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First Briefing on Draft EAFRD Regulation European Agricultural Fund for Rural Development

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Chapters & Key Issues Raised

Introduction

Chapter 1 *Raison d'Être* of the EU's Rural Policy

- EAFRD should focus on generating public benefits that are not delivered effectively by the market, by targeting support on particular models of farming, forestry and socio-economic development, and by financing actions that are essential to achieving wider EU policy aims in rural areas (section 9)
- A central aim of CAP reform has been to remove the production-incentive effect of public subsidies. The same approach should apply to the EAFRD. It should not finance the intensification of farming and forestry in the pursuit of purely economic competitiveness. It should support models of competitiveness that combine social, economic and environmental sustainability (sections 10 & 11)

Chapter 2 The Strategy in Planning and Implementation

- Axes – is this the right approach? (sections 12 & 13)
- EU and Member State Strategies - a clear statement of purpose is needed (sections 14 & 15)

Chapter 3 Environmental Integration Across the EAFRD

- Environmental conditionality – which standards should apply? (sections 20 & 21)
- Environmental integration – coherence, priority legislation and the role of stakeholders (sections 17 - 19)

Chapter 4 Biodiversity, Water & Soil Management, Landscape

- Investment measures are key for the environment (section 24)
- Less favoured area - from handicap to opportunity (section 27)

Chapter 5 The Means of Our Ambition: Funding Priorities

- Budgets need to be secured (section 29)
- Focus spend on delivering EU level requirements (section 30)



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Introduction

- 1) WWF –the Global Conservation Organisation; and Stichting Natuur en Milieu (SNM) work together to monitor the effects, and influence the use, of rural funds across Europe³. This briefing highlights what we believe to be key issues for discussion in negotiating the new European Agricultural Fund for Rural Development (EAFRD).
- 2) In order to reflect the on-going discussions and negotiations, this briefing will be updated over the coming year, until the final adoption of the EAFRD.
- 3) Our research to date has demonstrated the enormous potential of the current Rural Development Regulation (RDR) to assist Europe’s farming sector in moving towards more environmentally sustainable land management practices. It has also highlighted the importance of using rural funds to help maintain farming systems of limited economic viability, but which play an essential function in conserving the continent’s biodiversity and natural resources
- 4) Our research has also identified great differences between Member States in the use that is made of rural development funds. Some countries use these funds mainly to increase the competitiveness of their agro-food sectors, while some focus mainly on the pursuit of environmental objectives. In some cases, issues of sustainability and environmental conservation are addressed very weakly. Large amounts of funding are directed into schemes with significant environmental impacts, such as new irrigation or networks of forest roads. Some agri-environment schemes are of very questionable environmental benefit, such as incentives for growing oilseed crops.
- 5) In drawing from this experience and that of the new Europe’s Living Countryside (ELCo) project in seven countries⁴ that we would like to contribute to the development of the new EAFRD, as it’s implementation. Our aim is to **support the adoption of a strong, well funded and effective legal instrument**, which will promote the objectives of our organisation, and we believe those of the EU, for environmental integration and sustainable development, as expressed in the 2001 Gothenburg conclusions, the Sustainable Development Strategy and the Treaty itself.
- 6) The rural development strategy of our organisations is: *“guided by a concept of sustainable rural development which involves the protection and enhancement of environmental capital; the fostering of viable rural economies; and the strengthening of rural communities and the cultural values that they possess”*.

³ For the results of earlier scoping research, carried out in up to 9 countries (Spain, UK, Germany, France, Latvia, Poland, Hungary, Sweden and Austria) please visit: www.panda.org/epo/agriculture, www.lupg.org.uk or www.natuurenmilieu.nl

⁴ Spain, Germany, the U.K., the Netherlands, Poland, Hungary and Bulgaria

Raison d'Être of the EU's Rural Policy

- 7) The purpose and justification for the European Agricultural Fund for Rural Development are expressed in the Explanatory Memorandum and Preamble to the draft regulation, and are likely to be re-iterated in the EU Strategy document. As expressed, the role of the EAFRD and accompanying funds is to support the implementation of the CAP reforms, accompanying and complementing further reform as well as contributing to sustainable management of natural resources and delivering public goods. A clearer statement of purpose would, nonetheless, be welcome. **The EAFRD should focus on the cost-effective delivery of public benefits and the environmental management of rural areas.**

- 8) EU rural development policy must be delivered through **agreeing strategic policy objectives at the EU level** (e.g. delivering EU environmental commitments) and demonstrating that rural development programmes are delivering these objectives. **National, regional or local strategies should** provide the means by which the Rural Development Programmes (RDPs) **demonstrate they are delivering** against EU policy objectives, and can be used to set out additional national, regional or local objectives. This would reflect the highly diverse nature and needs of Europe's rural areas. A range of stakeholders, including environmental stakeholders, must be involved in drawing together strategies for rural development (Article 6). A robust European strategy could help to provide environmental coherence and the link to EU environmental priorities.



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9) ***Ensuring the EAFRD Does Not Drive Further Intensification & Polarisation of Production***

The EAFRD strongly emphasises the need for the structural adjustment of the agriculture industry following decoupling of support. However, it does not define what form the adjustment should take, or which vision the sector should be moving towards. The EU Strategy document may address this issue, but at present this remains uncertain. This could lead to distortions of competition on the internal market, as well as allow for continued investments into intensive farming systems, with their consequent impacts on the environment, and encourage excess production that could adversely affect developing country markets. This would make it much easier for the EU’s trading partners to challenge the legitimacy of Pillar 2 payments at the WTO, and thus threaten their ‘Green box’ status.

Aid for farm investment and infrastructure tends to be absorbed by inherently more competitive holdings and areas, even within marginal regions, such as convergence regions. The most marginal holdings and areas are further disadvantaged by this flow of investment aid, increasing the threat of abandonment of land that is often of high environmental value.

For example, forestry measures in Axis 1 include support for improving the economic value of forests. We believe that this measure is contrary to the principle of Pillar 2 support. It is directed at increasing the economic return of individual forest owners, rather than complying with EC standards or other aspects of competitiveness which will deliver broader public benefit.

Proposal

The MTR reforms do not create a general need for public investment in increased competitiveness. We propose that measures currently labelled as for “competitiveness and restructuring” should be targeted at holdings and areas with proven problems of socio-economic viability, rather than as blanket measures.

*We consider that the regulation should explicitly require all Member States to assess which areas and types of farming are in most need of investment aid, and to evaluate the impact on the internal market of the measures they propose to use. Sufficient provisions should be included in the regulation to ensure the Commission is able to monitor and assess **the impacts** of programmes and spending.*

Support for restructuring should be transitional and time limited. Within these constraints, land managers should be assisted to adapt to higher environmental standards

Legal Reference

- Explanatory memorandum points: 3, 6, 9
- Preamble 21, 23, 60
- Article 4
- Article 5
- Article 12
- Article 13
- Article 26

10) *Redefining Competitiveness*

The draft regulation suggests a fairly narrow view of agricultural competitiveness: one where EU funds are used to increase the *economic* competitiveness of agriculture and agri-business. Generally this approach translates into intensification and increased production at the farm level, but not necessarily into increased economic sustainability. The latter outcome may be pursued more effectively through farm diversification or from environmental added value. Many examples of this have been supported through the EAGGF to date: the amenity value of a landscape, the production value of a well managed soil or the economic value of water, to mention just a few.

Proposal

We believe that the EAFRD should give more emphasis to economic sustainability, and the long-term viability of farming and forestry in Europe. This depends partly on economic competitiveness, but also on differentiating production in the EU from that in competitor countries. For example, by demonstrating greater integration with landscape and biodiversity values, and by ensuring the sustainable use of natural resources.

We believe that the EAFRD should draw explicit attention to the fact that competitiveness depends on the sustainable use of natural resources, so as to ensure their availability for the long-term. We also believe it should express the economic and amenity value to farm businesses of biodiversity, natural resources and the landscape. A change in the name of axis I could contribute to this, for example, "Promoting the long-term sustainability of the agricultural and forestry sectors through an improved focus on the demands of the market and the needs of natural resource conservation"

The Strategy in Planning and Implementation

11) *What Added Value From An Axis Approach?*

The axis approach is a novel presentation of rural development measures. It is unclear what added value is gained by organising the regulation in this way. We believe an axis approach implicitly suggests separate strategies for each of the axes, potentially different beneficiaries, maybe even different priorities. Member States may choose to use measures from different axes to deliver on a single, common objective. In practice, however, if financial reporting must be separate for each measure or axis, this will dissuade Member States from offering integrated programmes. Added value for the beneficiaries is also unclear, as they opt for measures rather than respond to EU level structures.

Proposal

We recognise that the axis approach is now here to stay. In this light, particular

Legal Reference

Explanatory memorandum points 3, 9, 19

Preamble 13, 15, 20, 21, 23, 25

Title IV, Chapter 1, Section 1, Priority Axis I

Legal Reference

Explanatory memorandum points 12, 16, 18

Preamble points 8, 11

Article 4(2)

Article 9



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effort is needed to ensure that programme integration, coherence and additionality remain core principles. The EU Strategy must express these principles.

From an environmental perspective, the EAFRD regulation and the EU Strategy must highlight the role of all three axes in delivering environmental integration. Firstly, by extending environmental conditionality to measures under all three axes (see also section 20). Secondly, by promoting the use of measures from all axes to meet environmental standards or maintain environmental land management practices (see also section 13).

12) All Axes Must Encourage Delivery of Environmental Outcomes

The present regulation strongly suggests which underlying objectives the measures in each of the three Axes should deliver against:

- Axis I measures should support restructuring and economic competitiveness
- Axis II measures should aim at land management practices and the environment
- Axis III measures should support rural diversification and enhancing the quality of life in rural areas

Experience from the current programming period, and the use of many measures for over a decade, however, suggests that some of the most innovative and effective *environmental* solutions have been devised not through agri-environment or sensitive areas measures, but through other RDR measures. Whilst we do not question the importance of mainstream environmental measures, chapter 4 provides an indication of the relevance also of axis I and III measures for environmental delivery.

Proposal

We would like to see the EAFRD regulation strengthening the current ad hoc references to the environment for axes I and III.

Legal Reference

- Explanatory memorandum points 18, 19, 20, 22
- Preamble points 13, 30, 45, 46
- Article 19
- Article 34
- Article 49
- Article 62

13) EU Strategy

This is a very welcome introduction to the EAFRD. Indeed it is unclear how the EAFRD can demonstrate the added value of investments at EU level without such a strategic document. At present the draft regulation remains quite vague about the content and exact role for the EU Strategy. Furthermore, the publication timetable for the draft EU Strategy seems un-synchronised with that of agreement on the EAFRD. This leaves negotiators in a *Catch 22* situation, as they are unaware both of the priorities they must address, and the monies available to do so.

Proposal

The EU Strategy must clearly detail the priority for EU funds to deliver on EU legislation and commitments, in particular those enshrined in environmental legislation. It must advise Member States and practitioners that their national (or

Legal Reference

- Explanatory memorandum points 12, 16
- Preamble points 8, 9
- Article 9
- Article 10

regional) rural development programmes must demonstrate a contribution towards these specific objectives. The regulation should ensure that the strategy refers to the Water Framework Directive, the EU's biodiversity strategy, Financing Natura 2000, the climate change strategy and other strategies which are relevant for rural development. The paper should also provide indications of the funding levels required to deliver on the priorities identified. We believe that the publication of this paper should not be delayed until Spring 2005, but published as a matter of urgency.

14) **National Strategies**

As with the EU Strategy, we welcome the proposal for national strategies, and the role described for them in the draft regulation. We believe there is added value for a national strategy even in federal Member States, where the national strategy should extend the function of the EU Strategy: providing vision, global priorities and boundaries for the regional rural development plans. The European Commission must ensure that the national strategies are able to achieve the basic EU objectives of the regulation. The criteria for approving regional programmes must be coherent with the national sustainable development strategies of the federal Member States.

Proposal

National strategies will prove the most effective and useful where they relate rural development strategies and funds to other relevant land-use and development policies. National sustainable development strategies this could be a particularly useful reference point for rural development, as there are national sustainable development strategies available in 20 of the 25 Member States. The national strategies should also refer to priority landscape systems; the Structural Funds, river basin districts (Water Framework Directive) and Natura 2000 sites. Guidance to this end should be explicitly included in the EAFRD.

15) **Monitoring and Evaluation**

The current programming period shows that many Member States do not consider environmental integration as a priority or necessity. Therefore, evaluation and monitoring to ensure that the EU environmental objectives are achieved will be critical. It is important that the national (or regional) rural development programmes clearly demonstrate how they contribute to the environmental priorities and that the indicators are able to measure how effectively they are in reaching these objectives. For example, whilst all Member States are committed to halting biodiversity decline by 2010⁵, there is still a lack of proper monitoring on

Legal Reference

Explanatory memorandum points 12, 16
Preamble point 9
Article 11
Article 11a

Legal Reference

Explanatory memorandum points 13, 14, 27
Preamble points 63, 64
Title II, Chapter III

⁵ The goal of halting the loss of biodiversity by 2010 is the subject of several key international agreements, amongst other the EU Heads of State have committed themselves to this goal at the Gothenburg summit in 2001, and in the European Union Strategy for Sustainable Development.

biodiversity in the EU⁶. A lack of funding is often the main reason for insufficient monitoring of the real environmental outcomes.

III

Article 18

Proposal

Monitoring progress in delivering EU environmental priorities must be compulsory, and an integral part of the evaluation of rural development programmes. The EAFRD should provide clear guidance on how to carry-out monitoring, and assist Member States in setting-up the necessary instruments. Support from the European Environment Agency may be useful in this instance, as may be financial earmarking in the EAFRD.

Title VII, Chapter
I & Chapter II

Environmental Integration Across the EAFRD

The draft EAFRD regulation confirms the need –already expressed in the current Rural Development Regulation; for Member States to use EU rural development funds to identify, assess and deliver against identified environmental objectives. The EAFRD provides general indications as to which types of environmental domains (e.g. climate change, forests, Natura 2000) the Member States should consider in drawing-up their national strategies and rural development plans.

The Europe’s Living Countryside (ELCo) project partners have identified through past work that **where** Member States or other competent authorities for rural development planning, have the **political will to deliver for the environment**, both **the current RDR and future EAFRD will provide ample opportunities** for measures to be applied and funds allocated. However, experience from the current programming period suggests that many Member States do not consider environmental integration as either a priority or necessity. In some cases, this is still considered to be secondary or even a constraint.

Whilst it is unlikely that an EU-level legal text can be devised to ensure perfect delivery, the ELCo partners believe that a number of changes to the current EAFRD draft would contribute significantly to this:

16) *Coherence in Representation of Environmental, versus Social and Economic Issues*

Throughout the draft regulation, environmental issues are often represented in much broader and more general terms than either social or economic issues. A clear example of this can be found in point 3 of the explanatory memorandum where unemployment (social) and lower incomes (economic) are identified as: “... problems and challenges that need to be addressed”. The environmental challenge described is that of ensuring rural development makes a positive contribution to the environment. It does not indicate any of the real environmental problems linked to agriculture: for example the continuing decline of farmland birds⁷, the growing desertification of agricultural lands across many Southern Member States⁸

Legal Reference

Explanatory
memorandum
points 3

Article 6 (1)

Article 61 (1)b

Article 69 (1)

⁶ EEA: Are we halting the loss of biodiversity in Europe, see www.eea.int

⁷ BirdLife International (2004), *State of the World’s Birds 2004: Indicators for Our Changing World*, Cambridge - U.K.

⁸ European Environment Agency (2003): *Assessment and Reporting on Soil Erosion*, Copenhagen - Denmark

or that diffuse water pollution from agriculture of both surface and ground waters is increasing⁹. This difference in the way environmental issues are described, by comparison to social and economic issues, singles them out as being of a different, potentially lesser, standard. This is a poor precedent for national strategies and programmes; it is essential that these are specific about the environmental issues that need to be tackled.

Proposal

We believe that environmental problems and challenges should be explicitly outlined in the text, and receive the same level of recognition as social and economic challenges.

17) Make Explicit Reference to Priority EU Environmental Legislation & Council Environmental Commitments

At present the draft regulation makes reference to several environmental issues (e.g. climate change, water management, forestry). However, there are very few explicit references to priority EU environmental legislation or to the specific commitments taken at European Councils (e.g. Biodiversity Action Plan for Agriculture). Yet, many of these are largely dependent upon or affected by farming for their effective implementation. These include primarily the Water Framework directive, the Habitats and Birds directives, the EU commitment to reverse biodiversity loss by 2010; and to a lesser degree the EU's soil strategy or that for combatting climate change. Without these explicit references the links to environmental priorities remains quite vague, and the potential contribution to the explicit targets and processes outlined in these EU level commitments are not explicitly conveyed to either the Member States agricultural administrations or to agricultural practitioners.

Proposal

We believe that the regulation and the accompanying EU Strategy document must include explicit references to priority EU environmental legislation and the role of the EAFRD in their implementation.

18) Role of Environmental Stakeholders

Contrary to the current Rural Development Regulation, we are pleased to see that environmental stakeholders, and in particular non-governmental organisations, are now explicitly referenced in the regulation. However, we believe that environmental partners (be they governmental or not) should be addressed on the same terms as both social and economic partners. By placing environmental interests in brackets, and on a different level as social and economic partners, we read the regulation as implying a bias against environmental partners.

Similarly in defining Local Action Groups (LAGs), the regulation comprehensively lists social and economic partners, including rural women and the young.

Legal Reference

Only currently in the Explanatory Memorandum

Should be added to:

Preamble

Regulation in Title I, Chapter II and Title II, Chapter I

EU Strategy document

Legal Reference

Article 6 (1)

Article 11 (1a)

Article 17 (1)

Article 61 (1b)

⁹ European Environment Agency (2003): *Europe's Water, An Indicator-Based Assessment*, Copenhagen - Denmark

However, there is no explicit obligation to include environmental associations. Whilst this is not explicitly excluded, experience demonstrates that many LAGs have excluded environmental partners.

Proposal

We believe the regulation allows Member States to include environmental stakeholders in implementing rural development, but still differentiates their importance by comparison to social and economic partners. In this framework, many Member States will continue to exclude environmental partners. It is important therefore that environmental stakeholders are given equal status.

19) Environmental Standards Must Apply Across All Axes

The draft regulation appears to take a step backwards with regards to the environmental standards being applied to recipients of rural funds. The proposal rightly aims to simplify the range of standards applicable, by extending cross-compliance also to the EAFRD. However, it extends it *only* to Axis II. Axes I and III would not be subject to environmental standards.

The EU commitment to sustainable development requires that environmental conditionality must be extended to all the Axes, measures and projects that come within the EAFRD. Making only the ‘environmental’ axis (Axis II) subject to conditionality results in an additional responsibility falling mostly on those already undertaking enhanced environmental management. This effectively penalises those who provide environmental services.

Proposal

We believe that the same environmental standards should apply to all three axes of the EAFRD.

20) Which Environmental Standards?

Cross-compliance (which will apply from 2005 to Pillar 1 Single Farm Payments) may address effectively investments and measures that aim to reduce pollution from agriculture or rationalise the over-intensive use of natural resources such as water or soil. In its current form, it is unsuitable to guide and constrain land management practices, where a positive contribution is required for environmental delivery. Furthermore, many of the agricultural cross-compliance requirements are not relevant to forestry.

Proposal

We have doubts as to the effectiveness of cross-compliance for land-management type measures. We propose that Good Farming Practice should be assessed alongside cross-compliance in 2007, and only following this should a decision be taken as to which system is most effective and thus applied across both pillars one and two, and which one should be eliminated. A commitment should be expressed now to establish standards of environmental performance across all measures. These should draw on the experience gained from environmental integration in the

Legal Reference

Explanatory memorandum point 21
Preamble point 44
Article 48

Legal Reference

Explanatory memorandum point 21
Preamble point 44
Article 48

Structural Funds.

We believe that unless these issues are addressed, and the environment represented in as certain terms as social and economic issues, the EAFRD will implicitly be relegating the environment to a second class issue by comparison to social and economic objectives.

Biodiversity, Water & Soil Management, Landscape

Reversing biodiversity decline in Europe, and achieving sustainable management of water and soil resources, are key objectives of EU environmental policy. In rural areas, **their condition is influenced largely by farming and forestry**. A central aim of rural development programmes should be to support land-use patterns and practices that conserve biodiversity, cultural landscapes and water and soil resources, in order to further environmental policy aims.

Agricultural **intensification, inappropriate forestry and restructuring** of the landscape are among the main drivers of biodiversity decline throughout the EU. The effects of measures for farm modernisation (Article 25), afforestation (Articles 40 & 42) improving the economic value of forests (Article 26) and infrastructure (Article 28) are a particular concern, given the nature of actions funded by such measures to date¹⁰.

In more marginal areas, natural conditions tend to restrict the intensification process, and farming systems survive that produce cultural landscapes rich in biodiversity, especially those involving **extensive grazing and traditional mixed farming systems (High Nature Value or HNV farming)**. Social factors and poor economic competitiveness are causing the decline of these farming systems. The decoupling of CAP payments is expected to accelerate the process, threatening many of Europe's largest and most valued natural areas. Rural development support for HNV farming in marginal areas needs to be greatly improved¹¹.

The **Natura 2000 network** harbours key biodiversity values of European interest, and rural development programmes have a crucial role in ensuring that Natura 2000 sites are managed with an effective mix of conservation and sustainable development. The maintenance of biodiversity and cultural landscapes in the wider countryside is an essential complement to the Natura 2000 network.

Agricultural impacts on **water quality and quantity** and on **soil** are among the greatest challenges for effective implementation of the Water Framework Directive¹². Some cases can be ameliorated by better land management practices, for example nutrient, manure and soil management and provision of buffer strips. In others, land-use change may be required.

Mechanisms for addressing the above issues should be built into all areas of RD regulations and programmes, including the following approaches:

¹⁰ WWF, LUPG, IDRiSi & IEEP (2002), *Europe's Rural Futures*, Brussels - Belgium

¹¹ [European Environment Agency](#) (2004), *High Nature Value Farmland: Characteristics, Trends and Policy Changes*, Copenhagen - Denmark

¹² See footnote N°10

21) *Ensuring Environmental Compatibility*

Whilst environmental compatibility is mentioned in the preamble, this is not always adequately transferred to the measures. For example preamble point 37 states that “Any first afforestation should be adapted to local conditions and compatible with the environment and enhance biodiversity”. The afforestation articles, however, do not reflect this. Past experience has demonstrated that often rural development investment measures do not ensure compliance with environmental legislation.

Proposal

We recommend that all farms receiving investment aid should present an environmental plan alongside their business plan, and that they be supported by qualified environmental advisers in preparing them.

Furthermore, support for non-productive environmental investments should receive a higher rate of grant by comparison to investment grants for economic objectives..

Legal Reference

Preamble points
18, 19, 36, 37, 42,
43

Article 21

Article 25

Article 38

Article 40

Article 42

Article 46

22) *Agri-Environment & Forest-Environment Measures*

Agri-environment and forest-environment measures are essential to achieving EU objectives for biodiversity, cultural landscapes and water management. Despite the long life of these measures, they still need to be implemented more widely. The environmental impacts of decoupling are likely to vary according to both the location and the type of farming currently practised. Agri-environment measures are necessary to deliver the continued positive management of land for environmental benefit.

Proposal

Agri-environment and forest-environment measures should:

- *Complement LFA support for HNV farming, by providing an incentive across large areas for maintaining labour-intensive practices that favour biodiversity, such as shepherding, transhumance, hay making*
- *Promote improved land management practices in river basins to help achieve Good Ecological Status, for example those affected by diffuse pollution or unsustainable abstraction*
- *Support the conservation of specific habitats and species across their natural range (not only in Natura 2000 sites), where these are intimately linked to farmland and forest management*
- *Permit a zoning approach, rather than making measures available throughout the territory, where it is more appropriate to the farming and environmental situation in a country. This will help to deliver co-ordinated action to address landscape or catchment scale problems*

Legal Reference

Explanatory
memorandum
point 20

Preamble points
31, 34, 40

Article 36

Article 37

Article 43

Article 44



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- *Be based on payments that contribute to the costs of activities that deliver a public benefit, including pre-existing activities. They should not be restricted to the additional costs of new activities*

23) **Axis I & II Investment Measures**

Public investments in farm modernisation, forest improvement, forestry and infrastructure should focus on those areas that demonstrate the greatest environmental and social needs, by targeting farm types, land areas and specific environmental objectives accordingly.

Axis 1 must play a key role in stimulating alternative approaches to improving the economic viability of agricultural holdings. These should include farm diversification into environmentally integrated activities, energy and water resource management, production of renewable energy.

Proposal

- *HNV farm types in marginal areas (needing improved housing and handling facilities for livestock, on-farm processing, diversification) should be a priority. They should benefit both from a higher rate of EU co-financing, and of grant (e.g. 80% of eligible investment) by comparison to standard farms. This should be accompanied by free expert advice*
- *Land managers should be helped over a limited transitional period to achieve high environmental standards in particular sensitive areas, for example as identified by water authorities in relation to water quality and resource management. This measure should not be limited to new EU legislation*

Legal Reference

Explanatory memorandum point 18, 19, 26

Preamble points 19, 21, 26,

Title IV, Chapter 1, Section 1, Priority Axis I

Article 25(1)(b)

Article 29

Article 34(a)(v) & (b)(vii)

24) *Axis I and II Forestry Measures*

CAP forestry measures have been strongly criticised for their environmental impacts in countries where most use has been made of them, both in the case of afforestation and forest management (much of these funds are used for forest roads)¹³. EAFRD funds should be targeted towards models of forestry that deliver public goods, especially through conservation of biodiversity and natural resources, and not towards improving the economics of private forestry.

Proposal

- *All forestry measures should be funded only within management plans for sustainable forestry in accordance with the standards of the Forest Stewardship Council (e.g. as in Scotland)*
- *National strategies should be used to identify those areas which are suitable for first afforestation, with clear indications of the specific environmental objectives to be delivered. The EIA regulations could be used more effectively to provide safeguards*
- *Establishing permanent pasture on arable land should be offered as an alternative to afforestation*
- *Aid for forest restoration should cover environmental potential, not merely productive potential*
- *The forestry measure is based only on payment for income foregone whilst the farming measure compensates for costs incurred and income foregone. We believe that these measures should be equal*
- *Where forestry measures mirror agricultural measures or compete with them (e.g. afforestation payments compete with incentives for maintaining HNV farming systems), there should be equity in funding arrangements and zoning strategies should determine which is the preferred land use.*

Legal Reference

Explanatory memorandum points 19, 20
Preamble points 22, 31, 37, 38, 39, 41,
Title IV, Chapter 1, Section 2, Priority Axis 2, Sub-Section 2
Article 19 (a) (b)
Article 26
Article 27
Article 40
Article 42
Article 45

25) *Biodiversity and Natura 2000*

The effective conservation of Natura 2000 sites across Europe lies at the heart of any EU strategy to deliver on its goal of halting biodiversity decline by 2010. Site designation is now reaching an end in the Old Member States and is well underway in the New Member States. The time is ripe to turn to the question of financing. The EAFRD must work alongside the Structural Funds and proposed future instrument for the environment to support Natura 2000 implementation. This is explicitly recommended in the Commission Communication on Financing Natura 2000.

Proposal

Legal Reference

Explanatory memorandum points 3, 9
Preamble points 30, 33, 36
Article 34 (a) (b)
Article 36
Article 37

¹³ [WWF, LUPG, IDRiSi & IEEP \(2002\), *Europe's Rural Futures*, Brussels - Belgium](#)



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- *Rural funds must help to deliver favourable conservation status across the Natura 2000 network* Article 38
- *Funding should focus on the costs of delivering positive management rather than simply compensating for the imposition of restrictions* Article 43
- *Management plans should be prepared and implemented in the context of local development strategies* Article 47
- *Agri-environment and forest-environment measures are the most appropriate for promoting the positive management of sites. Schemes should ensure they include measures appropriate for Natura 2000 sites* Article 53
- *The proposed Natura 2000 compensation payment should be used only for sites with approved management plans that impose specific restrictions with a clear cost for land managers*

26) Supporting High Nature Value Farming and Areas

Support for low intensity farming systems in mountains and less-favoured areas (LFA) should be justified principally on the grounds of maintaining the environment. Most high nature and landscape value farmland is in these areas.

Proposals

- *LFAs should move away from the notion of compensation for ‘handicap’ towards one of maintaining and rewarding sustainable land management in landscapes of high environmental value*
- *The LFA measure should focus explicitly on HNV and landscape value farming, with payments targeted on maintaining those farming systems that contribute to landscape and biodiversity values, water and soil management*
- *Designated areas should be required to have landscape strategies, identifying broad objectives, types of farming contributing to these objectives, setting baseline environmental standards (see also section 21), and justifying the levels of support payment*

Legal Reference

- Preamble
- Article 35 (1)(2)
- Article 47
- Article 53

The Means of Our Ambitions: Funding Priorities

Negotiations on the EAFRD regulation, and those on funding, are being discussed in parallel but are carried-out by different individuals and Ministries, potentially with conflicting interests (Agriculture authorities versus Budget authorities). These negotiations are being undertaken without costed assessments of what the

EAFRD will or should deliver. The Commission's proposed budget for EAFRD is not yet secured, and as negotiations on the Financial Perspectives 2007-2013 proceed¹⁴, this budget could be further eroded.

By the same token, the EAFRD suggests a plethora of objectives and priorities to which rural funding should contribute: everything from food security, to animal welfare, to combating climate change, to restructuring the farming sector, to mention but a few.

27) *Demonstrate Real Costs of Delivery*

It is difficult to assess the costs attached to many, if not most, of the objectives included in the EAFRD. Even where these assessments exist, they are highly indicative¹⁵. Nonetheless, they provide an invaluable indication of the scale of the funding need. Furthermore, they provide a justification for the budgets being appropriated at EU level and allocated at national level.

Proposal

The EU Strategy document must include an indicative analysis of the costs required to effectively deliver on each of the objectives it promotes for the use of rural funds, as well as suggesting which ones should be supported as a priority through EU funds.

The EAFRD must require Member States to carry-out a needs and costs assessment for the objectives they intend to deliver through EAFRD funding (e.g. costs of support to Natura 2000), as part of the national strategy plan and of the ex-ante assessment. Following this assessment, Member States will indicate how they intend to use the EAFRD measures to address the needs identified, and the level of EU funding they intend to allocate towards them, whether through the EAFRD, Structural Funds or other EU or national funding lines.

Legal Reference

Explanatory memorandum points 10, 12, 48, 53

Preamble points 52, 53, 54, 56

Article 3

Article 5

Article 9

Article 11

Article 89

Article 90

Article 94

28) *Ensure Funding is Secured or Increased*

Limiting the EU budget to 1 per cent of the Member States' Gross National Product (GNP), as some net contributing Member States are suggesting¹⁶ would be likely to result in a cut in the funding available for rural policies. This is particularly pertinent given that the Pillar 1 budget has already been politically secured¹⁷. Whilst the overall rural budget would still be larger in real terms, the number of beneficiary countries and individuals has increased even more. Further, the objectives of the new EAFRD are more extensive than the existing RDR measures. As a result, the relative budgets available for each measure or objective will decrease. Modulation at its current levels is not sufficient to address the

Legal Reference

COM(2004) 101 Final/2

Preamble points 52, 58

¹⁴ Communication from the Commission to the Council & the European Parliament (2004): *Building Our Common Future: Policy Challenges and Budgetary Means of the Enlarged Union 2007-2013*, COM(2004) 101 final/2

¹⁵ See, for example, Communication from the Commission to the Council & the European Parliament (2004): *Financing Natura 2000*, COM 431 Final

¹⁶ For example the U.K., Germany, Sweden and Denmark

¹⁷ See footnote N°14



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shortfall. The negotiations on allocations between Member States could also result in re-allocation of funding.

Proposal

Our research has shown¹⁸ that the existing rural development budget is inadequate to meet the needs of Rural Development Programmes. An expanded Europe and broader scope of rural development means that the budget will need to increase. Options include increasing the compulsory modulation rate or allowing Member States to apply a higher rate of voluntary modulation.

29) Focus Spend on Delivering EU Legal Requirements & Commitments

The EAFRD has a crucial role to play in delivering the EU’s Sustainable Development Strategy. This must be clearly expressed in the regulation. However, although sustainable rural development is a European aim, we believe that the EAFRD must only be used to support those measures for which clear targets for sustainable development exist, and in particular those linked to EU environmental legislation. There are no EU level targets or commitments to deliver on the objectives that underlie most measures in Axes I and III, since these are matters primarily of national, regional or local concern.

The inclusion of minimum expenditure targets for each axis could ensure resources are focussed on delivering EU priorities. Equally, they could constrain the ability of Member States to address rural development in an integrated way (see section 12) and drive several Member States (e.g. the U.K.) to dramatically re-structure current spending patterns.

Proposal

We believe that no minimum level spending requirement should be attached to either axes I or III. Whilst environmental delivery can occur across all three axes (see also section 12), so long as the regulation identifies axis II as the land management and environment axis, minimum spending levels for this axis should be compulsory, and set at 50%.

National rural development strategies should be required to indicate how programme expenditure reflects the EU’s strategic priorities. Other mechanisms could also be used to encourage allocations to address these priorities, including increased EU co-financing rates.

Legal Reference

Explanatory memorandum points 52, 53

Preamble points 58, 59, 60

Article 3

Article 4

Article 16

¹⁸ See footnote N°5