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ENVIRONMENTAL PROTECTION IN AGRICULTURE WITHIN THE EU STRATEGY FOR SUSTAINABLE DEVELOPMENT – IMPLICATIONS FOR POLAND

1. Introduction

The Commission's Proposal to the Gothenburg European Council – “A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development” was prepared and published in 2001 to complete the Lisbon Strategy. The general goal – *to become the most competitive, knowledge-based economy in the world market* – has been supplemented by the dimension of sustainable development. Due to this, the Lisbon Strategy aims at economic growth and more effective job creation, as well as providing people with a better standard of living in an environmentally and socially sustainable way. In the long-term, growth and social cohesion must go hand in hand with environmental protection. The purposes of this paper are:

- identification of the ecological aspects of the EU Strategy for Sustainable Development which are connected with agriculture;
- describing the implications for Poland in the context of current policy.

2. The Priorities of the EU Strategy for Sustainable Development and Objectives Connected with Agriculture

EU strategy must fully integrate the economic, environmental and social pillars of sustainable development. The guiding principles for this were

confirmed in the Amendments to the Lisbon Strategy made in Thessaloniki in 2003. The general goals of CAP is the sustainable use of natural resources, encouraging healthy, high quality products, environmentally sustainable methods of production, including organic farming, the use of renewable resources and the protection of biodiversity. Agriculture and forestry play a key role in the management of resources in rural areas and have an important impact on the landscape, especially since agriculture is the third largest employer in the EU.

The EU Strategy for Sustainable Development recognizes major threats to sustainable development. Some of them are strictly connected with agriculture: threats to food safety, the loss of biodiversity, soil loss and declining fertility, which are eroding the viability of agricultural land [A Sustainable Europe..., 2002, 13].

Apart from this, the Gothenburg Strategy – A Sustainable Europe for a Better World contains priorities and headline objectives. One of the identified priorities¹ for action is to *address threats to public health*. The headline objective connected with agriculture is:

- food safety and quality has to be made the objective of all players in the food chain. Measures at the EU level will include clear labeling of food.

- The priority of *managing natural resources more responsibly* includes the headline objective:

- protect and restore habitats and natural systems and halt the loss of biodiversity by 2010. Improving agro-environmental programmes is one of the measures taken at EU level in order to provide a transparent system of direct payments for environmental services.

- There are also measures at EU level connected with agriculture covered under the priority of *improving the transport system and land-use management*. These are:

- assess the coherence of the regionalisation of different Community policies, taking account of their objectives (e.g. NATURE 2000, funding less-favoured agricultural areas, areas eligible for structural funds or for state aid);

- diversify the sources of income in rural areas by increasing the proportion of CAP funds directed at rural development.

The strategy proposes increasing the social coherence of the EU by investing in poorer regions. Achieving sustainable development depends on changes in the way policy is made and implemented, both at EU level

¹ Other identified priorities for action are: *limit climate change and increase the use of clean energy, manage natural resources more responsibly, improve the transport system and land-use management.*

and in member states. Macroeconomic and sectoral policies should contribute to sustainable development. The economic, social and environmental impacts of policy proposals should be assessed. In this context, policies aimed at social cohesion need to be implemented by measures aimed at improving the situation in regions with structural problems, such as a decline in the rural economy, as well as improving the situation of the groups in society which are most vulnerable to permanent social exclusion. Small-scale initiatives in rural development aimed at improving local infrastructure could ensure that rural communities obtain major investments under regional and cohesion policies. Structural funds invested in telecommunications, transport, energy, and water infrastructure should be combined with local strategies. This could help supply multiplier effects (*e.g.* creation of new jobs). This might go hand in hand with the diversification and development of potential in the agricultural and food sector. Apart from this, there is a need for investments in Polish farms, which would ensure adjustment to the requirements of the nitrate directive.

The Common Agricultural Policy – CAP – should reward quality rather than quantity by encouraging the organic sector and other environmentally friendly methods of farming and reorientation from supporting the market to rural development. According to the Commission proposal, one of the priorities of CAP is to provide price incentives, which would encourage changes in the behaviour of individuals and businesses. In this light, the situation of farmers using environmentally friendly methods of production is different. Price incentives should be identified in the organic food market – the demand for such products is growing. Market prices do not encourage other farmers to provide services that ease the pressure on the environment, so public money should be spent on such services. Farmers supply both food products, raw materials for food processing, as well as other goods and services demanded by society. The value of production is the sum of the production of material goods and production of non-material social benefits [Adamowicz, 2005, 13]. There is a need to grant farmers subsidies to encourage the ecological functioning of agriculture. Such payments are the key instrument of agro-environmental programmes – the most important measures of CAP Pillar II (rural development). These are payments to individuals, which lead to ecological, external benefits (an improvement in land productivity as a result of crop rotation, landscape conservation and the protection of natural habitats). Despite this, agriculture causes negative external effects, especially with respect to changes in the quality of the environment (water polluted by nitrates, phosphates and pesticides, soil contamination, the breaking down of the integrity of traditional agricultural ecosystems and landscapes and

the gradual extinction of many plant and animal species – the degradation of bio-diversity). These are counteracted by the cross-compliance principle and the duty to respect the *Code of Good Agricultural Practices*. In the case of not respecting these principles, farmers will lose the right to receive some of their direct payments – the most important instrument of CAP, Pillar I, should stimulate positive effects and counteract negative ones, as well as encourage diversification in rural areas and create new possibilities of employment. Jobs could be provided by tourism, crafts and rural amenities. The adoption of precision-farming techniques can improve the economic and environmental performance of farms (especially near NATURE 2000 sites). This is a way of achieving environmental win-win situations.

Agricultural production could be connected with the priority of *limiting climate change and increase the use of clean energy* which respects the targets formulated in the Kyoto Protocol. A reduction in the emissions of greenhouse gases into the atmosphere could be achieved by phasing out subsidies to the production of fossil fuel and supporting the use of renewable sources of energy, including biomass and alternative fuels, such as biofuels. The biofuel consumption of cars and trucks should increase to at least 7% by 2010 and to at least 20% by 2020. This is an opportunity for Polish farmers, but despite UE support it has to be stimulated by state policy – reorientation of policy from supporting the mining sector to supporting agriculture (tax relief for biofuels might be an appropriate instrument). In Poland these are two areas in which major social and economic problems need to be addressed. It seems that there is a need for rational compromise when considering the possibilities of the state budget.

3. The way CAP addresses the implications of the EU Strategy for Sustainable Development

The changes in the functioning of CAP, introduced in 1992 by the “McSharry reform” are connected with the ecologisation of policy. The most important changes were visible in Pillar II – rural development. This consists of measures accompanying CAP, such as agro-environmental and afforestation programmes, as well as Support for Less Favoured Areas (LFA). Agro-environmental programmes are obligatory for member states and optional for farmers. The EU expenditure on these instruments amounted to EUR 2 billion in 2002 or 44% of funds for rural development. The proportion of agricultural land enrolled in such agro-environmental measures increased from 15% in 1998 to 27% in 2001.

The “Greening” of CAP was continued in the Agenda 2000 reform. This integrated environmental requirements into CAP using two regulations:

- a horizontal regulation – Council Regulation 1259/99 – which requires account to be taken of environmental aims in the implementation of direct payments [Pillar I] – *the principle of cross compliance*;
- on rural development – Council Regulation 1257/99 – which consolidates all the accompanying measures.

The concepts of *cross compliance*, direct income support, good farming practices and modulation are central to the new approach [Leguen de Lacroix, 2003, 3]. The principle of *cross compliance* gives the possibility of sanction when farmers do not respect environmental requirements, such as adherence to maximum levels of stock (for sheep or cattle), compliance with specific conditions for the cultivation of sloping land, maximum volume of fertiliser per hectare and specific rules concerning the use of plant protection products. These requirements are necessary to achieve two important goals of environmental policy related to agriculture: reducing water pollution by nitrates and minimising the detrimental environmental impact of pesticides. Sanctions may be in the form of a reduction or even withdrawal of direct payments. Direct income support is aimed at shifting from price control to direct payments unrelated to the volume of production. This should decrease the incentives to intensify the production process. One of the results of the Agenda 2000 reform was the obligation of member states to define a *Code of Good Farming Practices* at regional or national level. This has to set minimum environmental standards which define the conditions for eligibility to support under the environmental and LFA programmes and other measures, such as grants for investments in agricultural holdings, young farmers, as well as improving the processing and marketing of agricultural products. These changes have resulted in a reallocation of Pillar I funds (from 3% to 5% of direct payments) to Pillar II funds (rural development).

The new CAP, after the reform of 2003, continues the process begun in Lisbon – Pillar II instruments have grown in importance. It was established that policy has to stimulate the competitiveness of the agricultural and food processing sectors. This is enabled by wider use of research and development – R&D. The meaning of the CAP changes was highlighted in *the Communication from the Commission to the Council and the European Parliament – Building our Common Future Policy, Challenges and Budgetary Means of the Enlarged Union 2007–2013* [Communication from the Commission, 2004, 3]. It has been stated that the changes will be the framework of the policy until 2013. Apart from competitiveness, the objectives concentrate on solidarity and better integration of environmental

issues (in the context of the priorities of the Lisbon Strategy). From an ecological point of view, the most important measure is the strengthening of Pillar II by making modulation and cross-compliance compulsory. Thanks to the 2003 reform, the funds available for agro-environmental programmes will increase (especially in the context of implementing the NATURE 2000 network), as well as the funds for afforestation programmes and Less Favoured Areas – LFA support.

EU initiated activity is aimed at conserving agricultural biodiversity, which includes all the components of biological diversity that are important to food production and agriculture. Halting the loss of biodiversity is one of the key objectives of the Sixth EU Environmental Action Programme until 2010. It is to be achieved by implementing the *Biodiversity Action Plan for Agriculture* adopted in 2001. The priorities of the Action Plan are: the promotion and support of environmentally-friendly farming practices and systems that benefit biodiversity directly or indirectly; the support of sustainable farming activities in biodiversity-rich areas; the maintenance and enhancement of good ecological infrastructures, and the promotion of action conserving local or threatened breeds of livestock and varieties of plant. All these priorities are supported by research, training and education. Conservation of biodiversity depends greatly on the appropriate, targeted application of measures within the CAP, notably compensatory allowances for less favoured areas and agro-environmental measures. The plan also implements financing measures to promote the conservation, characterisation, collection and utilisation of genetic resources in agriculture.

The Commission will develop guidelines and priorities for rural development at EU level. EU priorities will be translated into national strategies and programmes allowing member states to link them to their national Lisbon strategies [The Common Agricultural Policy..., 2006, 3]. A similar approach will be used in agricultural policy. Member states will prepare national strategies for rural development on the basis of EU policy and then these strategies will be implemented as operational programmes at national or regional level (regional programmes will be realised in regions with similar problems and conditions). In the case of Poland, this results in respecting the guidelines concerning the advantages and disadvantages of rural areas and indicators showing the effectiveness of achieving UE priority goals. Due to the wide diversity of rural areas in the EU, member states decide on the most appropriate measures from a menu proposed at EU level, taking into account the “partnership” element of the Lisbon strategy. *The Strategy for Agricultural and Rural Development for 2007–2013*, presently being projected by the Ministry of Agriculture and Rural Development, will be the fundamental policy document in Poland.

In this context, establishing the *European Agricultural Fund of Rural Development* –EAFRD is a very important initiative. It will integrate the measures of structural policy within the CAP, together with accompanying measures, such as agro-environmental and afforestation programmes, previously financed from both sections (Guidance and Guarantee) of the European Agriculture Guidance and Guarantee Fund (EAGGF). The following two regulations in this area, the legal basis for CAP financing in 2007–2013, have been passed:

- Regulation 1698/2005/EC considering the support of rural development from the *European Rural Areas Development Fund*;
- Regulation 1290/2005/EC considering the Common Agricultural Policy fund.

The fund's goal is the promotion of the sustainable development of rural areas at EU level, in line with market control and farmers' income support. Creating a single financial instrument is supposed to standardise the financial framework for development activities in rural areas. Thanks to this, the system will be simplified and integrated at EU level. So far, the authorities of member states have used their own national programmes. Unified, obligatory requirements limit the competencies of the authorities of member states, but aid in achieving the priority goals of the evolving CAP. Taking into account the efficiency of Polish institutions in this field, this could be understood as a step towards improving environmental protection in rural areas. The Commission has proposed EUR 88.75 billion for the fund over the period from 2007 to 2013, which is necessary to achieve the declared objectives and to be able to respond to society's expectations for a competitive agricultural, forestry and food sector which is environmentally sustainable and underpins the socio-economic fabric of rural areas in the EU [The Common Agriculture Policy..., 2006, 5].

4. Ecological implications for Polish agricultural policy

The changes introduced to CAP based on the EU strategy for sustainable development should be treated as guidelines by the Polish Authorities. Environmental protection in Polish rural areas depends on the efficient introduction of the full range of CAP ecological measures. They should be aimed at supporting the presently functioning model of farms, production methods and food processing. Traditional farming contributes to limiting nitrate emission and protects certain existing natural or semi-natural habitats. In some EU Member States, land abandonment and the withdrawal of traditional management may become a threat to biodiversity on farmland. The reforms of rural development policy within CAP imply

the necessity of institutional changes in co-ordinating rural development. The Operational Programme of Rural Development for 2007–2013 will be a new framework. This programme will replace (integrate) the previously functioning ones as two separate programmes: the Rural Areas Development Plan – RADP – and Sector Operational Programme „Restructuring and Modernising of the Food Sector and Rural Areas Development” – SOP. This will also include the LEADER initiative. This programme has to be complementary in relation to cohesion policy, agricultural market policy and the common fishery policy. It is supposed to take into account the groups of priorities (axes) established in EU strategies. This programme should be ready by mid 2006. It will take into consideration the requirements of the Council. In reference to the strategy for sustainable development, the Council defined three problem areas: economic, environmental and social. It also outlined three appropriate objectives for the new rural development policy and three axes of priorities containing 35 measures. There is also a fourth axis – the LEADER initiative. Each country has to allocate at least 7% of the resources from EAFRD to the fourth axis. These measures will be subsidised by the EU: 75% of the costs in the case of Axes 1 and 3 and a maximum of 80% in the case of Axis 2 and the LEADER programme.

Objective 1: *The improvement of farms' competitiveness through their restructuring* is related to some economic problems. Priority axis 1 – referring to Objective 1 – *supporting the competitiveness of the agricultural and forest sectors*, contains 15 measures, which should take at least 15% of EAFRD funds at the disposal of a member state. Apart from measures stimulating the modernisation of agricultural and rural areas, previously these were in RADP and SOP, there are measures connected with environmental protection. This concerns Measure 4 – the use of advisory services by farmers and forest administrators, Measure 5 – the organisation of advisory services within agriculture and forestry, Measure 7 – increasing the economic value of forests and Measure 10 – the reconstruction of the potential of agricultural production (destroyed as a consequence of a natural disaster) and the introduction of preventive instruments. Axis 1 also contains 2 measures which may be connected with the influence of agricultural and forestry on the environment: Measure 8 – an increase in value added in basic agricultural and forestry production and Measure 9 – infrastructure connected with the development and adaptation of agriculture and forestry. At present, it is hard to define whether this will have a positive or negative influence. An increase in value added and extension of infrastructure might lead to an intensification in the level of production and consequently to the intensification of pressure from agriculture on the quality of the environment.

Environmental problems (especially the environmental function of agriculture and forestry) are included in Objective 2: *the improvement of environmental conditions and the landscape through efficient land management*. This objective is linked to Axis 2 – sustainable management of agricultural and forest land – this includes 12 measures. At least 25% of a member state's resources (granted by EAFRD) should be spent on these measures. Most of them are connected with agro-environmental programmes. This is concerned with the support of farms situated on land with unfavourable farming conditions within Measure 1 – in mountainous areas, and Measure 2 – in other areas. To protect biodiversity it is necessary to pay attention to measures including extra money for NATURE 2000 territories: Measure 3 – extra money for farmland, and Measure 9 – extra money for forest land. From this paper's point of view (and of environmental protection in rural areas) the most important measure is no. 4 – the support of agro-environmental projects and animal welfare. Besides this, Axis 2 contains measures concerning links between agriculture and forestry: Measure 6 – afforestation of farmland, Measure 7 – the establishing of agro-forest systems on farmland, Measure 8 – the afforestation of non-agricultural lands, Measure 10 – forestry/environmental projects, Measure 11 – reconstructing the potential of forest production and introducing suitable preventive instruments. These instruments are new in relation to the previous ones within CAP accompanying measures. Measure 6 is the only one that had previously been introduced.

Social problems, such as: higher than the average level rate of unemployment, social elimination, low diversification of the labour market, low population density were included in Objective 3: *the improvement of the living conditions of rural populations and promotion of the diversification of activities*. In reference to Objective 3: *economic diversification of rural areas and improving the living standard in rural areas*, Axis 3 contains 8 measures. Only some of them concern environmental protection. Such measures as Measure 1 – *creating jobs outside agriculture*, Measure 3 – *promoting tourism*, Measure 4 – *improving the quality and management of cultural heritage* may contribute to creating activities outside agriculture and consequently to limiting the emissions of pollutants and other environmental threats resulting from agricultural production.

At Present, agro-environmental programmes are being realized under the framework of the 2004–2006 Rural Areas Development Plan (RADP). The funds available for all the accompanying measures within this plan amount to EUR 3.6 billion (including EUR 2.9 from EAGGF) [Plan Rozwoju Obszarów Wiejskich na lata...; 2005, 1]. The funds available for ecological activities are: agro-environmental programmes – mainly organic farming, EUR 219 million (EUR 175 million from EAGGF), afforestation

programs EUR 92 million (EUR 73.3 million from EAGGF), support for farmers in Less Favored Areas – LFA, EUR 905 million (EUR 723 million from EAGGF). These agro-environmental measures will cover 1.2 million hectares – 8% of rural areas in Poland – and may be realized in areas of nature preservation, including the NATURE 2000 network. So far, only one measure – organic farming – has been implemented, but the payments for farmers were seriously delayed, which resulted in many having financial problems.

The way in which Polish agricultural policy is projected and carried out is different or even opposite to the direction in which CAP is evolving. It is worth taking into account the fact that direct payments are an element of RADP – the pillar II measures of CAP have a completely different function and destination. RADP funds for Pillar I instruments are three times as great as for agro-environmental programmes – the most important measure supporting rural development in other UE countries. When we assess the effectiveness of implementing these programmes, we should consider the plans concerning the pre-accession programme – SAPARD. In spite of the fact that according to the *National Plan of Preparation to UE Membership*, the pilot version of the agro-environmental programme within SAPARD was supposed to start in 2001, it was not implemented. The programme was cancelled, which will result in at least a few years, if not more than a decade, of neglect. This has led to gaps in the Polish institutional system, which are barriers to the realization of various necessary activities. To prepare institutions, administration and farmers to become efficient receivers of ecological subsidies, legal regulations should have been established much earlier, as had taken place in Slovenia. This would have enabled the efficient functioning of the programmes at present and increased the level of the absorption of EU support. If CAP is supposed to bring benefits to farmers and society, the policy has to be improved – the implications of the EU Strategy for Sustainable Development have to be taken into consideration by Polish authorities. Otherwise, farmers will not respect environmental requirements and they could be excluded from some direct payments – according to the principle of cross-compliance.

5. Conclusion

CAP is evolving in the direction outlined in the *European Union Strategy for Sustainable Development*. The key factor of this process is the growing importance of Pillar II measures. Unfortunately, these changes have not been taken into consideration by Polish authorities. Direct payments are the main priority of Polish policy and for this reason poor

political decisions have been made, exacerbated by the negligence of the periods of pre-accession and 2004–2006. This has resulted in the low efficiency of rural development measures, which is incompatible with the implications of the EU Strategy for Sustainable Development. In the first years of membership this will result in a low level of absorption of UE financial support and strengthening the negative effects of agriculture on the environment. An improvement is foreseen for the years 2007–2013. The role of agro-environmental programmes in Poland will increase – the negative external effects on nature resulting from agriculture may well be somewhat reduced. Polish authorities and institutions will have to intensify implementation of these programmes. However, this will be mainly stimulated by European Union institutions. Individual, obligatory measures in the new CAP take account of ecological measures. They standardise and integrate policy in member states. They also limit the competence of member states, but support achieving the priorities of sustainable development.

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