Agriculture for sustainable development: A dialogue on societal demand, pressures and options for policy

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Background Note 3

Implementation of policies for sustainable development in the context of CAP

New challenges for research

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SUMMARY

This background note concentrates on the crucial role of implementation in a policy process. It offers a brief review to recent implementation research and identifies future research needs in the field of sustainable development and the implementation of the Common Agricultural Policy (CAP). The focus is on the policy measures of the second pillar of the CAP, because their role as the advocates of sustainable development is expected to grow in the future.

Current policy implementation research and related discussion are focused on an ongoing change in policy-making and implementation. There is a shift from hierarchical and centrally steered government to more networked governance that supersedes traditional administrative borders and includes different actors from outside the public sector. There is clearly a need for enhanced multi-level governance, which aims to a closer connection and interaction between the EU, national, regional and local levels of administration. The adaptation of the ideas behind multi-level governance would advance the successful implementation of policies for sustainable development.

The CAP can be seen as a measure which has a long tradition in the maintenance of economic sustainability of agriculture in Europe. However, the evolution of the CAP since the MacSharry reform in 1992 has gradually augmented the contribution of the CAP to the ecological and social dimensions of sustainability. The first pillar of the CAP is currently under both modulation and decoupling. Modulation, i.e. reduction of direct payments, has brought a transfer of funds from the first pillar to the second pillar. At the same time decoupling has removed the link between direct payments and production, causing changes in farmers’ incentives and economic production environment. The new core of the first pillar is decoupled single farm payment (SFP), which is conditional on cross-compliance with certain environmental, public health and animal welfare standards. Therefore, it can be argued that in the future the first pillar will contribute less to economic sustainability (due to modulation) and more to ecological sustainability (due to cross-compliance).

As a result of modulation the economic significance of the second pillar will increase. The introduction of cross-compliance in connection with the SFP may, in turn, reduce the demand for environmental goods and services provided by the second pillar measures of which the most important are compensatory allowances for less favoured areas (LFA) and agri-environmental measures. Therefore, it can be argued that in the future the second pillar will contribute more to economic sustainability (due to modulation) and less to ecological sustainability (due to cross-compliance).

Regarding the social dimension of sustainability, the CAP is predominantly aimed to serve interests of farmers and not other rural people. If the key element of social sustainability is considered to be rural viability, the CAP guarantees a minimum income level for farmers, which to some extent directly contributes to rural viability. However, in the second pillar, the future tendency will be to broaden the view of rural development and subsequently allocate more funds to non-agricultural purposes. In this respect, one of the key instruments is the LEADER Community Initiative, which concentrates on the promotion local rural development through the activities of the local action groups.
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1 Purpose of this background note

The purpose of this background note is to illuminate the important role of implementation in a policy process, to offer an abridged review to recent implementation research and to identify future research needs in the field of sustainable development and the implementation of the EU’s Common Agricultural Policy (CAP). This background note aims to give a reader a condensed overall picture of the phenomenon which will assist in focusing on the most urgent research needs connected to the phase of implementation in policy-making. The paper gives a brief overview on implementation studies on the CAP, focussing in particular to the second pillar instruments, which are expected to contribute most to sustainable development in agriculture.

2 Sustainable development and the CAP

Sustainable development is often defined as “development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. This entails preserving the overall balance and value of the natural capital stock and taking a long-term view of the real socio-economic costs and benefits of consumption and conservation. At the first level, sustainable agriculture involves managing natural resources in a way which ensures that they are available in the future. This narrow definition of sustainability reflects the economic interests of farmers. A broader definition takes into account the use of land and natural resources as part of protection the environment and cultural heritage. Sustainability reflects also to social function of agriculture that is the maintenance for the viability of rural communities and balanced pattern of development. Sustainability therefore reflects to productive, environmental and social functions.

The implementation of sustainable development has been relatively little studied when compared to the large discussion dealing with the concept. Especially six themes link the normative dimension and the policy or implementation dimension of sustainable development: (1) the integration of economy and environment, (2) the development of modalities for environmental planning, measurement and monitoring, (3) the expansion of societal participation and stakeholder involvement in environmental and developmental decision-making through partnerships, (4) the internationalisation of environmental governance, (5) support for environment and development in the South and (6) sustainable production and consumption. (Lafferty & Meadowcroft, 2000b.)

Sustainable development is one of the objectives of the EU that has a constitutional status. The European Union strategy for sustainable development was agreed in 2001 (Commission of the European Communities, 2001; the global perspective added in European Commission, 2002), and updated after the mid-term review in 2005 (Commission of the European Communities, 2005b). The EU has special complexities in the implementation of sustainable development, like the historical commitment of the Union to economic growth or the different levels of socio-economic development and commitment to environmental protection in different member states (especially after the Eastern enlargement). The institutional and policy-making structures of the EU are highly problematic. The bargaining and shifting alliances between the union and the member states, differences between the EU institutions and the strong role of interest groups all lead to an unpredictable policy. The responsibility for the various stages of policy process is fragmented, as the union plays an important role in decision-making and the member states in the implementation. (Baker, 2000.)
The CAP has a long tradition in the maintenance of economic sustainability of agriculture in Europe. However, since the MacSharry reform of 1992 the continuous evolution of the CAP has gradually increased the contribution of the CAP also to ecological and social dimensions of sustainability. In 1999 the Rural Development Regulation (No 1257/1999) was agreed as a part of the Agenda 2000 package of reforms to the CAP. At the time it was devised RDR was widely hailed as the new ‘second pillar’ to the CAP. There were expectations for a reform of the CAP into a policy for sustainable rural development, in which the second pillar would play a key role.

The Commission’s rationale for the policy was to introduce a sustainable and integrated rural development policy governed by a single legal instrument to ensure better coherence between rural development and the prices and market policy of the CAP and to promote all aspects of rural development (EC, 2001).

The RDR established the framework for Community support for sustainable rural development. It includes two types of measures. Accompanying measures (e.g. compensatory allowances for less-favoured areas, agri-environmental measures and afforestation) include area-based payment made on an annual basis while non-accompanying measures offer of mix of capital and annual payments to specific development projects or activities (e.g. investments, support for young farmers, training and marketing). The RDR relies on an integrated approach of rural economy which is consistent with the multifunctional features of agriculture. It aims at improving competitiveness of rural areas, reinforcing agricultural and forestry sector as well as and maintaining environment and preserving rural heritage.

The mid term review of the CAP built into the Agenda 2000 agreement, brought additional important decisions in 2003 on the reform of the first pillar (i.e. market support and direct payments) by introducing modulation (i.e. reduction of direct payments) and decoupling (i.e. removal of the link between direct payments and production). The new core of the first pillar is so-called single farm payment (SFP). With the reformed CAP the first pillar concentrates on providing a basic income support to farmers, who are further free to produce in response to market demand. Under the reformed CAP, instead of having to produce particular products to obtain subsidy, farmers are able to choose what to produce. The Council of Ministers of the European Union recognised that farmers in receipt of subsidy have important responsibilities towards the protection of the environment, animal health and welfare and public health. The CAP Reform Agreement (No 1782/2003) therefore requires farmers in return for SFP to observe certain conditions which is known as cross-compliance. The conditions of cross-compliance include that a farmer receiving direct payments is required to respect a number of European laws (known as the Statutory Management Requirements) as well as maintaining the land in good agricultural and environmental condition (GAEC).

The first pillar of the CAP is currently under both modulation and decoupling. Modulation has brought a transfer of funds from the first pillar to the second pillar and decoupling has changed farmers’ incentives and economic production environment. Since the idea of decoupling is to make the amount of direct payments received by a farmer independent of cultivated crops, it is likely that in certain conditions the overall intensity of farming will diminish, when there is less economic incentive to produce high-yield crops. Therefore, it can be argued, at least in relative terms, that in the future due to modulation the first pillar will contribute less to economic sustainability and due to cross-compliance and decoupling more to ecological sustainability.
The second pillar of the CAP will increase its economic significance as a result of modulation. However, the introduction of cross-compliance in connection with SFP may reduce the demand for environmental goods and services provided by the second pillar measures. Therefore, it can be argued, at least in relative terms, that in the future due to modulation the second pillar will contribute more to economic sustainability and due to cross-compliance and decoupling less to ecological sustainability.

With regard to the social dimension of sustainability, the CAP is predominantly aimed to serve interests of farmers and not other rural people. Thus, if the key element of social sustainability in this context is considered to be rural viability, the CAP takes care of social sustainability by guaranteeing a minimum income level for farmers, which more or less directly contributes to rural viability. However, inside the second pillar, the future tendency will be to broaden the view to rural development and, subsequently, allocate more money to non-agricultural purposes.

The European Commission’s Institute for Environment and Sustainability (IES) is providing information about the CAP and sustainable development. It has the integration of environment concerns into agriculture as one of its research actions. In the presentation of the research action, the horizontal integration of sectoral policies, such as environmental, agricultural or those relating to rural development, is perceived as one of the most important future challenges towards sustainable agriculture and sustainable development.

The special issue of *Boletín de la Asociación de Geógrafos Españoles* (41)2006 (in Spanish) dealing with public policies, sustainability and rural geography includes some meta-studies on the subject. According to the issue, existing research of public policies has centred on rural development, especially to the results of the Leader initiative (or its national counterparts). However, the special issue shows that public policies and rural development are also linked to other perspectives that have a wider vision of sustainability (research themes include changes in agricultural policy, the links between space and rural development, the environmental dimension of rural and agricultural policies and the new functions and multifunctionality – all primarily from a territorial point of view). One of the conclusions is that the concept of sustainable development is very multidimensional and differently understood inside rural geography. (Esparcia & Paniagua, 2006.)

The concept of multifunctionality is linked to sustainable development in the context of the CAP. The first broadly acknowledged occurrence of agricultural multifunctionality in the Agenda 21 Plan of Action at the Rio Earth Summit in 1992 was largely inspired by sustainability concerns. The OECD has been developing the concept from quite similar points of view as the EU in the Agenda 2000 document and in the 1998 Explanatory Memorandum. The OECD publication *Multifunctionality: A Framework for Policy Analysis* (1998) underlined the policy relevance of the concept and explored the relationship between agriculture and non-food functions, with two guiding principles: agricultural activity is at the heart of multifunctionality, but there is no need to distinguish food as the major product and the non-food effects as by-products. Later, the OECD has published e.g. the report *Multifunctionality: Towards an Analytical Framework* (2001) and more detailed studies about subjects such as decoupling or environmental indicators. (Cardwell 2004.)

One meta-study in the field of multifunctionality is a project called Multagri (*Multifunctionality of agriculture and rural areas: Essential component for sustainable development?*). It is a Specific Support Action undertaken within the 6th Framework Research Programme of the European Commission. In the project, existing research was analysed from the point of view of what is going
on, which main institutions and networks are involved and what are the different disciplines and scientific approaches that are generating knowledge and conceptual backgrounds in this area. For more information see [http://www.multagri.net/](http://www.multagri.net/).

There are some meta-studies on the CAP and the environment and/or sustainable development. Michael Winter (2000) argues that there is historical variation in the studies. Prior to the 1980s, agriculture’s environmental problems were likely to be seen caused by something else than policy (technological development, “greedy” farmers). In the early 1980s, a new approach put policy as the major factor influencing the direction of agriculture. There were several books attacking the CAP not only for its market distortions as hitherto, but for its impacts on the countryside (Winter lists the works of Pye-Smith and Rose, 1984, Lowe et al., 1986 and Harvey, 1997). Recently, the critics of the CAP have assumed that the policy has an extensive and deep impact. (Winter, 2000.)

In addressing to the state of the research coverage about the CAP and the environment, Floor Brouwer and Philip Lowe (2000) came to the following conclusions:

1. There is a northern bias in the research coverage, reflecting the strength of northern European concerns. This is visible in the geographic coverage of the studies, the sectors and systems studied and the problems and issues addressed.
2. There is a strong interest in agri-environmental measures compared to the effects of other elements of the CAP. However, the beneficial effects of the Agri-environmental Regulation may be swamped by the environmental impact of the rest of the CAP.
3. Little if any work is being done on the environmental effects of certain commodity regimes (e.g. tobacco and sugar), the other accompanying measures (the early retirement and afforestation schemes), the horizontal socio-structural measures (e.g. LFAs), regional and rural policy and other measures (incentives for alternative crops, quality and label policy, biomass production, farm diversification).
4. There are biases in the style of research with a tendency towards single country studies, specific policy measures and single disciplinary studies. This leads to a lack of comprehensive studies (except in the case of agri-environmental policy), integrated studies and linkages between agricultural economic analysis and farming system/agro-ecology studies.

### 3 Approaches to policy implementation

Policy implementation in general is a field that is relatively much studied from the point of view of policy analysis and implementation studies since the seminal work of Pressman and Wildavsky (1973). An important finding of early studies was that the outcomes of the policy after the implementation process could differ drastically from the policy originally intended. Different kinds of policies could also face different problems.

The school of thought which analysed implementation and its failure mainly from the “managerial” point of view of the central government has been labelled as a top-down approach (e.g. Pressman & Wildavsky, 1973; Bardach, 1977). The top-down model has been greatly criticized for not taking into account the role of other actors and levels in the implementation process. Critics have emphasised for instance the complexity of interactions and negotiations in the implementation process, the multitude of actors and sometimes even conflicting political initiatives, the political – not only administrative – nature of policies, the problems when researchers adopt a view about how policies should be implemented, or the difficulties to define a clear-cut policy or to analyse implementation separately from decision-making. In the late 1970s, a different approach emerged in response to the perceived weaknesses of the top-down model (e.g. Ingram, 1978; Hanf, 1982).
Instead of starting from policy decision, the bottom-up approach starts with an analysis of actors who interact at the local level on a particular problem or issue. In the process the policy stages of formulation, implementation and reformulation disappear. Research focuses on the strategies pursued by various actors in pursuit of their objectives. (See overviews of implementation theory in e.g. Sabatier, 1986 or Ham & Hill, 1993.)

If implementation studies raised great interests especially in the 1970s and 1980s, current discussion is focused on an ongoing change in policy-making and implementation. Researchers in political and administrative studies speak about a shift from more hierarchical and centrally steered “government” to more networked “governance” that overrides vertical and horizontal administrative borders and encompasses different actors also outside the public sector (i.e. representing the market and the civil society) (e.g. Kooiman, 1993). The reasoning behind the new governance is linked, on the one hand, to the effectiveness of politics and service delivery, and on the other hand, to participation and the involvement of relevant stakeholders. The EU system, especially the Structural Funds, are characterised by the concept of “multi-level governance” (Marks et al., 1996), a close interaction between the EU, national, regional and local levels.

Parallel discussions with the one dealing with the new governance concern regulation or the choice of policy instruments. The traditional regulation of the central government has been partly dismantled, but this has not lead to deregulation but to a new kind of re-regulation (e.g. Majone, 1996). At the national and the EU level, at least in some areas, there is a shift from “command-and-control” regulation to “new” policy instruments, which are based on a bigger role of the market and the civil society, information, persuasion and incentives (Jordan et al., 2005; Howlett & Ramesh, 1993). In the European Union, new policy instruments include codes of conduct, eco-labels, scoreboards, benchmarking, best practice, high-level forums, voluntary agreements, co-regulation and so on (Zito et al., 2003). The new policy instruments are common in environmental policy, but they are used in a wide range of policy areas (ibid.) – also in the context of the open method of coordination (OMC), presented in the Lisbon summit in 2000, where the binding regulation of the union is replaced by benchmarking, codes of conduct, indicators, evaluation and measures at the national and regional level.

4 Implementation of the CAP

The Commission and the member states play a central role in the implementation of the CAP. The Commission issues the necessary technical and managerial regulations and directives by means of the Management Committee procedure. The member states incorporate, if necessary, the European decisions in national law, inform the agro-industry and undertake the actual administration. (Meester, 2000). However, there is no truly uniform agricultural policy within the EU, as there are national agricultural and rural policies remaining and the CAP is also implemented in various ways in different member states (Greer 2005).

Over the past years the Commission and the Member States have sought to improve the implementation and control of EU programmes. This has been undertaken in the context of the SEM 2000 initiative and has been an integral part of the reforms proposals presented in the context of Agenda 2000. Reinforced control, monitoring and evaluation will accompany greater subsidiarity and decentralisation of responsibilities. Such improvements also reflect a need to improve the accountability of EU policies to the budgetary authority and to EU citizens and their representatives.
The Agenda 2000 reform of the CAP clarifies the roles of the Commission, the Member States and other bodies in the implementation of Agricultural and Rural Development policies. A greater role is given to Member States to tailor policies to the needs of their agriculture and rural areas principally through Regulation EC No 1259/99 on the establishment of common rules for direct support schemes under the CAP and Regulation 1257/99 on support for rural development. These two regulations provide for reinforced monitoring and reporting requirements.

Although implementation studies constitute a broad field inside policy analysis, there are relatively little studies sketching an overall picture of the implementation of the CAP. (Text)books and overviews about the CAP deal with implementation mainly by introducing different policy instruments in the field of market and price policies, often separately with each product (e.g. Oskam, 2000), and sometimes also structural and social policy measures (Fennell, 1987). Much of the research is economic, or when analysing policies, from the public choice school of thought (see e.g. Ritson & Harvey, 1997). When introducing the decision-making mechanisms of the CAP, the implementation phase is very shortly covered (Meester, 2000; Grant, 1997). The overviews do not use the concept of sustainable development, but the environmental or budgetary (economic sustainability) problems of the CAP are often dealt in the context of reforms pressures or realised reforms.

Rosemary Fennell (1997) argues that CAP research is mainly done by (agricultural) economists and lawyers. It is true that in scientific journals, agricultural economics is well represented in articles dealing with the CAP. Other fields include for instance rural sociology, rural geography, ecology and, to a lesser degree, political science. Many journal articles treat at least in an implicit way the implementation of CAP. A common type of analysis is case study dealing with one member state and often a certain commodity regime. There is also a large discussion about policy instruments on a more general level, especially price support versus direct aids, the benefits of different instruments etc., and the studies often include econometric modelling. The farm level is also analysed relatively much. There are few overviews about the implementation of the CAP, especially from the point of view of sustainable development. The implementation of sustainable development is mainly linked to multifunctionality and to agri-environmental measures (which are presented later in this paper), but also to organic farming and to the decoupling of subsidies.

In the context of the research conducted by the EU, there are e.g. the following ongoing EU projects linked to the implementation of the CAP and sustainable development:
- CROSS-COMPLIANCE (Facilitating the CAP reform: compliance and competitiveness of European agriculture) http://www.lei.wur.nl/UK
- LUMOCAP (Dynamic land use change modelling for CAP impact assessment on the rural landscape) http://www.riks.nl
- GENEDEC (A quantitative and qualitative assessment of the socio-economic and environmental impacts of decoupling of direct payments on agricultural production, markets and land use in the EU) http://www.grignon.inra.fr/economie-publique/genedec/eng/home.htm
- The ESPON project 2.1.3: Territorial impact of CAP and Rural Development policy (http://www.espon.eu/mmp/online/website/content/projects/243/277/index_EN.html)

From the perspective of sustainable development, some of the studies presented in Chapter 2 deal at least implicitly with implementation. More research about the implementation of the CAP and sustainable development is presented in the Chapter 6, which presents some policy examples about the implementation of the CAP from the point of view of sustainable development.
5 New member states implementing the CAP

From the point of view of policy implementation, the Central and Eastern European new member countries offer an interesting and also much evaluated case, as they have (had) to implement the existing *acquis communautaire* as well as measures to adapt to the requirements of the EU membership. In general, the agricultural elements of the *acquis* have been applied in the CEECs since their membership in 2004 (except the full application of direct payments to farmers).

DG AGRI set up in 2000 the *Network of Independent Agricultural Experts in the CEE Counties* in order to obtain expert advice. In 2003 the Network published a report “The future of rural areas in the CEE new Member States”. The report presents the agri-environmental measures in the CEECs, the impact of agriculture and agricultural policy on rural development and the different policy instruments to support agriculture and rural development (CAP-like policies and additional measures). One of the conclusions about the institutional context is that there is a general convergence of policy instruments towards those of the EU, but the adaptation of instruments towards CAP-like measures has been taken on an ad hoc basis and has not been implemented systematically.

Rural Development in an Enlarging Union project was carried out in six Member States and two Candidate Countries in 2001-02. It was undertaken to inform and influence the Mid-Term Review on the RDE, further reform of the CAP and other policies relevant to sustainable development. The research aimed to explore implementation of rural development programmes supported under the EU’s ERD No 1257/1999 and the SAPARD pre-accession instrument. The study examined the extent to which these programmes and promoting integrated and sustainable rural development, the protection and enhancement of biodiversity and the coherence of rural development policies with environmental legislation. The study confirmed the importance of the central goals and aspirations of sustainable development as represented in the II Pillar of the CAP and the value of flexible measures such as the RDR. The study also showed that there have been significant constraints in implementing these measures. The flexible, coherent, integrated and partnership-oriented approach has not widely been achieved in reality.

The special issue of Sociologia Ruralis [45(3), 2005] deals with the Central and Eastern European agriculture and the environment, leaning on the information provided by the CEESA project, Central and Eastern European Sustainable Agriculture (QLK5-CT-1999-01611), funded under the 5th EU framework programme. The objective of the project was to develop concepts and recommendations for a successful transition of the agricultural sectors of Central and Eastern European (CEE) countries towards sustainability (see [http://www.ceesa.de/_ceesa_frame_ob.htm](http://www.ceesa.de/_ceesa_frame_ob.htm)). The articles deal with the need for governance at multiple levels in the implementation of sustainability and its current challenges (Gatzweiler, 2005), the main environmental problems in the CEECs (an overview by Sumelius et al., 2005), the challenges in rebuilding institutions prior to the communist regime (a case study of Bulgaria and water syndicates, Thesfeld & Boevsky, 2005), a comparative study dealing with property and agri-environmental legislation, highlighting the discrepancy between rules in use and legal rights and amenities (Sikor, 2005) and the different strategies in the implementation of the Nitrates Directive, emphasising the interpretation of the directive to suit the country’s own needs and the top-down and technocratic character of the accession process (Gorton et al., 2005).

IDARA project, Strategy for Integrated development of agriculture and rural areas in CEE Countries (QLRT-2000-1526), aimed to identify key problems and discuss strategies for an
integrated development of Agriculture and Rural Areas in the first group of CEEC acceded to the EU (see http://www.agp.uni-bonn.de/agpo/rsrch/idara/idara_e.htm).

EU reports and studies on the CAP and the CEECs have been listed in the “Agriculture of the Europe of 25” web page (see http://ec.europa.eu/comm/agriculture/eu25/index_en.htm).

6 Policy examples

In this chapter selected policy measures are presented as examples of types of existing research. We selected these policy measures from the second pillar of the CAP, because we believe that their role as the advocates of sustainable development will grow in the future. Although, AEM is presented here as a measure for ecological sustainability, LFA as a measure for economic sustainability and the LEADER approach as a measure for social sustainability, it is evident that the different facets of sustainability are in a tight interaction with each other.

6.1 Ecological sustainability: agri-environmental measures

Agri-environmental measures started with the regulation No 2078/92 which become compulsory for the Member States but remained optional for farmers. In 1999 Council Regulation No 1257/1999 confirmed “the essential role played by farmers as paid providers of environmental services that go beyond good farming practices and compliance with environmental legislation”. In the Council Regulation on rural development No 1698/2005, AEM remained compulsory for the Member States, which underlines their importance. More than one third of the Community contribution to rural development (EAGGF - European Agricultural Guidance and Guarantee Fund) has been spent on agri-environmental measures (average 2000-2002). The application of agri-environment contracts concerning 1 farmer in every 7 and delivering environmental services over 20% of European farmland marks a very significant step towards environmental sustainability.

Agri-environmental policy is needed because of a market failure to take account of the environmental consequences of farming. The evidence presented from programmes in evaluation reports is on the whole positive and shows that some environmental benefits accrue from agri-environment programmes. DG AGRI has proposed indicators to be used for evaluations. State of application of regulation (EEC) n° 2078/92: Evaluation of agri-environment programmes (CEC, 1998) show that programmes provide value in terms of environmental benefits for a relatively modest cost to the Community budget. Implementation data shows that application in some regions and Member States needs to be increased. Evaluation of agri-environmental measures (CEC, 2005) report (national reports and an executive summary) includes a representation of the AEM, inventory, typology, analysis of implementation and evaluation. The report noticed that the monitoring system of AEM at a European level doesn’t actually provide elements that are sufficiently precise to evaluate the measures by type and corresponding environmental impact. Impact assessment of rural development programmes in view of post 2006 rural development policy (CEC, 2004) is based on a review of Mid Term Evaluation reports submitted by Member States in order to obtaining early results to inform the policy process of preparing the programming period 2007-23. Final report. Synthesis of Rural Development Mid-Term Evaluations (2005)

A summary report on agri-environmental policy evaluations concluded that only very few evaluations has actually attempted to measure environmental outcomes (OECD, 1998). In practise
evaluations have concentrated on administrative issues such as levels of participation, budgetary considerations and geographical targeting. Kleijn and Sutherland (2003) have reviewed 62 studies that have attempted to assess the impacts of AEM on biodiversity. They observed that in the majority of studies, the research was unable to assess the effectiveness of the schemes. Several indicator based studied have given convincing evidence that agri-environmental policies have influenced the management practices of farmers in ways that would be expected to have positive environmental impacts (Prindahl et. al., 2003; Knickel and Schramek, 1998; Knickel, 2000).

The OECD report *Evaluating Agri-Environmental Policies: Design, Practice and Results* (2005) is based on an OECD workshop on evaluating agri-environmental policies. The aim of the workshop was to contribute to policy evaluations being carried out by OECD and its member countries, and special objectives were to review and analyse the tools and methods used for the evaluation of agri-environmental policy measures in OECD countries, to improve the understanding of linkages between policies, farm practices and environmental outcomes, and to provide insights into the environmental effectiveness and economic efficiency of policies. The workshop examined the motivation and rationale for undertaking evaluations, the factors that need to be considered when designing evaluations and the methodological alternatives, described recent country cases and discussed the implications for the OECD in monitoring and evaluating agri-environmental policies.

From a policy perspective, indicators provide relevant information to policy makers. Thus a significant amount of data related to different agri-environmental indicators has been collected by the Commission services, EUROSTAT, the Joint Research Centre (JRC), European Environment Agency (EEA), OECD and others. There are several reports on developing agri-environmental indicators made as a result of collaboration between different data collecting bodies. For example *Agriculture, Environment, Rural Development: Facts and Figures* (1999) deals with the functional link between agriculture and the environment and seeks to highlight the available statistical information. The ambition of the publication is to make a full and rigorous contribution to the debate and, in this way, open up new avenues for future work. *Towards agri-environmental indicators: Integrating statistical and administrative data with land cover information* (2001) presents work carried out by the teams for integrating statistical and administrative data with land cover information. *Trends of some agri-environmental indicators in the European Union* (2005) report presents the progress of the work carried out by the teams on the development of some agri-environmental indicators and their evolution, based on existing databases such as land cover maps, agricultural surveys and other spatial databases related to agriculture and forestry.

To improve, develop and compile the agri-environment indicators, the IRENA (Indicator Reporting on the integration of Environmental concerns into Agricultural policy) project was launched. The project is a collaborative effort between the DG Agri, DG Environment, EUROSTAT, JRC and EEA which is responsible for the co-ordination. The IRENA project has resulted in reports *Agriculture and environment in EU-15 – the IRENA indicator report* (2005) and *Integration of environment into EU agriculture policy –the IRENA indicator-based assessment report* (2006) providing an comprehensive overview of the interactions between agriculture and the environment in the European Union (EU-15) based on the indicators developed and the DPSIR (Driving forces - Pressures - State - Impact - Responses) framework.

Environmental effects of the implementation of AEM are not systematically monitored at a European level. Some countries have developed monitoring systems for evaluation of environmental effects but in most of the countries the monitoring systems are mainly focused on administrative monitoring and do not provide information about environmental effects. There is a need to develop monitoring and evaluation procedures and tools that are oriented towards impacts
of AEMs. E.g. following ongoing EU 6th Framework Specific Targeted Research Projects aim to develop such tools:

- ITAES (Integrated Tools to design and implement Agro Environmental Schemes) (SSPE-CT-2003-502070) [http://merlin.lusignan.inra.fr/ITAES/website](http://merlin.lusignan.inra.fr/ITAES/website)

- AE-FOOTPRINT (The Agri-Environmental Footprint: Development of a common generic methodology for evaluating the effectiveness of European Agri-environmental Schemes) (SSPE-CT-2005-006491) [http://www.footprint.rdg.ac.uk/](http://www.footprint.rdg.ac.uk/)


Several books have been published which explore adoption, implementation and achievements of the agri-environmental Regulation 2078/92 throughout Europe. These books provide an examination of agri-environmental policy within selected European states. Drawing from several national profiles and the data sets provided in each study, these books offers a comparative analysis of implementation trends and strategies in addition to policy outputs. Studies identify similarities as well as differences across European nations in the territorial and agricultural focus of agri-environmental policy. Emphasis is given to comparative studies, rather than any limited to one country. See for example Whitby et al., 1996; Brouwer et. al., 1998; 2000 and Buller et. al., 2000.

### 6.2 Economic sustainability: Compensatory allowances for less favoured areas (LFA)

The Common Agricultural Policy can be seen as a whole as a measure which aims to the maintenance of economic sustainability of the EU agriculture. When the second pillar is considered, compensatory allowances for LFA represent the most significant single policy measure, which contributes to economic sustainability of agricultural and rural areas. To enable farming to continue in areas where production conditions were more difficult, in so-called less favoured areas, the EEC introduced more than three decades ago a territorial dimension to its interventions. Originally set up in 1975 (Directive EEC/268/1975), the less favoured areas schemes provide compensatory allowances or payments to farmers in mountainous areas or in other areas where characteristics of the physical landscape or other factors of disadvantageous nature result in higher production costs (European Commission 1997).

The main objectives of the LFA payment schemes are to offset the impact of permanent natural handicaps on production costs, to combat large-scale depopulation of farming and rural areas, and to protect and maintain the countryside and the rural environment. Currently, three types of LFA are recognised: (1) mountain and hill areas where altitude and slopes reduce the crop growing season and opportunities for mechanical cultivation, (2) areas affected by specific handicaps, in which farming should be continued in order to conserve or improve the environment, maintain the countryside, preserve the tourist potential of the area or protect the coastline, and (3) other LFA which are in danger of abandonment of land-use and where the conservation of the countryside is necessary because of poor agricultural productivity, low agricultural incomes or a dwindling population (Council Regulation EC/1257/1999).

In 2003, almost a million holdings in EU-15 were supported by LFA payments, covering an area of 31 million hectares. This amounted an average payment of EUR 2 376 per holding or EUR 75 per hectare. While distribution within each Member State varied from country to country, the farms supported were divided quite evenly between mountain areas and other less favoured areas. Only a
small number of farms receiving LFA payments (5%) were in areas affected by specific handicaps. The economic importance of LFA payments is reflected by the fact that in 2003 they summed up to EUR 2 344 million, which constituted 5.3% of the total agricultural expenditure in that year.

During their over thirty-year existence, LFA payment schemes have been critically evaluated a number of times, but despite that their fundamental features have remained approximately the same. For instance, Court of Auditors (2003) have criticised that in many cases the classification of less favoured areas has been based on deficiently substantiated evidence. This may have led to differences in the treatment of beneficiaries. Consequently, various aspects of the support schemes for less favoured areas should be reviewed in order to make them contribute more efficiently to rural development.

The evaluations carried out by Member States themselves are for obvious reasons less critical. Their message is that with the help of LFA payments, a significant proportion of the disadvantages of LFAs have been successfully compensated. A certain positive impact on preventing land abandonment can be shown, as well as clear positive effects on the environmentally friendly and sustainable farming. Nevertheless, some of the benefits are offset by the reduced effectiveness due to ambiguities in eligibility definition criteria, which may have caused both under- and overcompensation (European Communities, 2006).

Considering the above critique and the overall development of the CAP, it is not surprising that demands for the redesign of the LFA payment schemes have become increasingly loud. Already Terluin et al. (1995) concluded that because of the rather heterogeneous socio-economic situation of the less favoured areas, it would be appropriate to substitute general LFA payment schemes by more specific region-oriented approaches.

However, because of national vested interests, the redesign of the LFA payment schemes has not yet succeeded. For the time being, the current practice will continue until 2010. The latest attempt of the Commission to redefine the LFA eligibility criteria in connection to the guideline setting for rural development for the programming period 2007 to 2013 failed because the simulations based on the new proposed criteria indicated considerable changes in payment allocation among Member States. The Commission’s proposition of the new LFA eligibility criteria emphasised more agronomic-based factors at the expense of socio-economic factors, and it appeared that the overall outcome was politically unacceptable for the majority of Member States.

In addition to Member States, various interest groups have differing views on the future development of the LFA payment schemes. According to the environmentalists (European Environmental Bureau, 2004), the current focus of the LFA payments on the compensation of production disparities is not any more relevant in the era of decoupling of agricultural support. Environmental criteria should be added to LFA payments and they should not be allocated on the basis of remoteness alone. Furthermore, LFA 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. 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. Farmers, in turn, are in most cases in favour of possibly light cross-compliance obligations and stress the direct income support nature of the LFA payments.

Of course, it is debatable, how well past and current LFA payments have succeeded in the maintenance of economic sustainability in agricultural and rural areas. Nevertheless, although it is
difficult to prove that the LFA payment schemes have really made the difference in terms of rural viability, their importance as a source of additional income in rural areas is widely recognised (Baltas, 1997).

The future of the compensatory payments for the LFAs and their ability to contribute to sustainable agricultural, environmental and rural development depends on a number of factors. In the first hand, the question is about the funding allocation between the first and second pillars of the CAP. If the current trend of modulation continues, the LFA payments will most likely play an increasingly important role. However, a lot depends also on the funding allocation inside the second pillar. When the wider context of rural development is concerned, the funding allotted to the Axis 2 can be criticised to benefit only farmers and not other rural actors.

6.3 Social sustainability: LEADER Community Initiative

The LEADER Community Initiative has its background in the discussion the late 1980s and the need to try novel approaches in EU rural policies, based on “endogenous” development, new forms of governance and participation and a small-scale public funding. The pilot programme LEADER I ran from 1991 to 1994. The next programming periods saw a significant expansion in the financing and the geographical coverage of LEADER with LEADER II (1995–1999) and LEADER+ (2000–2006), and the LEADER method has gradually become the state-of-the-art approach for EU rural development policy (see Pylkkänen & Hyyryläinen, 2004).

The LEADER approach will be mainstreamed in rural development programmes funded by the EU in the programming period 2007–2013, as it will form the fourth axis of the rural development programming (the first three are improving competitiveness in farming and forestry, environment and land management and improving the quality of life and diversification). The LEADER approach has to comprise at least the following elements:

(a) area-based local development strategies intended for well-identified subregional rural territories;
(b) local public-private partnerships (i.e. local action groups);
(c) bottom-up approach with a decision-making power for local action groups concerning the elaboration and implementation of local development strategies;
(d) multi-sectoral design and implementation of the strategy based on the interaction between actors and projects of different sectors of the local economy;
(e) implementation of innovative approaches;
(f) implementation of cooperation projects (within a Member State and between territories in different Member States) and;
(g) networking of local partnerships.

In the LEADER approach, local action groups (LAGs) play a crucial role. They propose an integrated local development strategy and are responsible for its implementation. The LAGs are based on public–private–third sector partnerships and they have to have a representation of the various locally based socioeconomic sectors in the territory concerned. At the decision-making level, the economic and social partners as well as other representatives of the civil society, such as farmers, rural women, young people and their associations must make up at least 50 percent of the local partnership.

The LEADER initiative has been a subject of “grand” theories, especially from the perspective of rural sociology and geography. Research themes include the theorising of endogenous development, participation, democracy and governance, local/rural identity and visibility, networks and social
capital, modernity and postmodernity (see e.g. Ray, 2000b; Lee et al., 2005) etc. Christopher Ray (2000b) suggests in a special issue of Sociologia Ruralis four analytical frameworks for analysing LEADER: LEADER as a quasi-marketization of rural development, LEADER as the politization or democratization of rural development, LEADER and endogenous development as discourse and the potential for a humanistic or personal form of development in the context of LEADER. There are still relatively little studies about the mainstreaming of the LEADER approach. Earlier studies have analysed LEADER mainly as a “rural development laboratory” or even “anarchic” (Ray, 2000b).

The implementation of LEADER has been characterised as a mixture of flexible elements (like the selection of eligible projects) and inflexible and complex regulations (Geissedorfer & Seibert, 2004). The role of local action groups, which are linked more generally to public participation and governance/ partnerships, and to the local (horizontal) character of the action instead of sectoral (vertical), which leads to different solutions in different places, also give a relatively big room for manoeuvre for implementation. In the implementation, the understanding of the LEADER ideology by public authorities (Cazorla-Montero et al., 2005) and the functioning and the working culture of LAGs (Scott, 2000) have been conceived as important. One of the recent discussions is the power of local “activators” (or “project class”) in the implementation of LEADER-like approaches (Kovách & Kucnerova, 2006). LEADER can also be seen for instance as an institutional capacity builder in the rural community, leading to shift in attitudes in rural areas (Scott, 2004).

In earlier research about LEADER, there are lots of case studies from different EU countries (United Kingdom, Spain, Ireland, France, Germany, Finland etc.), some having already a historical perspective on the implementation of LEADER in a certain area (Cazorla-Montero et al., 2005). The Central and Eastern European countries have been subject to a few researches (e.g. Kovách, 2000). There are little comparative studies, partly because of the local character of LEADER. One international project dealing with partnerships in rural Europe (and thereby also with LEADER) was the PRIDE project, finished in 2001 and funded under the FAIR research programme of the EU (contract FAIR6-CT98-4445). It was based on a broad literature review on the subject, on 24 case studies from the UK, Sweden, Finland, Germany, Spain and Italy and on an extensive survey (Westholm et al., 1999; Esparcia et al., 2000; Cavazzani & Moseley, 2001).

As the LEADER approach is based on a rhetoric and objectives of participation, innovation etc., implementation studies can give answer to the practical fulfilment of these objectives, both in the analysis of the process (like the functioning of the LAGs) and the outcome for the rural area. The implementation of LEADER is based on partnerships, so the discussion about the problematic features of partnerships is also – at least partially – linked to LEADER (such as questions of inclusiveness, representativeness, accountability, transparency, democratic legitimacy, distribution of power/information within the partnership, the participation of the real targets of the policy etc.).

The discussion about the evaluation of LEADER is also important. One argument is that as LEADER has a strong participatory element, its evaluations should not been made from a managerialistic point of view, but a system of participatory evaluation should be elaborated. The strict time span and the emphasis on outcomes rather processes are difficult for LEADER. The physical and financial indicators (such the number of jobs created by the initiative) should be accompanied with evaluation measures suited especially for the LEADER approach. (Ray 2000a, see also AEIDL, 1998; Kearney et al., 1995.) Also for instance the small scale of LEADER has posed problems (Midmore, 1998).

EU documents in the field of LEADER deal for instance with monitoring (the common indicators for monitoring LEADER+ programming 2000–2006), evaluation (guidelines for evaluation and ex
ante evaluation, the programme evaluations of LEADER I and LEADER II, methodology (guidelines for the Community Initiative for rural development LEADER+, LEADER II Methodology: Innovative Action, methods for and success of mainstreaming LEADER innovations and approach into rural development programmes, a report about LEADER+ programming and implementation etc.), cooperation (guidelines, methods and country specific information about transnational cooperation) and best practice (case studies about transnational cooperation). The EU site for LEADER+ site also includes information about LEADER+ programmes in the member states and information about the monitoring, evaluation, methodology, cooperation and best practice provided by national LEADER+ network units. Concrete information is also provided by LEADER+ Magazine and Flash News. (CEC, year missing.)

7 Some remarks for further discussion

The complexity of the relationship between agriculture and the environment – harmful and beneficial processes, diversity of local conditions and production systems – has conditioned the approach to environmental integration in the context of the CAP. The CAP reform “A long-term perspective for sustainable agriculture” requires research and scientific support in implementing policy instruments in order to avoid negative environmental effects while enhancing positive ones. The stronger Rural Development policy aims at targeting agri-environmental measures in relation to territorial strategies. The preparation of the next Rural Development programming period (2007-2013) brings to the forefront the need to assess the impact of these policies.

The need for simplification and better targeting is acknowledged by most stakeholders. At the regional level there is also a claim for an increased application of the subsidiarity principle. However, policy objectives will remain multiple and complex, since the proposed strategic policy goal for the EU’s rural development policy is ‘to accompany and complement CAP market policies in the overall aim of supporting the sustainable development of all rural areas throughout the enlarged EU’ as stated by the EU Commission (Commission of the European Communities, 2004). Three major objectives for rural development policy for the period 2007-2013 are

- Increasing the competitiveness of the agricultural sector through support for restructuring
- Enhancing the environment and countryside through support for land management
- Enhancing the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farm sector and the other rural actors.

There is an implementation deficit which partly results from vague and contradictory objectives. In many respects that is inevitable given the need to reach consensus or at least to get an extended majority. The issues relevant to implementation are often disregarded during the process of negotiation, which often favours the adoption of policies that cannot be monitored, controlled and enforced at least on a reasonable cost.

The Commission’s policy proposal for the coming period should take into account these drawbacks by leaving sufficient flexibility to Member States for elaborating rural development programmes within given agreed priorities and budget (Commission of the European Communities, 2004).
References


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