

# The future of rural development policy

## 1. Executive Summary

### 1.1 Vision

The EEB considers rural development (RD) to be part of the larger issue of sustainable development. There is an economic, environmental and social – as well as a global solidarity - dimension to sustainability and they are all of equal importance. Sustainable rural development must contribute to achieving EU environmental policy priorities (such as climate change commitments, the 2010 biodiversity target, the Natura 2000 network, soil protection etc).

### 1.2 Context for a better rural development

Rural development is dependent on the whole society building towards sustainability. Sustainable economic development cannot be based on a deserted countryside and will not succeed without sustainable management of natural resources.

RD Policy alone cannot make rural areas sustainable. Policies which are effective in the same region, eg the structural funds and other EU sectoral policies as well national and regional policies must follow sustainability principles and have synergies with RD policy. It will be difficult to ensure sustainable agricultural production as long as external costs, like environmental damage, are not internalised in the costs of production. The legislation for environment and animal welfare must be stricter and fully implemented.

Pillar one of the CAP should complement RD policy and not hamper it. The WTO must not limit the possibilities to create agricultural policies that support food sovereignty, food security, and ecologically sustainable agricultural systems.

The development of rural areas in the new Member States (MS) deserves special attention because the risk of losing natural assets is extremely high. Adequate measures are needed to protect the outstanding natural richness and avoid land abandonment. Urgent needs are capacity building (incl. at administrative level), farm advisory systems, strengthening civil society and the involvement of local actors. The creation of alternative sources of income in rural areas alongside agriculture is vital.

### 1.3. Required changes for RD policy

- More funding.

The tightly constrained budget for the second pillar is thwarting its true potential (eg contributing adequately to EU environmental policy objectives). RD has to be strengthened more substantially, via increased modulation and budgeted for in the new Financial Perspectives. RD should become the core of the CAP.

- Broader focus.

The actions to achieve the RD objectives should be performed by the actors best suited to do so. RD funding should therefore be made equally accessible to non-farmers, eg other land managers (like Natura 2000 site managers), NGOs and the broader rural community. While agriculture still plays an important role in rural areas, policy towards rural areas needs to be more broadly based than agriculture.

- More participation.

More public participation in the process of RD Plans at national and regional level is needed and consultation should be made mandatory. Local, regional and national authorities must treat rural communities and NGOs as full partners in RD programmes. The EEB would like to see the essential elements and positive experiences made with the LEADER Community initiative mainstreamed in RD policy.

- More diversity and flexibility with more target oriented control.

All MS should be encouraged to use the existing flexibility provided by the Regulation for adaptation to local needs. The Commission must be able to challenge the combination of measures of MS if environmental and social objectives are not adequately addressed.

- Better environmental integration.

Environmental criteria must be integrated across all RD measures.

Targets of EU environmental policy must be clear at national and regional level, must be monitored with meaningful indicators, properly evaluated and sufficiently controlled. Relevant stakeholders other than farmers (eg Natura 2000 site managers and NGOs) should have access to funding.

- A more integrated approach.

In many cases, the RD plans are a collection of existing measures rather than a coherent set of actions tailored at the needs of a specific region. The Commission should ensure that RD programmes are based on a sound analysis of the environmental, social and economic needs, and that MS appropriately tailor RD programmes to these.

- Simplification.

The proposed single fund for RD has potential for simplifying administration by bringing together the EAGGF guarantee and guidance section.

- Control.

MS should be made more accountable. They should be required to indicate clearly in their RD plans how they plan to achieve a limited number of strategic objectives based on proper analysis of the needs of different regions, subject to approval by the Commission.

More specifically, for the coming Mid Term Review of the Rural Development Regulation, the EEB recommends the following:

- earmarking at least 50 % for nature and environmentally friendly land use, making the application of article 16 mandatory in RD programmes. This is necessary since some MS have proven to give insufficient priority to environmental issues
- the level of Good Farming Practice (GFP) should be set as the single baseline condition for all agricultural and RD payments and should go beyond statutory requirements. The Commission should define a strong EU framework for the definition of GFP.
- agri-environmental measures are important and can be more effective:
  - payments ideally based on public benefit instead of income foregone
  - option to participate in certain schemes for more than five years
  - groups of farmers and civilians cooperating should be eligible for payments
  - the Commission should develop a set of meaningful indicators to monitor the environmental performance of agri-environmental schemes
  - a pyramid approach to better target agri-environmental schemes, offering increased funding for measures with more active management
  - obligation for MS to include biodiversity schemes.
- Harmonised support for organic farming:
  - requirement for both support for conversion to and maintenance of organic farming to be provided in the RD programmes.
- Less Favoured Areas (LFAs) need environmental criteria:

- the LFA approach should be maintained but more effectively targeted at high nature value areas
- review designation criteria of LFAs and change title 'LFAs' to 'Environmental Areas at Risk' (EAR)
- Environmental Impact Assessment (EIA) for investments in agricultural holdings:
  - an EIA should be required in order to avoid investments in environmentally damaging enterprises
  - investments should stimulate environmental friendly production processes like renewable energy (as long as environmental friendly forms are used).
- Conditions for supporting afforestation:
  - the EEB is not in favour of supporting afforestation, except in case of conservation purposes and investment in sustainable forest management
  - an EIA should be mandatory prior to afforestation and the extent of afforestation should be limited to a certain percentage
  - support both for private and public forest owners.
- New MS:
  - continue measures such as LEADER+, farm advisory and extension services, compliance with Community standards and producer groups after 2006
  - strengthen administrative capacity
  - farm advisory systems to focus on cross-compliance and environmentally sensitive management practices and involve NGOs as partners
  - stimulate producer groups esp. for organic farmers.

## **2. EEB Position Paper**

### 2.1 Introduction

The current review of EU's RD policy provides an opportunity to create a long-term vision for a thriving and sustainable countryside.

It provides an opportunity to move away from a sectorally based and farmer-focused policy with a 'compensation' ethos to one which is more integrated and territorially based. Towards a policy which provides the right incentives and adequate remuneration for improving the environmental situation and enhancing biodiversity by paying farmers and other land managers for the external benefits they provide to society and which the market does not pay for.

The new EU budget for 2007-13 will determine the resources available for RD. The EEB believes that the RD budget must be considerably increased and sustainable RD spending must become the core of the CAP.

This paper describes the EEB's vision for sustainable RD and provides recommendations for necessary changes in RD policy, in particular for the revision of the RD regulation.

### 2.2 Vision

A living countryside is in the interest of society as a whole. Thriving rural areas benefit all Europeans and contribute to cohesion and competitiveness of the EU.

The EEB considers RD to be part of the larger issue of sustainable development. There is an economic, an environmental and a social dimension to sustainability, as well as global solidarity,

and they are all of equal importance. RD is dependent on the whole society building towards sustainability. Sustainable economic development cannot be based on a deserted countryside and will not succeed without sustainable management of natural resources.

Sustainable RD:

- provides high quality food (the term high quality should encompass environmental and animal welfare aspects as well as safety and health issues), raw materials and resources, including renewable energy
- preserves and develops the rural landscapes with their high nature and culture values
- improves the environmental situation
- protects habitats and biodiversity
- allows diverse rural communities to thrive, where quality oriented agriculture has a key role
- diversifies rural economies (eg tourism, recreation, etc.)
- reinforces local identities, respecting cultural diversity
- creates good living conditions for the rural communities.

The rural areas consist in reality of a number of different types of areas: forests, agricultural land, smaller communities and its infrastructure, etc. All these biotopes are interlinked and interact with one another. Sustainable RD takes this into account and recognises the equal importance of all areas. It promotes the production of high quality food and raw materials, and the potential to give them added value, through on site processing. It preserves and develops rich, diverse rural landscapes with all its different biotopes for wild and domestic plants and animals.

The agricultural landscape is an essential part of the rural areas. With its pattern of arable land, pastures and landscape elements such as hedges, ditches, ponds, etc, it holds great values for man and nature. Farming has created much of what society values in Europe's rural areas. The agricultural landscape is of major importance for biodiversity, cultural heritage, recreation and tourism. Sustainable RD must favour agricultural production systems, which facilitate the preservation and development of these assets all over Europe. Active farmers are necessary to achieve the goals of sustainable development.

However, at present, the environmental situation is deteriorating in many rural areas. Sustainable RD must contribute to achieving EU environmental policy priorities such as the management of the Natura 2000 network of protected areas, which will be key to achieve EU's target of halting the loss of biodiversity by 2010. Other important objectives include soil protection and the target of the Water Framework Directive to achieve good ecological and chemical status of European waters by 2015. RD should also contribute to the EU's climate change commitments under the Kyoto Protocol by increasing the use of renewable energy. Article 6 of the EC Treaty states that environmental considerations have to be integrated in the EU's sectoral policies. The objectives of the Sustainable Development Strategy must be placed at the heart of the EU's RD policy as required by Article 2 of the Treaty and as stressed in the conclusions of the Gothenburg European Council in 2001.

Sustainable RD must respect the specific needs of the greatly diverse rural areas across Europe and allow rural communities to thrive and blossom. In an era of globalisation, the survival of the diversity of local cultures may play a key role for the quality of our society. Local business, which utilises local resources, is the backbone of thriving communities. Among the local businesses, the agricultural sector is of special importance, as it focuses on quality aspects and strengthens other parts of the rural economy (processing, direct marketing, tourism etc).

Good living conditions for the inhabitants of the rural areas are a key factor for sustainability. The same possibilities as in the urban parts to fulfil basic needs such as health care, education, etc must be given to the rural areas. Living in a rural area has unique qualities, eg closeness to nature. Sustainable development recognises these assets and improves them. The presence of locally active people is often a key factor for achieving many of the environmental goals while other RD goals may be threatened by strong pressure from the urban areas.

### **3. Context for a better rural development**

Sustainable rural development cannot be achieved by RD policy alone and, better integration with other European and national policies which have an effect on rural areas is needed. The Structural and Cohesion Funds and the first pillar of the Common Agricultural Policy (CAP) in particular have a major impact on rural areas.

#### 3.1 Internalising external costs remains key objective

The effects of environmental damage, animal suffering or social injustice are not taken into account in the pricing of products and services. In the short term a product can be produced more cheaply by abusing the environment. These non-covered or external costs are covered by society as a whole via the costs of eg water purification, loss of health and loss of biodiversity. Any move to a more liberalised trade should be accompanied by internalisation.

The EEB thinks that the EU should move forward more rapidly and actively on internalising the external costs of agriculture. Steps forward are a harmonised levy on pesticides and on nitrogen. The Treaty still requires unanimity in the Council of Ministers concerning tax harmonisation. The EEB has repeatedly argued for changing the Treaty in this respect.

#### 3.2 More emphasis on implementation of legislation still required

The EEB would like to see stricter laws on animal fodder, animal welfare and environment as well as stricter and faster implementation of them at national level. The EEB encourages the Commission to pursue legal procedures pushing the Member States to fully implement the directives. The latter is of utmost importance since many pieces of EU legislation are not sufficiently implemented (for example the Habitat Directive).

#### 3.3 Paying for public benefits with the CAP

The current trend in agriculture will unfortunately continue: some farmers will focus entirely on intensive production, others focus on other functions in addition to agricultural production, such as environmental services, tourism, local services, handicrafts, etc. The EEB is not in favour of such a segregated development of farming but rather aims at farming systems integrating production and other benefits such as environmental ones. The EEB believes that in principle the first group should not be entitled to public support. Given the special character of agricultural production and markets, the EEB recommends using forms like insurance schemes and income stabilisation funds to avoid extreme income instability. The second group, the multifunctional farms, supply public goods for which there is no reward in the market. Therefore these farmers should receive public payments for the services rendered. This means that price and other support directly related to agricultural production are to be phased out, the remaining funds are to be shifted to RD.

The Mid Term Review 2003 offers possibilities for MS to redirect part of the direct payments to sustainable agriculture by using national options like national envelopes and higher rates of (voluntary) modulation. The EEB recommends MS to make use of these options to complement RD measures. MS should also opt for a regional implementation of the Single Farm Payment (SFP) and redistribution of payments instead of income payments based on historic yields in order not to fossilise the current system which favours the most intensive farmers.

#### 3.4 Nature and environment in new EU Member States require extra attention

Compared to the EU-15, agriculture in most new Member States is more labour-intensive and less mechanised, uses less pesticides and fertilisers (due to economic restructuring and lack of capital in the early 1990s) and supports a greater biodiversity.

The special needs as well as the natural assets (thriving nature, diversity of landscapes) which the new MS have brought to the EU, should be recognised and adequately supported. There are some

specific needs which require special attention, such as capacity building, farm advisory systems, strengthening civil society and the involvement of local actors, etc. Land abandonment on the one hand and intensification on the other hand are major threats in the new MS. Appropriate measures need to be put in place to avoid land abandonment especially where biodiversity depends on the continuation of extensive and more traditional farming.

The new MS will initially only receive 25% of direct payments compared to the EU –15 and will reach the same level in 2013. A special concern is that in the first years of CAP implementation the new MS can, under certain constraints, divert up to 20% of their RD funds to pillar 1. Many of the new MS are likely to make use of this option to 'top up' direct payments with the consequence that these resources will be missing for much needed RD. The consequences of such policy would be detrimental for rural areas in the longer term.

### 3.5 Cohesion Policy must contribute to sustainable development

Growing unemployment and disparities between rich and poor regions are an important challenge for the enlarged EU. Structural and Cohesion Funds, the EU's instrument for cohesion and solidarity with economically less developed regions of the EU, have helped to modernise and transform the economy of many rural areas. Spent wisely cohesion policy can contribute to sustainable development and result in large benefits for the environment. However, there is a danger that Structural and Cohesion Funds are used for outdated models of economic development, disregarding nature and people's needs.

The new regulations for the next programming period of the funds must help to achieve the objectives of the EU's Sustainable Development Strategy. The EEB demands that structural and cohesion funds must fully comply with EU environmental legislation and that the Commission should withhold funds where projects are likely to damage the environment.

### 3.6 Time is ripe for environmental integration on global level and Fair Trade

The WTO has had a great impact on the development of agricultural policies of the MS. In particular it has limited the possibilities to create agricultural policies that support food security and ecological sustainable agricultural systems, because of pressure for decreasing the prices of agricultural products and governmental support for this sector. The EU must phase out export subsidies and encourage others to do the same.

The EEB believes there is an urgent need to assess and review the impact of WTO regulations on sustainability and environment, as well as on other aspects of development and equity in the world. The assessment should lead to necessary reforms of the agreements, before any new issues are introduced on the WTO agenda. Regarding agriculture, in particular, the agriculture agreement in relation to global food security and ecological sustainability, has to be revised, without expecting Third World Countries to pay anything under the form of new unwanted issues placed in the agenda in return for those changes.

The need of food sovereignty, food security and sustainable agricultural production should be the overall aim of all agricultural trade policies. National flexibility in the course of pursuing food sovereignty and food security, rural livelihood and environmental goals is necessary.

## **4. Required changes for rural development policy**

An effective RD policy at EU level will require significant changes and appropriate levels of funding. This chapter explores the main changes that are needed for RD policy to develop its full potential.

### 4.1 More funding

The tightly constrained budget for the second pillar is thwarting its true potential.

The RD budget 2004 amounts to about 10% of the total CAP budget (€4.5 billion), whereas the remaining 90% is still spent on direct payments and market measures. Only a slight increase was decided in the Mid Term Review reform 2003, which will make an extra €1.2 billion available for the RD budget by 2013 through modulation. RD has to be strengthened more substantially if the full potential of the second pillar is to be realised. The EEB believes that a greater parity in funding of the currently unequal pillars is needed and that sustainable RD has to become the core of the CAP in the long run. The CAP budget has to be re-coupled to the provision of 'public benefits'.

#### 4.2 A broader focus

The activities to achieve the RD objectives should be performed by those actors best suited to do so. Therefore, RD funding should be made equally accessible to non-farmers, eg other land managers (like Natura 2000 site managers), NGOs and the broader rural community. While agriculture still plays an important role in rural areas, policy towards rural areas needs to be more broadly based than agriculture.

Also, the full range of measures available under the RDR need to be used more effectively to meet the broad set of objectives of the RDR. Member States should incorporate strong targets and indicators of sustainable RD, much more so than they do currently, balancing economic, social and environmental outcomes.

#### 4.3 More participation

Public participation in the design, implementation and monitoring of policies is vital to achieve a successful sustainable RD package which recognises the needs of local people and the local environment. Local, regional and national authorities must treat rural communities and NGOs as full partners in RD programmes. Consultation should be made mandatory. The EEB would like to see the essential elements and positive experiences made with the LEADER Community initiative mainstreamed in RD policy. These are, for example, an integrated and territorial bottom-up approach, public participation, local partnership (between public, private and voluntary sectors), community-led and innovative projects owned by local actors, multi-stakeholder, promoting sustainable development.

#### 4.4 More diversity and flexibility with more target-oriented control

All MS should be encouraged to use the existing flexibility in the Regulation for local adaptation. A territorial approach should be adopted, i.e. sub-regional actors should have the possibility to manage RD. It must be emphasised, however, that more flexibility means that MS have more responsibility for using the right combination of measures, which meet local needs and target the local environmental, economic and social priorities. The Commission must be able to challenge the set of measures chosen by MS if environmental and social objectives are not adequately addressed.

#### 4.5 Better environmental integration

RD has the potential to make an important contribution to EU environmental policy priorities. The EEB stresses that it is not enough to tackle environmental objectives with 'environmental' RD measures only but that it is imperative that environmental criteria are integrated across all measures. A more integrated approach to planning, including environment planning, is the only way to achieve real sustainable RD. The targets of EU environmental policies must be clear at national and regional level. They must be monitored with meaningful indicators, properly evaluated and sufficiently controlled.

#### 4.6 A more integrated approach

In many cases, the RD plans are a collection of existing measures, rather than a coherent set of actions tailored at the needs of a specific region. The Commission should ensure that RD programmes are based on a sound analysis of the environmental, social and economic needs and that MS appropriately tailor RD programmes to these. Strategic Environmental Assessment for RD programmes and plans should be required.

Furthermore, there is need for better coordination with other policies and plans which are effective in the same region (EU-funded, national and regional). Regarding the relationship between cohesion policy and RD, there needs to be clarity on how the spending (eg for certain investments or training in rural areas) under the different funds can best complement each other and which measure can be best covered by which fund. This should be indicated in the RD Plans.

#### 4.7 Simplification

Simplification is desired by all and is a necessary part of future development of RD programmes. The EEB recognises the potential for simplification offered by the proposal of a Single Fund for Rural Development. But the Fund should be flexible and adaptable enough to meet all the very diverse regional and local needs.

#### 4.8 Control

Flexibility means responsibility, so MS should be made more accountable. They should be required to indicate clearly in their RD plans how they plan to achieve a limited number of strategic objectives based on proper analysis of the needs of different regions. These strategic objectives must include the environmental priorities of the regions.

Often the environmental issues are not adequately assessed in RD plans and only general environmental objectives are set which do not necessarily relate to the identified environmental priorities. Therefore the Commission should control in particular if MS analyse and address environmental issues properly.

### **5. Intermediate step – recommendations for the 2004 review of the Rural Development Regulation**

With the vision, context and required changes in mind this chapter contains recommendations for the 2004 review of the Rural Development Regulation. It will address horizontal issues as well as different RD measures.

#### 5.1 Earmarking at least 50% for nature conservation and environmentally friendly land use

Some Member States have tended to focus more on competitiveness and have given little or no attention to environmental issues. Previous records of new Member States with SAPARD programmes also show this tendency. At the same time these countries still had severe environmental issues that were not sufficiently addressed. Therefore at least 50% of rural development funds should be earmarked for environmentally-friendly land use and nature conservation, including organic farming and funding for the management of Natura 2000 sites, with the application of Article 16 made mandatory as part of national RDPs. Earmarking will be especially important for some new Member States where (given the experiences with SAPARD) environmental issues have little priority.

The Natura 2000 network, however, also requires co-financing from the proposed Financial Instrument for the Environment as well as from the Structural Funds. The new Structural Funds regulations should legally require the funds to contribute to the management of the Natura 2000 Network.

## 5.2 An EU framework for Good Farming Practice

The level of Good Farming Practice (GFP) should be set as the single baseline condition for receiving both direct payments and Pillar 2 support and it should go beyond statutory requirements. The current definition of GFP varies greatly amongst MS and has been defined in a biased way according to agronomic considerations. For GFP to better reflect the concerns of society and to reduce the disparities between MS, the Commission should define a strong EU framework for the definition of GFP, which should reflect all environmental objectives, as well as animal welfare and cultural objectives. MS should then develop detailed criteria adapted to regional conditions (climatic and other), subject to approval by the Commission. Such procedure would also ensure a more homogeneous entry level for CAP payments in the different MS and be less confusing for farmers. Some of the key elements the framework should include are basic requirements in terms of fertiliser and pesticide use, maintenance of landscape elements, rules on crop rotation, soil protection, grassland management, water management and animal husbandry.

## 5.3 Agri-environmental measures are important and can be made more effective

Agri-environmental measures should be payments for the added value beyond Good Farming Practice (GFP). The payments are to be based on the environmental services provided, such as restoring habitats. Since the payments are based on the added value, they should not be based on income foregone, but on the benefit for society. As mentioned in the previous chapter, stakeholders other than farmers should be able to access these funds. This can also be a group of farmers and civilians who cooperate together to achieve a certain target, such as restoring a habitat. Such groupings should be eligible for payments as well.

Another practical issue is the period of funding. The funding is currently guaranteed for 5 years. Options should exist for participating in 'dark green' measures (eg management of temporary wetlands, habitat restoration) qualifying for funding for up to 20 years, to provide financial security to those who sign up for these measures and ensure continuity. This would also enable agri-environmental schemes to 'compete' with afforestation measures (20 years funding), especially where the latter would negatively affect biodiversity.

Proper monitoring will also make the agri-environmental schemes more effective in future. The Commission should develop a set of clear and meaningful indicators, harmonised and targeted to monitor the goals of the environmental performance of agri-environment schemes. The indicators should closely match the environmental aims set out in the RDP proposal.

The effect of agri-environmental measures can be further improved by targeting environmentally sensitive areas. A pyramid approach should be devised to ensure that the measures are targeted at the most sensitive areas. The base of the pyramid would correspond to minimum standards set by GFP. Any measure that goes beyond this baseline would qualify for funding. There would be a simple 'entry' level available to all with more targeted or specific measures as one moves up the pyramid, i.e. maintain>restore>protect and create habitats as the changing objectives. The more ambitious and environmentally valuable these measures are, and the more active the management is, the more funding would become necessary. These measures directed at maintaining habitats are especially important in the new MS and accession countries because of the high nature value of many habitats managed by farmers using traditional methods. This way more support would be granted to those areas where more intervention is needed or which are more fragile and therefore require very sensitive management to yield positive environmental outcomes.

## 5.4 Agri-environmental measures must target biodiversity

Agri-environment measures should contribute to the implementation of EU policies and strategies. However, provisions, which would commit more schemes specifically to biodiversity, are needed in many countries because the schemes implemented so far have focused more on soil and water protection, decrease of pesticide use and similar issues. This is necessary in order to meet the EU's objective to halt the loss of biodiversity by 2010.

### 5.5 Harmonised support for stimulating organic agriculture

Organic agriculture has become an important tool for sustainable agriculture and should be supported in the RD programmes. Organic farming includes several different environmental and social benefits and could be considered as an integrated approach to develop agriculture and rural areas. The existing political support system, where no external costs are internalised, motivates production-oriented support to organic farming until the 'polluter pays' principle is implemented.

Support for organic agriculture differs widely among MS and needs to be harmonised by specifying minimum and maximum support levels. There should be a requirement for both support for conversion to and maintenance of organic farming to be provided in the RD programmes.

Further it is very important to ensure the link between Rural Development Regulation and the Commission's Action Plan for Organic Farming.

A certain amount of support should be reserved for organic farming under all measures to ensure a balanced support eg with respect to investments, processing and marketing aids or farming advice/training. The agri-environmental measures are the most important instrument both for making up for the disadvantage of organic agriculture through the first pillar of the CAP (if SFP is based on historic yields) and to take into account the lower yields and higher labour costs of organic farming.

The conversion to organic farming and its implementation need a high level of special knowledge. Therefore it is important to support farming advisory for conversion period and afterwards. Special attention should be given to the new MS where agriculture is in general less intensive and where training and advisory services can foster organic farming very effectively.

Also special support for the creation of a market for organic products and information campaigns for consumers about the value of organic products are very much needed in those countries.

The support for organic farmers within agri-environmental schemes must not exclude them from possibility of participation in other agri-environmental measures (such as those aimed at increasing biodiversity).

### 5.6 Less Favoured Areas need environmental criteria

Integration of environmental issues can be significantly improved by adding environmental criteria to the LFA payments. The LFA payments focus on production disparities and aim to provide income support. With de-coupling taking place this should no longer be the focus: the existing designation should be reviewed and even the title of the scheme should be reconsidered (e.g. Environmental Areas at Risk). Funds should not be allocated on the basis of remoteness alone. These payments should be allocated to those areas where it is necessary to keep agriculture to safeguard biodiversity and/or landscape features. These purposes should be the main defining criteria and they should be adapted to regional environmental and social values (eg fresh water ecosystems, extensive livestock systems, landscapes with recreational or cultural value).

The LFA approach should therefore be maintained but more effectively targeted at high nature value areas where the need to meet broad environmental objectives is more appropriate (i.e. adopting the characteristics of a simplified agri-environmental scheme). Unlike most agri-environmental schemes, which target specific outcomes and which are dependent on voluntary uptake by farmers, LFA designation should include targeting particular types of habitat or landscape at risk and a farmer will find himself automatically in an LFA (as with the 'Nitrate Sensitive Areas'). Receipt of LFAs payments should be dependent on farmers not only adhering to GFP requirements, but also to additional 'light green' conditions that reflect the environmental (and social) needs of a particular LFA (low input or preservation of traditional high nature value farming systems). There should also be a clear understanding of where LFAs overlap Natura 2000 sites, providing clear indication of where Article 16 should apply.

### 5.7 EIA for investments in agricultural holdings

Investments in agricultural holdings have to fulfil sustainability and animal welfare criteria. Along with a plan demonstrating the economic viability of a scheme, an Environmental Impact Assessment should be required in order to avoid investments in environmentally damaging enterprises (eg large scale unsustainable irrigation systems). Investments should stimulate new environmentally friendly technologies and processes, eg the production of renewable energy (only if environmentally friendly methods are used) and biogas installations could be supported. This would also diversify farm activities and create jobs in rural areas based on sustainable development principles.

#### 5.8 Conditions for supporting afforestation

The EEB is not in favour of supporting afforestation, except in the following cases:

- conservation purposes: eg erosion or landslide prevention, water management, creation of ecological corridors, restoration of habitats
- investment in sustainable forest management: training, selective cutting vs. clearance, labour intensive management, reducing the use of heavy machinery, support for non-timber forest products

Funding should be granted only if certain conditions are met: Environmental Impact Assessment should be mandatory prior to afforestation and the extent of afforestation should be limited to a certain percentage; catchment areas under the Water Framework Directive could be used as reference area. Plantations, GMOs and alien species should always be excluded from financial support within the afforestation scheme.

Support should be available to both private and public forest owners. Fire prevention funding should come under a single regulation, i.e. EAGGF, rather than in both the Forest Focus Regulation and the EAGGF, as it is currently the case.

#### 5.9 Special concerns of new Member States

There have been specific measures defined in Accession Treaties for the new Member States for the 2004-2006 period. As proper implementation will hardly be achieved by 2006, some of those measures should continue to be available from 2007 onwards: LEADER+ (because of limited experience in public co-operation at the local level), farm advisory and extension services, compliance with Community standards and producer groups. This is due to limited financial resources for this 3-year time period and/or a lack of administrative capacity. Efforts should be made to strengthen the latter by 2006, so that the new MS have access to the whole suite of EU funds.

The introduction of new, more environmentally oriented farm advisory systems, will be of major importance for achieving much needed training and capacity building. NGOs should be involved in these services as partners. The emphasis should be on cross-compliance and environmentally sensitive management practices, agri-environmental schemes, access EU funds as well as on organisational management. Training should be given high priority as a part of RD and the possibility of making it a condition to apply for funding should be considered.

Educational measures to increase awareness and technical knowledge on environmental matters are not only vital for farmers but also for other rural dwellers, eg actors who will implement agri-environmental schemes.

Compliance with Community standards (merged with CAP reform meeting standards) will need urgent attention. Some countries will need a longer timeframe (beyond 2006) to comply with veterinary and sanitary standards, which enables producers to be eligible for any direct payment support. Further, it should be made clearer that compliance with regulations on organic farming (2092/91) should also be eligible for the 'compliance with Community standards' funding, because agri-environmental payments cannot compensate for high investment costs related to complying with organic animal husbandry regulation.

The establishment of producer groups for organic farmers has to be stimulated as they will need stronger support and more time to strengthen their position. This is especially important to 'nurture' the new generation of organic farmers, expected to 'grow out of' the agri-environmental schemes.