17	4	14	1	13	-1
Netherlands	73	83	10	69	-3	62	-11
Portugal	543	513	-30	428	-115	445	-97
Spain	1.286	1.077	-209	899	-387	904	-382
Sweden	183	236	53	197	14	178	-5
United Kingdom	238	265	27	221	-17	206	-33
Total EU 10	**2.688**	**3.036**	**347**	**2.533**	**-155**	**2.876**	**188**
Cyprus	25	17	-8	14	-11	6	-19
Czech Rep.	236	311	75	259	23	231	-5
Estonia	68	70	2	59	-10	76	7
Hungary	312	359	47	299	-13	398	86
Latvia	138	127	-11	106	-32	131	-7
Lituania	202	184	-18	153	-48	177	-24
Malta	9	12	3	10	1	7	-2
Poland	1.370	1.678	308	1.400	30	1.566	196
Slovakia	227	209	-17	175	-52	235	8
Slovenia	102	69	-33	57	-44	50	-52
Total EU 2		**1.499**	**1.499**	**1.250**	**1.250**	**1.193**	**1.193**

5. Conclusions: what future for EU Rural Development Polices ?

Financial Perspectives proposed by the EC in February 2004 contributes to reinforce the role of rural development in European policies. These resources will contribute to raise the share of rural development within the CAP global budget (up to 22,5-23% of the CAP total budget).

The future allocation of funds among countries should be not very far from the present distribution in order to reach an acceptable compromise. Allocation system we propose here suggests that the EC proposal is well-balanced and realistic. Whatever scenario it is followed, there are wide margins to compensate countries eventually unhappy with the criteria used. The flexibility that the Regulation allows can be very useful to close successfully the next negotiations.

But probably difficulties will be raised by the idea of reducing EU budget to 1% of GDP. In case of necessary cuts of spending, it seems that a proportional reduction is politically and financially more acceptable, both by old countries and a good number of new countries, because it minimize potential conflicts among countries.

Funds allocation among priorities should follow patterns more balanced than those of 2000-2006 period. The EC proposal of minimum thresholds for each axis seems very reasonable and functional to avoid RD programmes too much environmentally or sectorally-oriented. But the final version of new Regulation accepted a compromise not very favourable for diversification measures. According to the demand of the majority of countries the minimum threshold for diversification measures was reduced to 10%, which is a minimum very close to the present average allocation in EU-15.

Future allocation should support the mainstreaming of LEADER. At the present moment mainstreaming seems to be more an hypothesis than a real strategy financially supported by Member States. The final version of new Regulation does not include the reserve performance for the LEADER, and this can not be considered a good signal for the future of integrated approach in 2007-2013 period.

The key question for the future programmig phase is: how to drive the programming process towards a better quality ?

Money allocation is crucial to assure a better quality of programmes, via four profiles: global amount of resources devoted to rural development; well-balanced allocation among new and old countries and within these two groups of countries, role and importance of priorities, role and importance of LEADER approach. Next two years will be decisive to understand the concrete opportunities for improving and strengthening the second pillar of CAP.

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