

## RDP analysis: Support to environment & climate change

# M04

## Investment in physical assets

In 2015, the Contact Point of the European Network for Rural Development (ENRD CP) carried out a broad analysis of the 2014-2020 Rural Development Programmes (RDPs). The following text forms part of a series of summaries outlining the information gathered on specific Measures (M) and sub-Measures. The summaries aim to provide an overview of the common trends and main differences in the programming decisions taken across the range of RDPs. If you believe that any of the information presented does not accurately reflect the content of one of the RDPs, please communicate your concerns to [info@enrd.eu](mailto:info@enrd.eu).

Where specific RDPs are referenced in the analysis, they are indicated with the official EU country codes (e.g. EE for Estonia). In the case of regional RDPs, the name of the region is given after the country code (e.g. IT-Lazio).

### 1. Regulatory background

M04, which provides support for investment in physical assets, comprises four sub-Measures:

- M04.1 - Support to **improve the overall performance and sustainability of an agricultural holding**;
- M04.2 - Support for the **processing, marketing and/or development of agricultural products**;
- M04.3 - Support for infrastructure related to the **development, adaptation or modernisation of agriculture or forestry**, including access to farm and forest land, land consolidation and improvement, and the **supply and saving of energy and water**; and
- M04.4 - Support for **non-productive investments** linked to the **provision of agri-environmental climate objectives**, including biodiversity conservation status of species and habitat as well as enhancing the public amenity value of a Natura 2000 or other high nature value area.

Support may also be granted to **young farmers setting up for the first time**, to enable them to comply with relevant EU legislation (for a maximum of two years) and to any farmer to enable compliance with new EU requirements (for a maximum of one year).

The minimum contribution by the EAFRD to a project is 20%. Under M04.1 and M04.2 all RDPs may provide up to 75% assistance (or 85% in the less developed and outermost regions, and the smaller Aegean islands). The rates may be increased by an additional 20 percentage points in specific cases (investments linked to operations under agri-environment, climate and organic farming), provided that the maximum combined support would not exceed 90%. Member States which have transferred

funding from Pillar 1 to their RDP may use that funding to provide assistance at up to 100%, as may CY and PT up to a fixed ceiling.

Additional rules apply to irrigation schemes with the intention of ensuring that they do not compromise the achievement of “good” status for water bodies as set out in relevant River Basin Management Plans.

Measure 04 brings together all of the agricultural investment support measures from 2007-13 under a single measure. This is intended as a simplification and to encourage greater promotion of investments meeting multiple objectives.

As measure M04.2 on support for processing, marketing and product development does not have explicit environmental objectives, it is not considered further in this analysis (although spending on M04.2 is included in totals when they cannot be split).

## **2. RDPs programming the sub-Measure for environmental and climate goals**

M04 is programmed in all RDPs except the FR-National Programme.

- Only 17 RDPs use measure M4.1 for environmental purposes. These are predominantly from southern Europe – Greece, five Spanish and six Italian regions;
- Just 14 RDPs use M04.3, most of which come from the south of Europe.
- M4.4 is programmed in all but 9 of the 118 plans.

### 3. Scope of RDP programmed activities

#### Approaches

The different sub-measures will be used in the following broad ways:

- Of the 17 RDPs making use of **M04.1**, 9 will fund **irrigation schemes or other forms of water management**, and 8 will fund **renewables and/or biomass and/or energy efficiency projects**;
- 11 of the 14 users of measure **M04.3** will use it to fund **irrigation projects or other forms of water resource management**, with both Spain and Italy using their national RDPs to promote joint irrigation schemes between regions. M04.3 is also used to fund **access roads intended to make biomass or forestry more competitive**, and **land consolidation** which may be associated with other measures such as habitat creation;
- **M04.4** is heavily used to **protect habitats, species and landscape** in support of the agri-environment-climate measure. It is also frequently used to support investments that can **protect against soil erosion** and for **water management projects**. Funding is less frequently programmed for projects to reduce greenhouse gas emissions, improve energy efficiency or soil carbon sequestration, or to encourage the use of renewable energy and biomass.

#### Observations

The following observations flow from this analysis:

- There is an overwhelming **dominance of measure M04.4** (unproductive investments) compared to M04.1 supporting projects increasing farm viability and sustainability;
- **Energy efficiency, renewable energy and biomass projects** – which we might expect to see funded under M04.1 as investment in farm viability – **are also programmed in some RDPs under measure M04.4**; and
- **All investment in species and habitat protection and landscape preservation appears to be programmed under measure M04.4.**

Box 1 shows the range of environmental benefits that targeted through M04.4.

#### Box 1: Investment in wetlands

Schemes to create or maintain wetlands fall into two main types:

- The wetland is created for its positive environmental characteristics, which are typically that it provides a habitat whilst acting as a carbon sink; or
- The wetland acts as a buffer preventing nutrients such as nitrogen and phosphorus from polluting sensitive waters downstream.

An example of the first type of scheme is DE-Lower Saxony, which aims to take pressure from wetlands and moors by taking land out of production (through consolidation of parcels where necessary) and refilling it with water so that it can act as a habitat and carbon sink. By contrast, Denmark, Sweden and Finland use wetlands as a means of binding soil nutrients so that they don't contaminate sensitive waters such as rivers and fjords.

## 4. Budget allocation

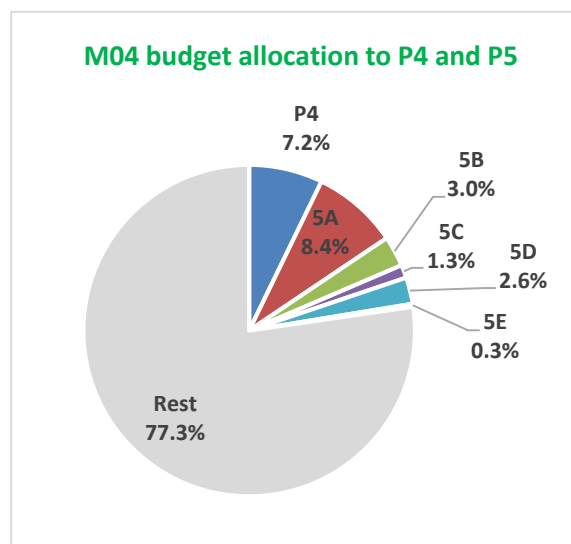
### 4.1 Total public budget

M04, with **24%**, is the **Measure getting the highest share of the total EU public budget for rural development**. It is followed by M13 – Areas with Natural Constraints and M10 – Agro-environment-climate schemes.

The **proportion of the total RDP budget** allocated to M04 ranges **from 56.6%** in FR-Guadeloupe, down to **5.4%** in DE-Schleswig Holstein<sup>1</sup>. On average RDPs allocate the 27.4% of their resources to M04.

### 4.2 Contribution to Focus Areas

The total budget (EAFRD plus national contributions minus technical assistance) programmed by Member States and regions for measure M04 is €37.04 billion. Of this, €2.66 billion is programmed against Priority 4 - Ecosystems management and €5.75 billion against Priority 5 - Resource efficiency & climate.



In other words, **Member States and regions have characterised approximately 23% of their planned spending on M04 as primarily environmental, with 7.2% allocated to Priority 4 and 15.6% to Priority 5.**

A very high proportion (54% of the overall total) of non-environmental spending under measure M4 is allocated to Priority 2 - Enhancing farm viability and competitiveness.

These average figures mask considerable variability between regions. UK-England, Denmark, Malta, ES-Navarra and UK-Wales all devote **more than 60% of their programmed expenditure on M04 to P4 and P5**, whilst 35 RDPs (e.g. SE, EE, LV, LT, LU, PL, plus 11 Italian, 9 French, 4 Spanish, 3 German and 2 other regions have programmed less than 10%.

Whilst the proportion and amount of their budget they devote to environmental spending under measure M04 varies widely, **almost all (110 out of 118) Member States and regions use it to some extent.**

<sup>1</sup> NL, FR-Mayotte and the FR, ES, DE and IT national programmes are not included in the calculations because they do not programme M11.

## 5. Linkages to other Measures

The EAFRD sets out to encourage investments in physical assets which link coherently to other rural development measures, including those aimed at changing landowner behaviour. There are a number of examples of this:

- Around a quarter of RDPs give **priority for M04.4 funding to applicants who participate individually in an Agri-environment-climate (AEC) scheme (M10)** (e.g. in FR-Guyane only applicants with commitments under M10 or M11 may receive support under M04.4; in IT-Marche, irrigation schemes will only be funded under M04.3 if the farmers who would benefit are signed up to a collective M10 agri-environment climate scheme).
- **Receipt of advice by the applicant under M01 and M02 is either a condition of, or gives priority in selection for, M04 investment** (e.g. MT, ES-Madrid; in FR-Guadeloupe M02 is used to diagnose the scope for AEC schemes, including any physical investment covered by M04).

More specific and less frequent approaches identified are:

- **Use of M04 together with M10 for synergistic predator management schemes**, e.g. in Sweden, where the landowner receives both investments to pay for physical infrastructure such as fences, and an incentive payment based on the number of predators continuing to coexist. ES-Madrid also links investment in physical measures for predator management to M10 commitments (see also Box 2);
- **Use of M04 together with M12 – Natura 2000 and Water Framework Directive payments**, e.g. DE-Saarland combines M04 investment in the creation or upgrading of Natura 2000 areas with ongoing M12 payments to their owners for their upkeep.

Many more linkages between M04 investments and other Measures can be identified through the analysis of the Measures' calls for projects.

### Box 2: Preserving species - keeping predators and livestock apart

A number of countries are using M04.4 to support actions aiming at **keeping livestock safe from large predators such as wolves, bears or lynxes**. For example:

- Sweden regards the continued grazing of areas where such predators are present as an important part of its biodiversity strategy and funds heavy-duty fencing.
- In IT-Trento, animals are protected from wolf and bear attack both by fencing, and by pre-fabricated livestock housing which can be shipped out to remote areas.
- Similar schemes are programmed by GR, ES-Madrid, IT-Abruzzo and IT-Piemonte.

In some RDPs the threat from predators is judged to be a new one resulting from the success of previous RDP-funded projects to encourage biodiversity.

## 6. Eligibility criteria and selection process

**Beneficiaries** According to the EU Guidance on Reg. (EU) 1305-2013 Art. 17, **only farmers or groups of farmers may receive support under M04.1.**

**Public authorities** are the most usual beneficiaries of **M04.3 schemes for irrigation.** Private collectives or public companies which have taken on functions more usually carried out by public authorities are also eligible where relevant. Where the focus of **M04.3 is on energy or water efficiency** (at farm level), beneficiaries tend to be **farmers and other natural persons.** In at least one case (ES-Pais Vasco) public authorities are barred from M04.3 support.

Support under M4.4 is generally available to **farmers, landowners and others – such as public bodies – who manage land.** Where support is limited to a narrow range of activities, such as the creation of buffer strips or investment needed to facilitate AEC schemes, support may be limited to farmers and groups of farmers.

RDPs might also implement **more complex schemes** where different sub-Measures support different kind of beneficiaries.

For example, IT-Emilia-Romagna M04.3 supports only irrigation investment implemented by public authorities, while M04.1 will support investments in more efficient water storage and management payable only to groups of farmers.

Between 5 and 10 per cent of RDPs give **priority to organic farmers and young farmers.**

In at least one case, the RDP requires eligible beneficiaries to be farmers with a turnover within a specific range (e.g. HU limits support for non-productive investment to farmers with turnover between €6 000 euros and €1.3 million).

**Criteria** The **quality and/or location of a proposed investment** under M04.4 is a much more common eligibility criterion than the nature of the applicant.

**Consistency with wider national or regional plans** (such as a biodiversity strategy) is generally required (e.g. DE-Mecklenberg-Vorpommern).

In at least one case, **relevant expert bodies must endorse the project** before approval (e.g. in DE-Bavaria for projects involving vineyard terraces or hedges).

Some RDPs formalise the project assessment into a points system, which may operate as a threshold (e.g. HR) or may drive the level of support (e.g. ES-Pais Vasco).

Where location is a criterion for investment, projects situated within **Natura 2000 sites almost always receive priority.** SE represents an exception targeting only land having an impact on water bodies classified as poor under the Water Framework Directive.

Some RDPs, furthermore, target investment to those **Natura 2000 sites for which a management plan is in place** (e.g. ES-La Rioja, DE-Mecklenberg-Vorpommern).

However, whilst some RDPs limit investment to Natura 2000 sites (and those identified under the Water Framework Directive, e.g. DK), most location criteria also include **sites identified domestically as needing special protection**, such as mountain areas.

A number of RDPs set minimum criteria either for **project value or size** (e.g. DE-Saxony, GR and FR-Guadeloupe) **or scale** (e.g. Finland which specifies a minimum size for wetlands to be created).

### Duration

Investment projects are in general considered to take a **relatively long time** to be completed.

Whilst it can be inferred from the number of M04.4 schemes which are linked to M10 that recipients **will have to deliver ongoing commitments once the investment is in place**, a handful of RDPs (e.g. BE-Flanders, DK and IT-Emilia-Romagna) specify that **recipients must maintain the physical asset provided for a minimum period**. For example:

- ES-Extremadura requires that agricultural activity itself is maintained for at least four years.
- IT-Sicily requires a farmer to manage his field for seven years.
- IT-Calabria requires proposals to be presented by a young farmer, accompanied by a business plan under which the assets to be provided are not used outside the supply chain for five years, and are retained in agricultural use for ten.

## 7. Financial aspects

### Support rate

Support rates for non-productive investments (M04.4) vary widely, **from a flat 20%** for schemes using a simplified cost structure (e.g. FR-Bourgogne), **to 100%** (e.g. DE-Schleswig-Holstein and FR-Martinique).

GR pays a higher rate for public than for private projects, whilst other RDPs grant higher rates of support to a subcategory of project types.

Saxony, for example, pays a higher rate to support schemes affecting its highest priority species and habitats, whilst Champagne will increase support from 60% to 80% for collective applicants.

Whilst applications from **young farmers** and collectives frequently receive priority for funding, only one region IT-Basilicata mentions that it funds them at a higher rate.