

Brussels in Brief is a regular feature of the IUCN Newsletter produced by the

***Institute for European  
Environmental Policy  
(IEEP)***

in Brussels. It provides a platform to explain the substance of environmental policy, as well as highlight some of the up-coming EU agenda items relevant to Europe and beyond.

Each edition of Brussels in Brief will consider topics which relate to the overall thematic focus of the current Newsletter issue.

**Looking ahead:**

- **The review of the Rural Development Regulation** is ongoing. A proposal is expected in summer 2004.
- **The Soil Thematic Strategy** is expected towards the end of 2004  
<http://europa.eu.int/com/m/environment/soil/>

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IEEP brings a non-partisan analytical perspective to policy questions and engages with stakeholders to raise awareness and advance policies.

## ***Brussels in Brief***

### **At the Interface of EU Nature Conservation Policy and the Common Agricultural Policy (CAP)**

Over the centuries, farming has created and maintained a variety of valuable semi-natural habitats, some belonging to the most species-rich environments in Western Europe. Yet with approximately 40 per cent of the EU's land territory farmed, the agricultural sector is also a major source of pressure on the environment. This concerns both direct damage through eg land conversion, habitat fragmentation and soil degradation, and indirect impacts through pollution, such as the eutrophication of surface waters and pesticide contamination. Land-use policies also influence the broader environmental situation, such as climate change and desertification.

Which type of pressure is predominant, depends, for instance, on local geography, crop type, farm structure and the regional socio-economic situation. In Western Europe agricultural intensification, notably through increased mechanisation, high chemical input, large farm structures, irrigation (particularly in the Southern Member States), and monocultures, is the main driver of environmental degradation in rural areas. The change to a market-based economy in Central and Eastern Europe is likely to lead to similar destructive land-use patterns. Some regions, however, are affected by land abandonment, where the loss of land management commonly results in the loss of biodiversity in semi-natural habitats. The use of genetically modified organisms may also impact on biodiversity, but the potential scale of the problem is, as yet, uncertain.

The EU's Common Agricultural Policy (CAP) has, in many ways, encouraged unsustainable production patterns and the intensification of farming practices, notably through the use of subsidies that encouraged higher outputs and failed to give incentives for sustainable development. Overall expenditure under the CAP accounts for around half of the EU budget. In comparison, agriculture's contribution to the EU economy is relatively minor – at about 1.6 per cent of GDP in 2002 in the EU 15, and with only about 4 per cent of the EU workforce employed in agriculture, with numbers falling.

Reforms of the CAP in the 1990s, and in 2003, and measures taken by the sector itself, have brought about some environmental improvements. In particular, there has been a positive shift towards more environmentally sensitive policies, with an increasing share of the CAP budget invested into rural development and the environment. The partial decoupling of direct payments from volumes of food produced, to area-based single farm payments has been a key achievement in this.

This *Brussels in Brief* will place the key achievements in greening the CAP into a global context and summarise opportunities for nature conservation management within this framework.

#### ◇ **The CAP - Meeting Global Biodiversity Commitments**

##### *Convention on Biodiversity*

As a signatory to the 1992 Convention on Biodiversity (CBD), the European Community is committed to protecting biodiversity – including in agriculture. The EU adopted its Strategy for implementation in 1998, followed, three years later, by four Biodiversity Action Plans (BAPs) on: i) natural resources, ii) fisheries, iii) development co-operation, and iv) agriculture.

The Agriculture BAP focuses on existing, core instruments and how they will be used to improve ‘agri-biodiversity’ protection. Unlike the Agriculture Integration Strategy of 1999, the BAP includes some specific targets and an indicative timeframe for action. Progress in achieving these targets and the commitments of the other three BAPs is unclear. A substantial review of their implementation, effectiveness and adequacy is under way, and results will be presented at a high-level conference in May 2004.

With respect to genetic diversity in agriculture - the EU has a programme for the conservation, characterisation, collection and use of plant, animal and microbial genetic resources in agriculture (Regulation 1467/94). This includes on-farm management of genetic resources. The Agriculture Council has recently recommended

the adoption of a proposal extending this programme - with an estimated cost to the EU budget of € 10 million for the period 2004-2006.

##### *The Pan-European Biological and Landscape Diversity Strategy (PEBLDS)*

PEBLDS provides a pan-European framework to promote a consistent approach to the implementation of the CBD, emphasising in particular the importance of landscape diversity in land-use planning. It largely relies on existing measures, and has so far failed to have a significant impact.

The European Community has not endorsed PEBLDS; but has acknowledged the Strategy’s potential importance and is participating in the process.

#### ◆ **Greening the CAP – integrating the environment**

##### *McSharry Reform*

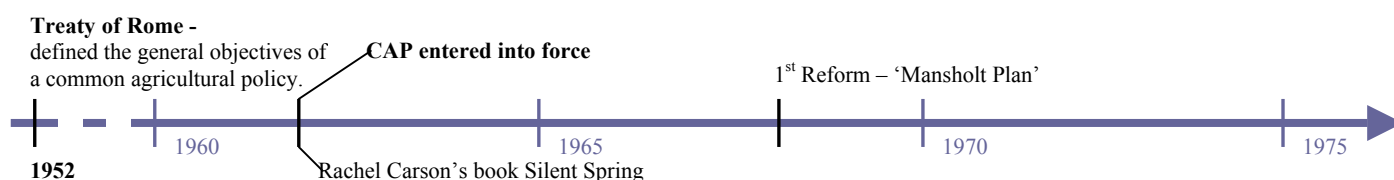
The first real turning point for a greener CAP came in 1992, as part of the ‘McSharry Reforms’. One central element of the reform was the shift from output-based subsidies, which had led to surplus production, to direct payments related to the cultivated area or number of livestock.

The reform also introduced obligatory agri-environment schemes, by means of Regulation 2078/92, and the optional farmland afforestation scheme (Regulation 2080/92).

In addition, early elements of cross-compliance were introduced, alongside the commitment to apply ‘appropriate environmental conditions’ to the management of compulsory set-aside.

##### *The second pillar of the CAP – Rural Development*

In 1999, a far-reaching CAP Reform was undertaken – known as Agenda 2000. This included revisions of the budget and Structural Funds, and introduced a ‘rural development pillar’ (Pillar Two) to the CAP.



This second pillar complemented the ‘*market price support and direct payments pillar*’ (Pillar One), and was designed to support the non-market objectives of the CAP, notably the social and environmental dimension of sustainable agriculture. Pillar One, on the other hand, was never intended as an environmental instrument. Nonetheless, it has had major impacts on the farmland environment and associated biodiversity.

Each Member State has been required to draw up seven year rural development plans, based on an analysis of the needs of rural areas and the environment. These plans had to outline the existing situation, the proposed strategy for action and type of measures to be used, the expected impact of measures, financial plans, detail on the competent authorities, and any legislative provisions required to implement the plan effectively.

As early as 1996, Commission officials had championed the idea of an ‘*integrated rural policy*’ – allowing some of the resources saved from reductions in agricultural commodity support to be recycled within rural areas through agri-environment, agricultural structures and rural development spending. This proposal was first politicised in the ‘Cork Declaration’, and then formalised in the Commission’s Agenda 2000 proposals of 1997. There was early political commitment that the rural development pillar would grow over time.

Importantly, Agenda 2000 also led to the strengthening of many of the ‘greener’ CAP measures, notably through the dedication of more resources to agri-environment schemes and a revised Less Favoured Area support scheme. These payments were made conditional upon meeting Good Farming Practice standards. The resources available for the new Rural Development Regulation (RDR) 1257/1999, however, were widely regarded as disappointing. Actual achievements in implementation were also described as modest, and further reforms were necessary as part of the CAP’s 2003 Mid Term Review.

## ***Integrating Environment into the CAP***

In 1999, the Agriculture Council presented its [Integration Strategy](#) – in reply to commitments under the Cardiff Process (see [Brussels in Brief Volume 2](#)). The Strategy was subsequently adopted (Council document 13087/99), but failed to include specific commitments and time-frames. A stocktaking of the Cardiff process was foreseen for spring 2004, but has not yet taken place. It is unclear how a review would affect the Strategy.

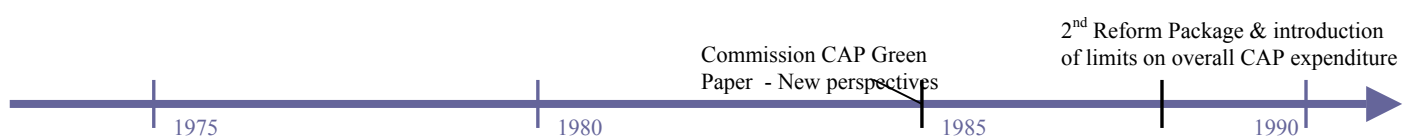
The Cardiff commitment for integration was also reinforced by the EC [Biodiversity Action Plan](#) for Agriculture, in 2001. While designed to provide clear targets for the achievements of biodiversity objectives, the BAP has not been very influential in setting the ‘*agri-biodiversity*’ agenda.

## ***Decoupling & a strengthened Pillar Two - a milestone for the environment?***

On 26 June 2003, EU farm ministers adopted what amounts to the most fundamental reform of the CAP yet. Significant changes were made to the EU farm support framework. From 2005, a large proportion of subsidies will be paid independently from the volume or area of production (decoupling), although some production linked subsidies remain. These new ‘single farm payments’ – essentially an income support for farmers – like other direct payments, are conditional upon respecting environmental, food safety and animal welfare standards through compulsory cross-compliance.

A reduction in direct payments (known as modulation) for bigger farms will help finance the reinforced Pillar Two, and may also decrease market pressures on the environment.

Moreover, consumer and taxpayer concerns were prioritised by further strengthening rural development policies, increasing funding for them and introducing new measures to promote the environment, food quality and animal welfare.



## ∅ Management of Natura 2000 in rural landscapes – the use of Pillar Two

The EU's protected areas network – *Natura 2000* – already covers around 17 per cent of the EU's land territory. Many sites are situated in rural environments and support semi-natural habitats, of which many are dependent on the continued management under extensive agricultural practices.

All protected areas on agricultural land, as indeed the wider countryside in general, benefit from greener farming practices. Key measures under the EU agricultural and rural development policies are:

- cross-compliance;
- set-aside payments;
- agri-environment measures;
- less favoured area payments; and
- certain forestry measures.

### **Cross-Compliance**

Environmental cross-compliance is arguably the most important instrument of the CAP for environmental integration. The recent 2003 Reform has made cross-compliance measures compulsory for direct payments, which should improve previously limited use of this policy instrument by Member States.

Cross-compliance means attaching conditions regarding eg the environment, food hygiene and animal welfare, to the receipt of agricultural support payments, with the overall objective of requiring farmers to provide tangible social and environmental benefits in return. This mechanism was first agreed as part of the Agenda 2000 reform package in 1999, but was not compulsory for Member States to apply. From 2005, Member States are *required* to attach environmental conditions to the Single Farm Payment and any remaining direct payments.

Key to the provisions is that Member States are required to ensure proper enforcement of 18 EU Directives and Regulations, including the Birds and Habitats Directives, by introducing so called

statutory management requirements listed in Annex III of Regulation 1782/2003 and appropriate control systems. Additional standards have to be defined by each Member State under Article 5 of the same Regulation. These so called Good Agricultural and Environmental Condition (GAEC) should ensure that all agricultural land is maintained in good agricultural and environmental condition. Member States must also ensure that land which was permanent pasture on 31 December 2002 is maintained as permanent pasture. If farmers fail to observe the conditions, all or some of their direct payments can be cancelled or reduced.

### **Set-Aside**

The 2003 Reform included some new options for set-aside management, including allowing farmers to use narrow strips, of at least 5 metres in width and 0.05 ha in size, as field margins. This is likely to have biodiversity benefits.

Overall, however, set-aside generally remains mandatory at 10 per cent of the farmed area – except on organic farms and those below twenty hectares. Both rotational and non-rotational management is permitted, and industrial crops can be grown.

### **Agri-Environment Measures**

Agri-environment schemes are arguably the key means of achieving direct nature conservation objective under the CAP. They represent a way of compensating farmers for adopting environmentally-friendly farming techniques which go *beyond usual good farming practice* and are considered to have an implementation cost.

Agri-environment measures are based on *voluntary* agreements between farmers and public authorities. They typically cover five years. The principle was first introduced as an obligatory measure for the Member States in 1992. In 1999 and 2003, measures were further strengthened.

Importantly, agri-environment measures have to go beyond good farming practice. One key concern is



that agri-environment payments are not available to all farmers.

Agri-environment schemes account for 27.5 per cent (€ 13,480 million) of the overall Pillar Two expenditure in the programming period 2000-2006 for the EU-15.

### **Less Favoured Areas (LFAs)**

To compensate farmers for higher production costs and lower agricultural output, resulting from harsher farming conditions, certain rural areas are designated as LFAs, eligible for financial aid. To be eligible, farmers have to agree to continue farming for at least five years, and to apply usual good farming practice compatible with environmental protection requirements, maintenance of the countryside and sustainable farming. Payments are linked to area not production, and can help prevent land abandonment.

Moreover, since 1999, farmers in areas subject to restrictions on agricultural use under eg the Habitats Directive, may also receive compensation payments. LFA payments account to 12.5 per cent (€ 6,128 million) of the overall Pillar Two expenditure in the programming period 2000-2006 for the EU-15.

### **Forestry**

The importance of forest diversity is recognised in the CAP and also in the EU's forest policy, particularly the Forest Focus.

Under the CAP, support is available to private forest owners or municipalities for the management and sustainable development of forestry, the preservation of resources and the extension of woodland areas, with a view to maintaining the economic, ecological and social functions of woodland in rural areas. This support is granted for measures on farmland and 'non-farm' land.

In 2001, total public expenditure on afforestation, including maintenance, € 246,726,000.

### **Organic Farming**

The EU also has measures to promote the production and marketing of organic products. Organic farmers are, for instance, entitled to claim agri-environmental premiums.

In December 2002, the Commission produced a working document entitled '*Analysis of the possibility of a European Action Plan for organic food and farming*'. The review for an Action Plan is still ongoing. A public hearing was held in January 2004, and results on the plan are expected this year.

### **➤ Structure of Directorate-General Agriculture**

DG Agriculture is responsible for the implementation of agriculture and rural development policy, the latter being managed in conjunction with other DGs, dealing with structural policies. DG Agriculture is divided into 11 Directorates:

[Directorate A.I - International affairs I, in particular WTO negotiations](#)

[Directorate A.II - International affairs II, in particular enlargement](#)

[Directorate B - Relations with other institutions; communication and quality](#)

[Directorate C - Markets in crop products](#)

[Directorate D - Markets in livestock products; specialised crops and wine](#)

[Directorate E - Rural development programmes](#)

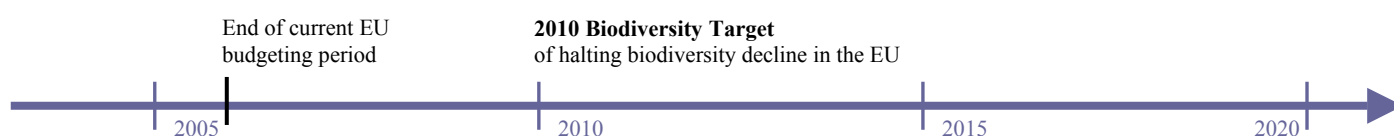
[Directorate F - Horizontal aspects of rural development; Sapard](#)

[Directorate G - Economic analyses and evaluation](#)

[Directorate H - Agricultural legislation](#)

[Directorate I - Resource management](#)

[Directorate J - Audit of agricultural expenditure](#)





All measures under Pillar Two of the CAP are co-financed by the EU, meaning that additional funds have to be created at national level. Agri-environment measures, for instance, are supported by a maximum of 85 per cent in some of EU's poorest regions.

Through the rural development plans, national and regional authorities set priorities for the implementation of the CAP at local level. This allows for some flexibility, eg on whether investment focuses on rural infrastructure or agri-environment spending.

### ☞ *Related Environmental Policies - Nitrates, Pesticides and Soil Protection*

In addition to Pillar Two measures, there are a number of CAP unrelated legal provisions which regulate various aspects of agricultural activity, such as on pesticide use and the growing and marketing of GMOs.

Over the years, the EU has, for instance, established a complex system of water and soil protection measures. This includes, for instance, the 1991 EU Nitrates Directive, the EU's regulatory system controlling the marketing and use of pesticides, and the protection of water quality.

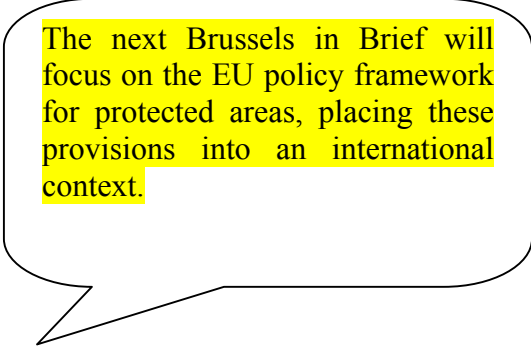
Many of these provisions are now covered by cross-compliance, ie farmers have to comply with the legislation, if they are to receive financial support from the EU.

Two significant overhauls of relevant policy have taken place, notably with regards to the EU's water and chemical policy. The Water Framework Directive, adopted in 2000, is the basis for a significant improvement in substance and coherence of water protection. Through the use of River Basin Management Plans all water bodies, except where derogations exist, are to achieve a 'good status' ecologically. The EU's chemical policy (REACH) is also being modernised, not least to achieve coherence and, expectantly at least, benefits for the environment.

Coherent policies on soil protection are still less defined, with a proposal for an EU Soil Thematic Strategy under review.

### ■ **The CAP and rural development in the new Member States**

The Commission proposal for the application of the Rural Development Regulation in the new Member States is for a slightly modified version for the period up to 2006. Most of the measures will be the same as in the EU 15, but with an additional aid scheme targeted at smaller 'semi-subsistence' producers. The new Member States have benefited from pre-accession assistance through eg the Special Accession Programme for Agriculture and Rural Development (SAPARD), which also provided for the participation in pilot agri-environment schemes.



The next Brussels in Brief will focus on the EU policy framework for protected areas, placing these provisions into an international context.