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Rural development plans in Germany: 3 "Länder"

Country profile

Size: 357,000 km²

Population: 82.31 millions inhabitants (density: 231 inhabitants/ km²)

GDP per capita: € 23,702 (year 2003; source: national strategy plan for rural development)

Rural areas cover 80% of the German territory and about 40% of the population live in these areas. The German situation is characterized by important regional discrepancies such as population density, size of agricultural holdings, income and unemployment rate.

Globally speaking, more than 53 % of the total surface area of Germany is utilised as agricultural land (19.1 million ha), of which 9.4 million ha are classified as Less Favoured Areas, and 33% (11 million ha) is covered by forests (of which 47% are private owned).

Some 1.3 million people are employed in 400,000 farms (590,000 works units), with a high share of farms (53 %) managed by part time farmers. The average size of the agricultural holdings is 43 ha, with huge farms (mainly as legal entities) in the new *Länder* (East Germany) and also in the North-West of Germany, and on the other side relatively small farms in Southern Germany. The value of the output of German agriculture amounts to about € 43 billion and, including forestry (over € 3 billion) and fisheries and fish farming (approximately € 0.4 billion) to around € 47 billion. Thereby the sector contributes about 1 % to the total gross value added produced in Germany (food industry: 4.6%)

The population working in agriculture is however better educated and has a better productivity than the EU-27 average, and is also more engaged in other activities, but there is still an important need of targeted investments in agriculture.

The diversity of natural resources and landscapes (from the North- and Baltic seas to the Alps) can also be seen as an important asset. 13.5% of the territory has been classified as Natura 2000 areas, and the preservation of the endangered biodiversity is seen as a very important issue.

In rural areas, the unemployment rate is higher than the German average, and the population working in agriculture is decreasing. Therefore, together with the provision of basic services and preservation of the rural heritage, accent has to be put to diversification of economic activities and job creation. In this respect, the encouragement of tourism activities as well as the development of renewable energy sources are seen as bringing important potentialities.

Chosen strategy corresponding to the profile

Due to its federal structure, the Federal Republic of Germany implements the rural development policy through rural development programmes (RDP) established at the regional level of the *Länder*. In this respect, 14 regional programmes (Niedersachsen /Bremen and Berlin-Brandenburg present joint programmes), and a programme related to the national network have been submitted to the Commission's services.

Germany has also submitted a **national framework** which has been adopted by the European Commission by the beginning of September. The national framework contains a menu of measures and actions according to the EAFRD regulation, which can be taken on board by the regional programmes with a national financial incentive. The Commission's approval of this document was a pre-condition for the approval of the German regional programmes.

Budget for Germany

Total: € 13,207,160,695, of which EAFRD¹ support amounts to € 8,112,517,055 € (Convergence regions: € 3,174,037,771)

¹ EAFRD: European Agricultural Fund for Rural Development

Mecklenburg-Western Pomerania

Region profile

- Size: 23,178 km². 1,7 million inhabitants; Mecklenburg-Western Pomerania is the region with the lowest population density in Germany (74 inhabitants/km²). More than half of the population (54.4%) live in highly rural areas, where the number of inhabitants is below 30/km².
- The *Land* (region) Mecklenburg-Western Pomerania is one of the structurally weakest regions of Germany. The gross domestic product (GDP) of Mecklenburg-Western Pomerania of EUR 32.5 billion in 2006 corresponds to EUR 19,000 per inhabitant and is thus 5% below the average of the 'new' German *Länder* (former GDR) and about one-third below the level for Germany as a whole.
- In 2006, the unemployment rate was 20.8%, which was about 1.4 percentage points higher than in 1999, and twice more than the German average. Within Mecklenburg-Western Pomerania, there are huge regional differences (14.9% - 27.6%) between rural districts and towns/cities. There is no significant difference between men and women. The employment rate for women compared with the German average is relatively high (75.3%).
- In 1,357,000 hectares, or 58.5%, of the total area of Mecklenburg-Western Pomerania is agricultural land. 20 % of this is permanent pasture land.
- The agricultural sector is divided into 2,850 full-time large-scale farms and a high number of 2,280 part-time farmers, who farm only 4.5% of the agricultural area. The average size of full-time farms is 452 hectares. As in the whole of Eastern Germany (former GDR) there is a high proportion of land tenure.
- The farms in Mecklenburg-Vorpommern have the highest income in Germany (54,000 EUR) that is 20,000 EUR above the German average. The farms have the highest labour efficiency in Germany (40% above the German average). 100 ha are farmed by 1.3 persons.
- In Mecklenburg-Western Pomerania, the food industry is a significant economic sector, with 166 businesses, 14,393 employees and annual revenues of more than 3.3 billion €. In the last 10 years, about 2,400 new jobs have been created in this sector. While the share of the food industry in total sales of the manufacturing sector in Mecklenburg-Western Pomerania is 34.5%, the national German average is just 9.1%. The food sector accounts for a significant share (about 27%) of the foreign trade of Mecklenburg-Western Pomerania.

Chosen strategy corresponding to the profile:

The overall objectives were chosen in accordance with the Community Strategic Guidelines (CSG) and the National Strategy Plan and are:

Strengthening the competitiveness of the agricultural and forestry sector;

Sustainable use of natural resources and landscape conservation, conservation and development of attractive and vigorous rural areas, in order to enhance the image as tourism and health region.

Budget overall and share of EU funding

The share of funding allocated to each axis is shown in the table below:

Axis	Total Public Expenditure	Share of EAFRD* in Public Expenditure	EAFRD Contribution
Axis 1	313,287,200	75.00	234,965,400
Axis 2	276,043,000	80.00	220,834,400
Axis 3	482,797,600	75.00	362,098,200
Axis 4	71,294,416	80.00	57,035,533
Technical assistance	9,520,000	75.00	7,140,000
Total	1,152,942,216	76.51	882,073,533

* EAFRD: European Agricultural Fund for Rural Development

Overall aim of RD programme in country:

Increasing the economic power, creating of jobs and growth

Axis 1 budget allocation and main priorities:

EAFRD: EUR 234,965,400 (27 % of programme total)

Total public funding: EUR 313,287,200 (27 % of programme total)

Main priorities:

- Creation of a competitive agriculture and forestry, reestablishment of farm in the animal sector in order to raise the labour intensity and creation of added value.
- Improvement of the infrastructure for agriculture and forestry,

Axis 2 budget allocation and main priorities:

EAFRD: EUR 220,834,400 (25 % of programme total)

Total public funding: EUR 276,043,000 (24 % of programme total)

Main priorities:

- Protection of natural resources,
- sustainable development,

Axis 3 budget allocation and main priorities:

EAFRD: EUR 362,098,200 (41 % of programme total)

Total public funding: EUR 482,797,600 (42 % of programme total)

Main priorities

- Development of tourism potentials,
- Improvement of the quality of live in the rural area,
- Improvement of the environment

Leader budget allocation:

EAFRD: EUR 57,035,533 (6,5 % of programme total)

Total public funding: EUR 71,294,416 (6 % of programme total)

Schleswig-Holstein

Region profile:

- Schleswig-Holstein is located in north-western Germany, with an area of 15.799 km², making it the second smallest state (Land) in the Federal Republic of Germany;
- 2.8 million inhabitants are residing in Schleswig-Holstein's 1.124 municipalities, of which 92 % in the defined rural area; with 179 inhabitants/km² the population density is significantly lower than in Germany (average 231/km²)
- The settlement structure is characterised by a large number of small municipalities. A municipality in this region numbers about 2,500 inhabitants on average (in Germany as a whole, the average is over 6,000 inhabitants).
- Schleswig-Holstein's economic structure is mainly characterised by the services sector: this sector generated 76% of the value added (2004) and therefore much more than on an average in the West-German *Länder* (69.8%).
- Tourism is of outstanding significance to the regional economy. Tourist activities are mainly concentrated on the coastal areas of the North and Baltic Sea.
- A further economic sector of a particularly distinct nature in Schleswig-Holstein is electricity generation from regenerative sources.
- Unemployment rate is at 11.8 % (Germany 11.7; NSP data for 2005);
- A total of almost 80 % of the surface of Schleswig-Holstein is used for agricultural and forestry purposes, of which about 1 million hectares are used by agriculture.
- 40 % of agricultural area is classified as in Less Favoured Areas (German average: 49%)
- With a forest area of only 10 % (German average 31 %), Schleswig-Holstein is one of the least densely forested states in the Federal Republic of Germany;
- Agriculture and forestry contribute to 1.9 % of the state's macroeconomic gross value added (German national average 1.1 %).
- Around 17 664 agricultural holdings are still active (data 2005) compared to around 22 000 in 1995
- The average farm size has increased steadily, with an average of 55.5 ha of agricultural area per holding, the average size is significantly higher the federal average of 43 ha;
- The food industry in Schleswig-Holstein is characterised by mostly small and medium-sized enterprises. Only the dairy industry features large enterprises.

Chosen strategy corresponding to the profile:

In accordance with the EU Strategic Guidelines and the National Strategy Plan of the Federal Republic of Germany, the aim of this programme is to

- Contribute to securing jobs and to the creation of new jobs,
- While taking into consideration environmental aspects,
- Through an improvement of competitiveness and value adding in agriculture, forestry and the rural environment.

A sustainable integrated development of the rural environment is targeted, in line with local goals and requirements, while contributing to levelling existing differences in the development of the different parts of Schleswig-Holstein. Agriculture and forestry have a key function, based on their diverse functions within the framework of socio-economic development and full activation of growth and development potential in the rural environments.

The share of funding allocated to each axis is shown in the table below:

Axis	Total Public Expenditure	Share of EAFRD in Public Expenditure	EAFRD Contribution
Axis 1	143 098 548	50.00	71 549 274
Axis 2	133 567 236	55.00	73 461 980
Axis 3	119 579 318	50.00	59 789 659
Axis 4	57 272 727	55.00	31 500 000
Technical assistance	2 806 000	50.00	1 403 00
Total	456 323 829	52.00	237 703 913

Overall aim of RD programme in country

- Improvement of competitiveness and value adding in agriculture, forestry and the rural environment,
- Contributing to securing jobs and to the creation of new jobs, take into consideration environmental aspects.

Axis 1 budget allocation and main priorities:

EAFRD: EUR 71,549,274 (30.1 % of programme total)

Total public funding: EUR 143,098,548 (31.4 % of programme total)

Main priorities:

- emphasis put on the modernisation of agricultural holdings (more than 21 % of public expenditure) and
- support for investments in restoring agricultural potential damaged by natural disasters and appropriate prevention actions (around 50 % of public expenditure).

Axis 2 budget allocation and main priorities:

EAFRD: EUR 73,461,980 (30.9 % of programme total)

Total public funding: EUR 133,567,236 (29.3 % of programme total)

Main priorities under this axis are the agri-environmental measures with a broad variety of sub-measures. More than 80 % of the axis funding is reserved for these measures. The compensation allowance for Less Favoured Areas make up for around 5 % of the axis funding whereas payments for Natura-2000 amounts for about 6%.

Axes 3 budget allocation and main priorities:

EAFRD: EUR 59,789,659 (25.2 % of programme total)

Total public funding: EUR 119,579,318 (26.2 % of programme total)

The dominating priority under this axis is "Conservation and upgrading of the rural heritage" with more than half of the axis funding. Of particular importance is the measure basic services for the economy and rural population (around 21 % of axis funding).

Leader budget allocation:

EAFRD: EUR 31,500,00 (13.3 % of programme total)

Total public funding: EUR 57,272,727 (12.6 % of programme total)

Support for selected integrated strategies according to the Leader principles. The measure shall contribute to the accomplishment of the objectives of axis 3. From 2009 on some measures of axis 3 will exclusively be implemented in axis 4.

Saxony-Anhalt

Region profile

- Total area about 20450 km² with 2.48 Mill inhabitants, situated in the middle east of the Federal Republic of Germany and surrounded by 4 other Länder; no direct border with another Member State or a third country.
- Convergence region with the region of Halle as phasing out.
- More than 80 % of the areas are used for the purpose of agriculture (57%) and forestry (24); further 2 % is water area.
- 4.950 agricultural holdings farm on 1.000.800 ha (86 %) for food production and another 163.400 ha (14 %) is kept as permanent grassland.
- Natura2000 regions count some 11,5 % of the total territory (231.936 ha). 265 “Fauna and Flora” habitats areas (including 11 special forest habitats) and 32 “Bird Protection” areas
- With 20.409 €, GDP per capita has reached some 73% of the German average and 78% of the EU average.
- Unemployment rate is more than 20%, the rate of young people under 25 years is even worse with 23.4%.

Rural areas:

- The RDP covers the whole territory with the exception of the cities Magdeburg and Halle (average of 121 inhabitants per qm²). But eligibility of EAFRD support is on rural areas defined through strong area demarcations (Natura2000, Bird habitats etc) or demarcation via the number of inhabitants in villages, max 10.000 in axis 3 and max 7.500 in axis 4.
- Covers about 75 % of the whole territory of ST with some 53% - ca.1.3 Mill- of the population.
- Further improvement necessary for non-agricultural employment opportunities in the industry, in the handicraft and the services sector, commerce and tourism as well as smaller schools, children gardens and cultural establishments.
- Qualitative and quantitative tourist development has been improved since 1990. With tourism now contributing about 5% to the GDP, this trend should be further improved.

Chosen strategy corresponding to the profile:

The strategy chosen is based on the principle of improving the living conditions in rural areas as well as the economic situation taking into account the objectives of conservation of nature and environmental protection. According to this principle and the SWOT analysis, the strategy was built on the European model of multifunctional agriculture and the objectives of the four axes of the Rural Development Regulation. The overall objectives were therefore chosen in accordance with the Community Strategic Guidelines (CSG) and the National Strategy Plan:

In budget terms, the RDP is very balanced over all three measures axes, but strong emphasis is given:

- To the improvement of educational basis services (small schools and children garden), village renewal and development as well as the maintenance of rural heritage and the diversification of rural economy in axis 3 (33.5 %).
- Further priority is given to flood prevention for agricultural potential, improvement of infrastructure as well as modernisation of agricultural holdings in axis 1 (29 %) and

- To agri-environmental measures and compensation payments for restricted land use under Natura2000 in axis 2 (28 %).

The Leader approach (5.5 %) is open to all axes and for all RDP measures, but will be mainly implemented through axis 3 measures (4.5 % of axis 3 budget).

Due to the problem of low capital stock in agricultural holdings and related difficulties mostly by reticence of banks to participate in investments, Saxony-Anhalt will establish an "Agriculture, Forestry and Food Investment Fund" as a revolving loan fund with special interest rates. This fund directly responds to such funding difficulties; it will be used for credits to agricultural enterprises for specified purposes, especially for innovative investments with important structural effects after the setting up of agricultural holdings as well as for new techniques and technologies.

Financial plan by axis (in EUR total period): total

Axis	Total Public Expenditure (in €)	Share of EAFRD in Public Expenditure	EAFRD Contribution (in €)
Axis 1	315,188,665	75.00	236,391,499
Axis 2	286,878,753	80.00	229,503,002
Axis 3	366,014,776	75.00	274,511,082
Axis 4	55,470,090	80.00	44,376,072
Technical assistance	43,598,933	75.00	32,699,200
Total	1,067,151,217	76.60	817,480,855

Overall aim of RD programme in country

In budget terms, the RDP is very balanced over all three measures axes, but strong emphasis is given:

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- Further priority is given to flood prevention for agricultural potential, improvement of infrastructure as well as modernisation of agricultural holdings in axis 1 (29 %) and
- To agri-environmental measures and compensation payments for restricted land use under Natura2000 in axis 2 (28 %).

The Leader approach (5.5 %) is open to all axes and for all RDP measures, but will be mainly implemented through axis 3 measures (4.5 % of axis 3 budget).

Axis 1 budget allocation and main priorities:

EAFRD: EUR 236,391,499 (29% of programme total)

Total public funding: 315,188,665 EUR

Main priorities:

- Modernisation agri – holdings
- Adding value to agri – products
- Improvement of infrastructure
- Prevention of flood disasters

Axis 2 budget allocation and main priorities:

EAFRD: EUR 229,503,002 (28 % of programme total)

Total public funding: EUR 286,878,753

Main priorities

- compensation payments Natura2000
- agri-environment payments

Axes 3 budget allocation and main priorities:

EAFRD: EUR 274.511.082 (33.5 % of programme total)

Total public funding: EUR 366.014.776

Main priorities

- diversification of rural economy
- basic services–renovation of small schools and children gardens
- village renewal and development
- preservation of rural heritage

Leader budget allocation:

EAFRD: EUR 44,376,072 (5.5 % of programme total)

Total public funding: EUR 55,470,090