

Brussels, 20 September 2007

## Rural development plans: Luxembourg

### Luxembourg's profile

- Area: 2 586 km<sup>2</sup>, 55% of which is taken up by agriculture and 34% by forests.
- Population: 443 000, with a density of 171 inhabitants/km<sup>2</sup>.
- Unemployment rate: 4.8%, but youth unemployment has recently become sizeable; GDP/inhabitant: 220% of the average for the EU of 25.
- With almost 2 900 holdings, agriculture accounts for only 0.5% of GDP and 1.3% of employment.
- Milk predominates in the agricultural economy (32% by value), ahead of beef and veal (22.5%), wine (11%) and cereals (8%).
- 98% of the land is classified as being in a less-favoured agricultural area and almost 94% of farmers subscribe to agri-environmental measures.
- Rural areas are attractive (as is demonstrated by population movements from urban to surrounding areas): resulting in pressure on agricultural land use.

### Strategy chosen

The Grand Duchy of Luxembourg's rural development strategy is characterised by adhering to the European agricultural model, which is based on multifunctional agriculture. This is reflected in the pursuit of the following objectives:

- to ensure the viability of agricultural holdings by modernising installations and training farmers;
- to maintain agricultural activity and hence occupation of rural areas, and orient farming practices towards a model which is compatible with the environment;
- to take every opportunity to diversify the agricultural economy and improve quality of life in rural areas.

### Total EU contribution

Axis	Total public expenditure	EAFRD share of public expenditure	EAFRD contribution
Axis 1	127 715 800	20%	25 543 160
Axis 2	212 014 500	25%	53 003 625
Axis 3	15 514 400	40%	6 205 760
LEADER	13 213 202	40%	5 285 281
Technical assistance	0	0	0
<b>Total</b>	<b>368 457 902</b>	<b>25.52%</b>	<b>90 037 826</b>

## **Objective for the country**

The overall objective of the RDP is to contribute to harmonious occupation of rural areas so that the various economic sectors present can coexist. This is achieved inter alia by supporting the multifunctional family farm model: reinforcing farmers' professional skills, modernising holdings to make each sector more competitive, and encouraging farming practices to be oriented towards models which are compatible with the environment. Of course, every opportunity to diversify the rural economy will be taken and the people will play an active part in the local strategies to develop the services which will be provided for them.

## **Axis 1 budget allocation and priority objective**

Budget: €127 715 800; EAFRD contribution: €25 543 160.

### **Axis 1: The priority objectives for this axis are:**

- Training and information: the aim is to strengthen human potential in order to make holdings more competitive; practical measures will include setting up a Skill Centre. Other measures aimed at consumers and schools are also planned.
- Investment in individual holdings: it is a question of accompanying the increase in the size of holdings and contributing towards improving farmers' income by supporting investment which favours product quality and methods which respect the environment and animal welfare; initiatives relating to creating or saving energy resources will be encouraged.
- Young farmers: support will cover the acquisition of skills in managing holdings and a premium for initial setting-up in view of the very strong pressure on land prices.
- Agri-food sector: the emphasis will be on creating jobs and encouraging quality processes and labelling, as well as disseminating innovation.
- Environmental protection, organic farming and helping to combat climate change: support will be maintained for investment in the production of national renewable energy forms and in organic farming.
- Improving the profitability of forest land: including training and information initiatives, the measures will aim to enhance the value of timber as a renewable resource.

## **Axis 2 budget allocation and priority objective**

Budget: €212 014 500; EAFRD contribution: €53 003 625.

### **Axis 2: The priority objectives for this axis are:**

- Supporting agricultural activity in less-favoured areas: compensatory allowances limit the difference between farmers' incomes and average salaries in Luxembourg; they therefore help to maintain agricultural activity and hence land occupation.
- Agri-environmental measures: these fit in with the Göteborg and Kyoto Agreements and will extend the 2000-06 agri-environmental measures, adapting them, of course, to the new rules on eco-conditionality. A distinction will be made between measures available to all Luxembourg farmers and measures implemented in clearly-defined areas. The objective for the landscape maintenance premium is that 100% of farmers subscribe to it. In addition, by means of specialised premiums, the EAFRD will play a part in national policy relating to biodiversity as well as in favour of area-based initiatives relating to water protection. This category of aid will also include support for organic farming.

## **Axis 3 budget allocation and priority objective**

Budget: €15 514 400; EAFRD contribution: €6 205 706.

### **Axis 3: The priority objectives for this axis are:**

- to develop essential supply services, craft activities and tourist activities for the rural economy and population;
- to maintain and improve conditions for women entering and re-entering the job market, inter-alia by facilitating the provision of nursery day-care;
- to train, inform and provide a framework for people living in rural areas;
- to help to set up and develop micro-enterprises;
- to promote the adoption and spread of ICT (information and communication technology);
- to pursue the integrated development and revitalisation of villages;
- to develop the optimum use of resources and the supply and utilisation of renewable energy sources;
- to train people working in forestry and to inform and raise awareness among the public regarding forest's numerous functions.

## **LEADER allocation:**

Budget: €13 213 202; EAFRD contribution: €5 285 281.

Following on from the experience gained with LEADER+, the priorities for this axis will be to work on building up local capacity for employment and diversification by developing local partnership capacity, defining local strategies for rural development and implementing cooperation projects.