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Brief Analysis: Funding Schemes for Rural Development in Germany

By Lea Siebert

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About the author:

Lea Siebert works as a junior expert in Agricultural Policy & Sciences at the DCZ. She studied Geography and Chinese at the Freie Universität Berlin and holds a MSc in Urban Ecosystem Sciences from the Technical University of Berlin. In her research she specialized in soil science with a focus on sustainable agriculture, energy crops and environmental policies.

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Abbreviations

BMEL	German Federal Ministry of Food and Agriculture
BULE	Federal Programme for Rural Development
CAP	European Common Agricultural Policy
EAFRDP	European Agricultural Fund for Rural Development
EIP-AGRI	European Innovation Partnerships for Agricultural Productivity and Sustainability
EU	European Union
GAK	Framework Plan for Joint Task 'Improving Agricultural Structures and Coastal Protection'
LEADER	'Links between the rural economy and development actions'
RDP	Rural Development Programme

Introduction & Summary

As there is no sharp distinction between rural and urban areas, regions in Germany are classified as “rural” based on a number of factors, such as lower settlement and population density, larger proportion of farmland and forests, larger proportion of one or two-storey houses and larger distance to larger regional hubs (Thünen-Institut für Ländliche Räume 2021). According to this classification, which is also recognised by the German Federal Ministry of Food and Agriculture (BMEL), approximately 91% of German territory is defined as rural by varying degrees and hence, 57% of the population live in rural areas. Traditionally, decentralised settlements and economic structures are seen as a strength, and the German government aims to provide equal living conditions in both urban and rural areas. In response to the current challenges in rural areas such as an aging and declining population, decreasing employment opportunities and remaining disparities between Eastern and Western Germany, several rural development programmes are implemented. Due to the federal system in Germany, the European Union (EU) and the German federal government are providing a framework for the main topics and funding areas as well as financial support, but concrete measures and regional funding schemes are designed by the 16 German federal states.

In this short analysis, funding schemes for rural development in Germany are presented. By taking into account the complex legislative structure of the EU, the German federal government and the federal states, the following sections are structured by the political hierarchy of existing funding instruments – starting with the framework provided by the EU to the legislation at national government level and finally the practical implementation at regional level.

Key Messages

- Within the framework of the European Common Agricultural Policy (CAP), the **European Agricultural Fund for Rural Development (EAFRD)** provides funding for rural development to the EU member states.
- During the last CAP funding period 2014-2020, Germany received **approx. 9.45 billion euros** from the EAFRD.
- In total, Germany spent **approx. 16.85 billion euros** on rural development in 2014-2020, including co-financing from the EU.
- The main funding areas for rural development in Germany are stated and updated in the **Framework Plan for Joint Task ‘Improving Agricultural Structures and Coastal Protection’ (GAK)**.
- Due to the **federal system**, the German federal states write their own Rural Development Programmes and take regional strengths and weaknesses into account when deciding how to distribute funding from the government and EU.
- The German **“Federal Programme for Rural Development” (BULE)** as well as the European **LEADER** and **EPI-AGRI** programmes follow a bottom-up approach and aim at supporting development projects and ideas initiated by local residents in rural areas.

1. Funding from the European Union

The EU provides funding to its member states to support agriculture and rural development within the framework of the **European Common Agricultural Policy (CAP)**. In addition to direct payments to farmers based on the size of their fields, the EU currently also provides co-funding for investments in rural development strategies and projects in Germany of approx. 1.35 billion euros per year, which adds up to 9.45 billion euros for the previous funding period 2014-2020 (BMEL 2019)¹. EU funding for rural development is provided by the European Agricultural Fund for Rural Development (EAFRD) which sets a framework of priority areas concerning environmental, social and economic aspects of rural development in the so-called EAFRD-Regulation (EU 2013). In particular, the EAFRD requires that 30 % of funding must be used to address environmental protection and climate change and 5 % of funding must be used for measures within the LEADER² approach. Due to the federal state system in Germany, 13 Rural Development Programmes (RDP) developed at federal state level, are summarised by the National Framework which is then approved and monitored by the European Commission (EC 2020). Programmes to foster innovation in rural areas, such as LEADER and EIP-AGRI³, are also implemented within the RDPs, and German federal states decide how much funding they allocate for which measure. As the EAFRD only provides co-funding, in the 2014-2020 period the German federal government and the German federal states allocated 4.7 billion euros to co-finance 9.45 billion euros received from the EU. As some federal states allocated 2.7 billion euros of additional funding, the total funding for RDP (2014-2020) amounted to 16.85 billion euros (BMEL 2019).

Based on the 13 RDPs, in Germany most of the funding (from EU and national budget) is used for the following measures (the following values are averages from the 13 RDPs):

- 21 % for measures for agri-environmental and climate protection
- 17 % for investments in the agricultural as well as processing and marketing sector
- 15 % for provision of basic services and village renovation in rural areas
- 12 % for LEADER programme
- 11 % for organic farming
- 12 % for compensatory allowance for disadvantaged areas
- 4 % for flood and coastal protection

In section 3, the characteristics of LEADER and EIP-AGRI funding schemes within the federal states' RDP will be explained and demonstrated on the basis of selected case studies.

¹ Due to ongoing negotiations about the funding period 2021-2027, the start date of the new CAP phase has been postponed to 2023 and most existing funding instruments from the previous funding period have been extended until then.

² LEADER is a French acronym for „Liaison Entre Action de Développement de l'Économie Rurale“ and means „Links between the rural economy and development actions“

³ EIP-Agri stands for „European Innovation Partnerships for Agricultural Productivity and Sustainability“

2. Funding from the German Federal Government

At national level in Germany, the **Framework Plan for Joint Task ‘Improving Agricultural Structures and Coastal Protection’ (GAK)** is the most important funding program for the development of rural areas (BMEL 2021a). The GAK sets the main funding areas for the next four years and is also the basis for the National Framework submitted for application of European funding according to the EAFRD-Regulation⁴. For the 2021-2024 period, the first funding area, “integrated rural development” – which is followed by eight other funding areas concerning the support of agricultural holdings, animal welfare, sustainable agricultural practices etc. – directly addresses the development of rural areas. The German government’s objective is to achieve equal living conditions in all regions including improved accessibility of basic social services and lasting strengthening of economic power (BMEL 2021b). The funding is primarily provided to municipalities and municipal associations who can apply for financial support for measures that go beyond mandatory development schemes. The funds are provided as co-financing, i.e. the federal government pays 65-75% of the costs depending on the respective measure. In 2021, the budget for “integrated rural development” in the GAK amounts to approx. 218 million euros, 60% (131 million) paid by the federal government. Furthermore, in 2021 109 million euros funding is provided by the EAFRD and other European funds, whereas municipalities and federal states add 52 million euros to the budget. In addition, since 2018 the **Special Framework Plan “Promotion of Rural Development”** supports rural development at federal state level with co-funding from the German federal government – in 2021 with approx. 310 million euros, 60% (186 million euros) paid by the federal government, 40% by the federal states. The federal states can apply for this additional funding after using their share in the regular GAK (BMEL 2020).

For funding of pilot projects and pilot regions with the overarching objective of improving living conditions in rural areas, the BMEL coordinates the **“Federal Programme for Rural Development” (BULE)** with a budget of 62.7 million euros in 2021. Unlike funding provided by GAK, here, besides local authorities also local stakeholders like citizens’ initiatives, associations and institutions can apply with a concept paper for a specific project. The funding scheme is structured in four modules:

- In **Pilot Projects** new ideas are tested for improving rural infrastructure and making rural areas more attractive for both potential employers and residents, e.g. a project to enhance mobility of young or elderly people on the countryside
- In **Pilot Regions** several pilot projects are implemented at the same time, e.g. in the “Smart Rural Regions” Programme for testing central online platform for services related to e-mobility, e-learning and online health services in one region, developed by the Fraunhofer-Institute (IESE).
- In the “Our village has a future” **competition**, villages all over Germany demonstrate how they establish good living conditions by group activities and initiatives while addressing demographic and economic challenges. Every year three villages are selected and receive a prize.
- **Research funding** aims at supporting the knowledge transfer between stakeholders from research, economy, practitioners, politicians and administration.

Until today, BULE provided approx. 100 million euros funding for about 2000 projects (BMEL 2021a).

⁴ As the CAP funding phases are seven years, whereas the GAK is renewed every year, the National Framework is regularly updated and submitted for approval to the European Commission

3. Case Studies for Funding through LEADER and EIP-AGRI Schemes

LEADER and EIP-AGRI, both funding programmes by the EU within CAP, aim to support rural development in EU member states. The implementation of these programmes and the proportion of funding they receive is decided by the respective German federal states and stipulated in their RDP. Even though both programmes have a bottom-up approach in order to engage citizens of rural areas in the development process, however, scope, budget and objectives vary.

LEADER is a well-established programme which is implemented since the 1990s and which currently receives a mandatory proportion of at least 5% of the EAFRD funding in the CAP. At the beginning of a new CAP funding period, public and private stakeholders – e.g. farmers, rural businesses, local organisations, public authorities – form so-called “local action groups”, develop a local development strategy to turn their rural area into a LEADER-region and apply with the respective federal state. The federal state decides which regions become LEADER-regions and the successful local action groups decide which regional projects comply with their development strategy and can receive funding. The EAFRD pays at maximum 80 % of the project, co-financed by public funds from the federal state or the municipality. Until today there are 321 LEADER-regions in Germany.

EIP-AGRI stands for “European Innovation Partnerships for Agricultural Productivity and Sustainability” and was only started in 2012. While LEADER has a broader scope and addresses general development projects for the rural economy, EIP-AGRI specifically aims at agriculture. Furthermore, the objective is to find innovative solutions to specific problems under the overarching challenge of “producing more with less”. As a result, the applicants who form so-called “operational groups” are researchers, consultants, companies or associations with the aim to bring in particular researchers and practitioners together and test an innovative solution in the field. An operational group can apply for funding for one project a time and for a limited timeframe, usually three years.

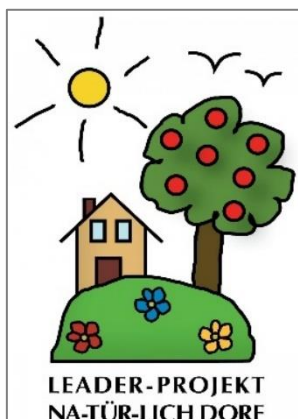
LEADER and EIP-AGRI can be combined in one region: after a cooperation project co-financed with the LEADER approach, an EIP-AGRI innovation project can be initiated in order to solve a specific problem that was identified by the local action group (LEADER). On the other hand, after a solution has been tested in the field within an EIP-AGRI project, this approach can then be implemented at a larger scale and might receive funding within the LEADER programme.

LEADER Case Studies



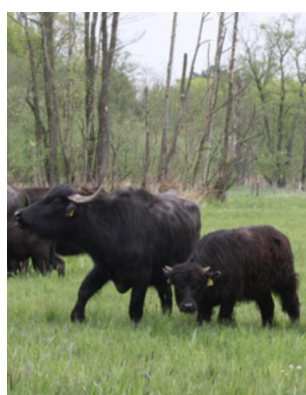
© SPESSARTregional e.V. 2021
(ENRD 2021a)

Local Village Shop: The local action group in the Spessart LEADER area in the German federal state Hessen aimed to support both the distribution of regional high-quality products and the economic situation of local village shops in this rural region. Therefore, they helped establishing a network of village shops and regional producers including a joint order catalogue and coordinated delivery routes to save CO₂. Furthermore, this measure helped saving 23 full-time jobs in different village shops (ENRD 2021a).



© Biostation Düren 2021

Na-Tür-lich Dorf – Nature conservation at the doorstep: In order to strengthen regional biodiversity in two LEADER regions of Eifel and Zülpicher Börden, this LEADER-financed project organised various demonstration and communication activities in several village. Through 100 small actions, like public walks through villages, lectures, announcements and articles in the local press as well as advisory meetings, local residents were involved and awareness about nature conversation was successfully raised. The LEADER scheme provided 141,684 euros of funding, whereas the whole project costed 653,926 euros (ENRD 2021b).



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Water buffaloes preserving biodiversity and wetland landscape: In a Natura2000 area in Berlin water buffaloes were introduced to prevent the encroachment of woody vegetation through grazing. Letting buffaloes graze in this area is also much more cost-effective than mechanical mowing. LEADER-funds were used to build enclosures for the herd, installing signs for visitors and constructing drinking spots. The project received a very positive feedback from the public and the local population and the buffaloes are now attracting visitors from Berlin city and beyond. Out of a total budget of 119,810 euros, the EAFRD covered 47,801 euros (ENRD 2017).

EPI-AGRI Case Studies



© A. Nagel 2021 (Land Brandenburg 2019)

pH-BB – Precise liming in soils in Brandenburg: In this EIP-AGRI project companies, local authorities, research institutes and a university collaborated to conduct research on how to improve soil pH in agricultural soils in Brandenburg. Various measures to assess local soil characteristics were tested and assessed. The objective of this ongoing project is to improve yields and soil fertility through more precise liming methods. Out of a budget of 1,830,383 euros, the EAFRD covers 1,456,674 euros (Land Brandenburg 2019).



© Landwirtschaftskammer NRW
2021

Alternative phosphorus fertilizers (P-recyclates) to increase the yield of legumes and cereals in organic farming: In this project of the Chamber of Agriculture in North Rhine-Westphalia in collaboration with several farmers and the Bingen University of Technology, several phosphate alternatives are tested in practice under organic farming. Different application methods are assessed in trials on three different farms and results will be presented in workshops and at a field day (Landwirtschaftskammer NRW 2021). The total budget applied for amounts to 483,969 euros.



© D. Augustin 2021 (EIP
NDS 2021)

PlaLuSt - Plasma air purification in the pigsty to reduce ammonia content and simultaneously improve animal welfare: In collaboration with several farmers the HAWK University of Applied Sciences and Art plans to develop a plasma air purification system. Such a system could offer a sustainable and more animal-friendly method to reduce ammonia content in pigsties (EIP NDS 2021). The project budget that was applied for funding amounts to 303,626 euros.

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