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How the European Union provides support for rural development in
Germany

by Thomas Tanneberger

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Modern houses, smooth streets, electricity and running water in all apartments, buses and trains run during the day and at night, the Internet is at 5G level, and the doctor, post office, bank, Kindergarten, school and shopping are just around the corner: Life in the city is, for the most part anyway, quite convenient and comfortable. The economy achieves peak performance, taxes flow into the budgets of the municipalities, and they can finance many things that make life nice and easy. Many citizens appreciate this, especially the highly qualified: Skilled workers settle in places where science and business are running at full speed and life is reasonably comfortable.

Problems in the countryside

If you look at the rural areas of the world, on the other hand, comfort is suddenly no longer taken for granted. The distances to supply centers are often long, the roads poor, and the population density is so low in many places that not even a shopping center is profitable, let alone a post office, a bank, a gas pipeline or a medical center. Private investors would only make losses, commercial enterprises cannot find enough workers or the infrastructure they need for efficient production. And also the state

cannot develop some regions because it lacks the funds to do so.

These structural problems, which we are familiar with from many parts of the world, also existed and still exist in the European Union and especially in Germany. In addition, there are social problems: There are not enough Kindergartens, schools, vocational training facilities, doctors' offices, cultural facilities and homes for the elderly. The German state recognized early on that these deficiencies will not disappear by themselves, but that something must be done actively to equalize living conditions between the cities and the countryside. Since the mid-1950s, for example, tax legislation has stipulated that wealth tax and inheritance tax, certain transport and consumption taxes, and parts of income tax, corporate tax and sales tax remain in the budgets of the regions. Property tax (approx. 15% of the budget), the trade tax (approx. 45%), a share of income tax and sales tax (passed through from the state, approx. 30% of the budget) as well as local consumption and expense taxes (e.g. dog tax, hunting tax, horse tax, entertainment tax, tax on second homes, hotel tax) are payable directly to the municipalities as the smallest administrative divisions. In this way, budgets of €500 to

more than €3,000 per inhabitant accumulate in the municipalities, which can be used directly for rural development.

Europe also helps

But the European Union also decided many decades ago that rural areas needed active help. Since the mid-1950s, European policy has focused not only on the goal of food security¹, but also on the development of rural areas. Especially in the so-called Mansholt Plan of 1969, funds were earmarked for the first time to promote individual farm investments and to improve production and working conditions. At the same time, the promotion of sustainable land management in disadvantaged and mountain areas was introduced. The decisive impetus for the introduction of targeted support for rural areas then came with the so-called McSharry reform of European agricultural policy in 1992. For the first time, social measures for farmers of advanced age were adopted, and aspects of environmental protection and structural improvements in

the agricultural sector were included in European agricultural policy. From 1999 onwards, the EU made substantial funds available for the 'promotion of rural development', and since then the promotion of rural development has become a fixed 'second pillar of EU agricultural policy' alongside direct aid to farms².

Today, the EU provides its member states large amounts of aid for investments in modern livestock buildings and machinery, the promotion of environmentally friendly land management practices, the promotion of direct marketing, the development of alternative sources of income for farmers, the granting of aid for agriculture in disadvantaged areas, and financial aid for village renewal and land consolidation. The main instrument for this is the 'European Agricultural Fund for Rural Development' (EAFRD). In the 2014-2020 program funding period, it had a volume of almost €100 billion³. Germany has had an average of about €1 billion available over the years, although it must also be mentioned that

¹ A central objective of the Treaty of Rome, which established the European Economic Community (EEC) in 1957, was the production of sufficient quantities of food at reasonable prices.

² The EU has been granting direct payments to farms since the beginning of the 1990s. Initially, these payments were intended to compensate for income losses due to the abolition

of external protection on agricultural markets and the associated price reductions for agricultural products. Today, direct payments are increasingly seen as remuneration for agro-ecological and social services provided by farmers.

³ https://enrd.ec.europa.eu/about/frequently-asked-questions_de

these funds were disbursed only because Germany co-financed them 1:1⁴.

Broad spectrum of programs

In addition to the EAFRD, there are other European funds to promote development in rural areas. The most important are

- the European Regional Development Fund (ERDF), which aims to ensure the balanced development of the EU's regions;
- the LIFE⁵ funding program for the environment, nature conservation and climate policy;
- the European Social Fund (ESF), which is intended to promote gainful employment and to ensure equal opportunities on the labor market through education and training;
- the European Maritime and Fisheries Fund (EMFF), which helps professional fishermen convert to sustainable fishing.

In addition, there are so-called financial instruments (FI). These are loans, micro-

credits, guarantees, equity grants designed to facilitate access to co-financed European funding. They are co-financed by the European Structural and Investment Funds (ESIF) and can be combined with the European Agricultural Fund for Rural Development (EAFRD), for example, to support investments in agriculture, forestry and the rural economy. Financial instruments under EAFRD are available to all potential beneficiaries that undertake financially viable investment projects.

EAFRD funds are managed and used through rural development programs (RDPs). There are currently 118 RDPs⁶ in the EU member states. The implementation is managed centrally by the EU Commission and is the responsibility of national or regional state administrative authorities in the member states, which are responsible for agriculture and rural development anyway. In Germany, these are the agricultural ministries of the federal states or their subordinate administrative bodies.

⁴ The money from many EU funds, including EAFRD, must by law be matched by the recipient countries from their own resources in order to be disbursed. This has the advantage of an enormous leverage effect of EU funds, but also the disadvantage that some EU funds are not used because the recipient countries have no free funds for co-financing.

⁵ LIFE = French: L'Instrument Financier pour l'Environnement

⁶ 20 member states are funding one national program, and 8 states are funding two or more (regional) programs.

Playground and community square in Waldkirchen, State of Saxony, Germany

The LEADER action group found a good village community and very active youth here. However, an attractive meeting place was missing. The villagers built this with the help of LEADER: With €100,000 in funding and €54,000 of their own contribution, a new 'village center' was created in 2019 with green space, a sandbox, a slide, a bicycle racing track, a ball court, a chess board, a pavilion, a barbecue area, and a tool shed. Why is it important? Because the maintenance is not done by a company, but by the villagers themselves!!!



*The village center 'Edwinshausen' in Waldkirchen / Vogtland, built with LEADER funds.
Photo: Ron Bauer*

They apply for EAFRD funding from the European authorities and implement the programs in their regions in a targeted manner. This has great advantages, as large volumes of funds are used effectively and reliably, but also the disadvantage that smaller projects requiring flexibility and local knowledge cannot be implemented that well. This led to the emergence of another

funding program a good 30 years ago, which is not organized 'from the top down' like many of the central RDP projects, but the other way around - 'from the bottom up'!

LEADER: Using local competence

Founded in 1991, the European funding program 'LEADER' aims to tap the expertise and local knowledge of people on the ground in rural regions for the design and implementation of effective funding measures. LEADER sounds like 'Leadership' to English speakers, and indeed it is a European

leader in terms of its effectiveness and acceptance. Its origin, however, comes from French and means 'Liaison entre actions de développement de l'économie rurale', i.e. 'Liaison between rural economy development actions').

The basic principle of this EU program is that potential actors, i.e. farmers, craftsmen,

companies, organizations, authorities and individuals, come together in 'Local Action Groups' (LAGs or CLLDs), draw up their own local development strategies and receive

European funding for the implementation of targeted projects.

The money comes from the Agricultural Fund for Rural Development (EAFRD), of

which at least 5% must be used for LEADER projects according to the statute. In addition, money from other funds can be used. The budgets are managed independently by the LEADER groups. Currently, there are about 2,800 LEADER groups across Europe, managing several 10,000 projects for the benefit of economic, cultural, social and environmental development in rural areas.

The composition of LEADER groups is interesting: Very often they are public-private partnerships (PPP), in which both social institutions and private individuals and companies work together. Of course, this is not so easy in

Mobile optician

Master optician Fabienne Schulze has been the owner of an optician's store with her own workshop in the small Brandenburg town of Niemegk since 2016: She humorously calls it the 'Niemegker Nose Bike (Nasenfahrrad)'. From the very beginning, her business idea included offering her services on a mobile basis and in the countryside. Especially her elderly customers from Niemegk and the surrounding area appreciate this. With the help of the European Agricultural Fund EAFRD, structural measures, the store's furnishings, the vehicle and the technical equipment for the mobile optical service could be realized from 2018 to 2019. This was made possible thanks to a rural development project (LEADER). The total investment came up to over 200,000 Euros, about a third was contributed by the EU.



*Mobile thanks to support via the LEADER programme: Fabienne Schulze from Niemegk and her mobile optician's store.
Photo: Niemegk nose bike*

practice, because the working methods in the public and private sectors often differ significantly, and the speed of work and decision-making is also different. But practice also shows that the advantages of such cooperation outweigh the disadvantages: From the very beginning, all the key players in the region concerned sit together at the same table, everyone is informed and involved in the development processes. Only in this way can viable innovations and sustainable developments be created, and only in this way can complex tasks be solved and problems eliminated.

The life cycle of a typical LEADER project begins precisely with the problem analysis. Based on their local knowledge and understanding of the problems, the members of the action group jointly define a strategy for the development of their region. The development concepts take into account the weaknesses, strengths and development opportunities of the specific region. There are no stipulations from the state. However, as already mentioned, state agencies can become involved in the action groups.

The LEADER group then calls on all possible actors to participate: Citizens, companies,

associations and communities can apply for funding with their projects if they can prove that these are conducive to the goals set by the action group. Eligible projects are then selected by a committee of the LEADER group. This committee submits a draft project approved as eligible to the district administration, which in turn usually issues an official approval.

Variety of projects

The topics, contents and achievements of the Europe-wide LEADER projects are also extremely diverse. The main directions of the funding measures applied for and implemented are infrastructure development, education, social policy, economic promotion and cultural development.

Infrastructure development is primarily concerned with ensuring the supply of food, energy and water to the rural population. LEADER projects intervene here whenever purely municipal structures reach their limits, either financially or administratively.

There are many LEADER projects in favor of educational facilities throughout Europe. As a rule, it is schools and Kindergartens whose equipment can be improved with the help of project funds. Classrooms are renovated,

schoolyards designed or sports facilities upgraded. But also institutions of rural adult

community spaces or meeting places in rural areas.

Education for agriculture

For more than 25 years, the Brandenburg Agricultural Academy has been organizing further education measures in the agricultural sector. In the meantime, it has become a permanent fixture in continuing vocational training in the State of Brandenburg and an educational partner for managers and employees in agriculture and horticulture as well as for consultants from the State of Brandenburg. The offers include practice-oriented issues including events in the areas of business administration, agricultural and labor law as well as communication and leadership behavior. Last but not least, the comprehensive funding through EAFRD funds from the German state of Brandenburg as well as funds from the LEADER II community initiative with co-financing from the State of Brandenburg has allowed the educational institution to operate in an extremely sustainable manner over many years.



*The main building of the Brandenburg Agricultural Academy
Photo: Torsten Haier*

education benefit time and again from project funds from the LEADER program.

LEADER projects in the area of **social policy** deal, for example, with finding and retaining skilled workers or creating village centers,

In the area of **economic development**, support is given primarily to projects that serve to secure supplies and daily life. Whether it is the doctor who needs a new practice, the master baker who gets a modern computer system, or the optician who sets up a mobile eyeglass service, good projects always serve the general public interest. Many economic development projects also aim to develop tourist attractions - from the development of hiking trails to the establishment of overnight accommodations on farms.

Cultural projects with

LEADER support also exist in many places in rural Europe. There are concert events or art exhibitions that would have been impossible to finance solely from entrance fees, there are museums that have new exhibits thanks

to LEADER, there are art objects and historic buildings that have been restored with the help of LEADER funds.

Conclusion

The rural areas in Germany are suffering similar problems to those in other regions of the world, except that the distances are perhaps not quite as formidable as in China, for example. Therefore, rural regions in Germany and Europe also need support for their economic and social development. Considerable tax resources are available in Germany to finance appropriate measures. This is supplemented by the funding mechanisms of the European Union, in which money from the 'Agricultural Fund for Rural Development' (EAFRD) is used for rural development via centrally managed rural development programs (RDPs), but also via decentrally managed LEADER projects. The latter have proven particularly effective over their thirty-year history: Their high effectiveness makes them worthy of emulation, and their participatory approach makes them appealing. Consistently organized according to a bottom-up approach and wisely using local competencies, they have become emblematic of citizen participation in the

development of Europe's rural areas. And it is precisely this approach that has decisively advanced Europe in recent decades.

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