



WFD and Agriculture Linkages at the EU Level

Synthesis Report of the 2005-06 Activity of the SSG on "WFD and Agriculture"

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Final Version

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1 Introduction and Background

The link between agriculture and WFD has been identified as one of the highest priorities in the 2005-2006 work programme in the Common Implementation Strategy (CIS) for the Water Framework Directive. A working mandate focusing on how the Common Agricultural Policy (CAP) can contribute to the achievements of the WFD objectives was given to the Strategic Steering Group (SSG) on WFD and Agriculture was established under the co-leadership of the UK (DEFRA - Department for Environment, Food and Rural Affairs) and the European Commission (DG Environment with support from DG Agriculture and Rural Development). The members of the SSG represented a balanced composition between water and farming interests.

The aim of the group was to identify issues which affect a Member State's ability to meet WFD objectives as a result of pressures from agriculture, and to put forward suggestions for how best to manage the risk of not meeting these objectives, taking into account the opportunities of the reformed CAP. There is also a role for the group to consider the potential impacts of achieving the WFD objectives upon agriculture, and how this effects policy development and implementation decisions. Under its mandate for 2005-06, the SSG has initiated numerous activities, including the preparation of five issue reports¹ on:

- 1) Pressures and impacts from agriculture (Herbke et al., 2005),
- 2) Rural Development and the WFD (Dworak et al., 2005),
- 3) Incentive water pricing and cost recovery in the WFD (Interwies, et al., 2006),
- 4) Cross-compliance and the WFD (Müssner et al., 2006), and
- 5) Co-operation and participation at the interface of EU Agricultural and Water Policies (Dworak et al., 2006).

Further, two major conferences were held in London on 20-21 September 2005² and Vienna on 3-4 March 2006³, respectively discussing the above mentioned reports.

The work of the SSG was also supported by a group of nine Pilot River Basins, being part of the second phase of the CIS PRB exercise, providing technical support on issues related to pressures and impact from agriculture on water resources and the development of mitigation measures. This PRB-Agriculture Group, coordinated by the DG JRC, is producing a final report by the end of 2006⁴.

At their last meeting on 1-2 June in Salzburg the EU Water Directors agreed to continue the work with a "technical" synthesis of the work of the SSG for the years 2005/2006. This document provides such as synthesis, based on the outcome of the conferences and on the issue reports.

¹ The authors gratefully acknowledge financial participation from the European Community under the Sixth Framework Programme for Research, Technological Development and Demonstration Activities for the Specific Support Action "CAP&WFD" SSPE-CT-2005-006618.

² For more detailed information on the London conference and the individual presentations, please refer to <http://www.defra.gov.uk/environment/water/wfd/0509-conference/index.htm>.

³ The Vienna conference summary as well as all presentations can be downloaded from <http://www.ecologic-events.de/cap-wfd/index.htm>.

⁴ For further information see http://viso.ei.jrc.it/wfd_prb/index.html

2 First Analysis of the Agricultural Pressures and Impacts

Across much of the EU, tackling the pressures on water caused by agriculture constitutes one of the main challenges to achieve the WFD objectives. Based on the national synthesis of the Article 5 reports for agricultural pressures by the WRc (2005), the EEA activities on source apportionment of nitrogen and phosphorus inputs into the environment (EEA, 2005a), the IRENA operations on agri-environmental indicators (EEA, 2005b) and the results from the FATE research project by the JRC (2005), a first analysis of agricultural pressures and impacts on water bodies was prepared (Herbke et al., 2005). The results of this analysis can be summarised as follows:

Besides the industrial and household sectors, the agricultural sector poses a significant **pressure** on both surface and groundwaters in terms of quality and quantity. Diffuse pollution with nutrients seems to be the main pressure on water bodies leading to a potentially significant risk of failing to meet the WFD objectives. Main problems can arise from excess nitrogen and phosphorus originating from animal manure and fertilisers or soil erosion, which contribute to eutrophication of surface water, contamination of groundwater and to acidification of soils and lakes. Extensive abstraction of water for agricultural purposes, especially in the southern EU Member States, increases the risk of over-exploitation of the available water resources. In addition, hydro-morphological changes due to agricultural activities such as drainage and land reclamation pose significant pressures on surface water bodies (Herbke et al., 2005).

These pressures can have manifold **effects**, among which are (Strosser et al., 1999):

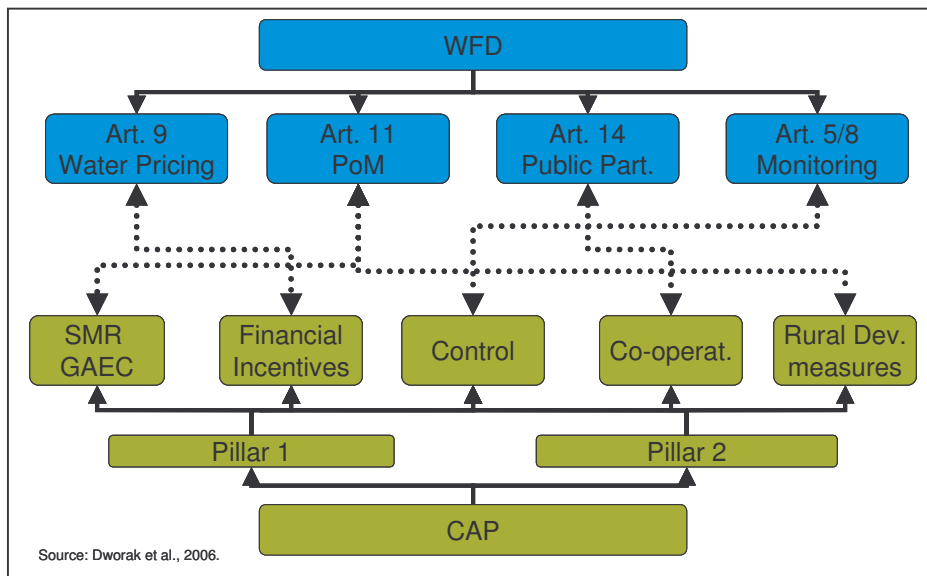
- problems with increased concentrations of nitrate and pesticides in some groundwater bodies and rivers due to leaching;
- reduction of groundwater and river flow levels as a direct result of water abstractions;
- increased negative impacts on natural resources resulting from the construction of dams and the diversion of watercourses for irrigation purposes;
- secondary effects such as risks of erosion, the disappearance of wetlands, oxygen deficits in rivers leading to the possible extinction of species of flora or fauna or the gradual salinisation of groundwater in coastal areas;
- risks of adverse effects on human health and problems related to water treatment due to water pollution;
- increased risks of flooding due to deforestation and polders' installation for agricultural purposes.

These pressures need to be addressed by future measures for protecting the water quality and resources in order to meet the environmental objectives of the WFD. The long-term protection of water resources makes sense not only environmentally but also economically. The agricultural sector has an additional strong incentive to reduce the pressures on water bodies, as clean and quantity water is essential for agricultural production.

3 Overview of the Linkages between CAP & WFD

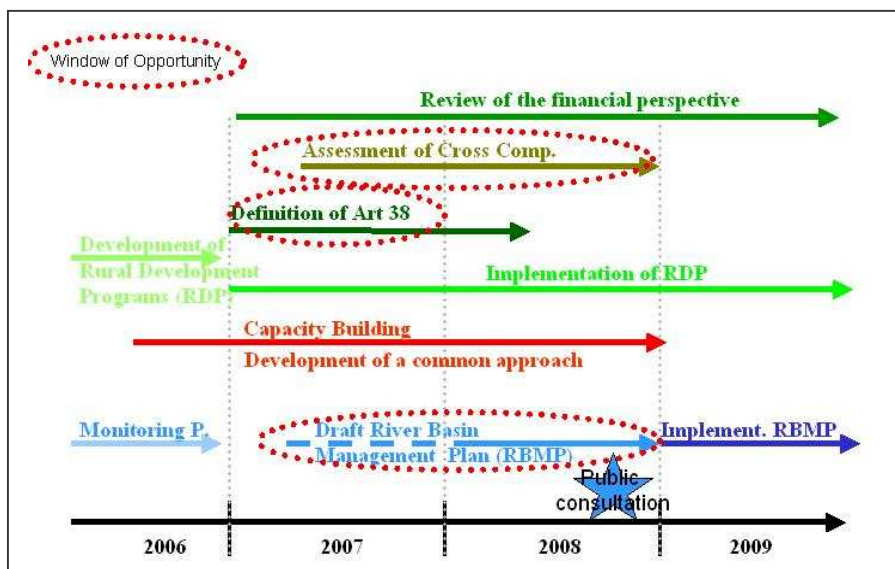
In Europe, both water and agricultural policies have faced challenging developments during the last few years, following different objectives, which sometimes support each other and sometimes conflict. Nevertheless, both policies remain in the implementation stages and are still being elaborated and reviewed, offering potential for integration and harmonisation. Figure 1 outlines current possibilities to link CAP and WFD instruments and mechanism⁵.

Figure 1: Possible Links between the CAP and the WFD instruments and mechanism



However, the CAP and WFD policies follow specific timetables that are not currently integrated with one another. It becomes clear that there are mismatches, but also windows of opportunities to better link both processes (see Figure 2).

Figure 2: Window of Opportunities to better link the WFD to the CAP



As can be seen in Figure 2, the 2007 and 2008 developments offer a large window of opportunity to better link both policies. This allows for the establishment of continuous and tailor-made solutions in the near future.

⁵ Further details on the links between CAP and WFD see Herbke, et al 2006

4 Opportunities and limits of the reformed CAP for supporting WFD Implementation

In 2003, a CAP reform took place including new provisions under pillar one (e.g. further decoupling, Cross Compliance) as well as under pillar two (rural development). These reforms provide a valuable opportunity to support the objectives of the WFD. The linkages between both policy fields are addressed at different levels and are of a different nature. Some of the linkages are *direct* (e.g. Art 38 of the 2007-2013 Rural Development Regulation) some of them are *indirect* (e.g. SMRs reinforcing existing legislation), some of them are using a command and control approach, others are of incentive nature. The following section gives a brief overview of the opportunities and limits of the reformed CAP for supporting the implementation of the WFD.

4.1 Single Farm Payments Regime

Under Pillar 1, market and income support measures are covered, including direct payments to farmers and continuing market-related subsidies under the common market organisations, such as buying products into public storage, surplus disposal schemes and export subsidies. The two main payment schemes under this pillar are single farm payments (SPS) and direct payments for certain products.

The new SPS replaces a wide range of direct payments for certain products under the "old" CAP by introducing a hectare-based payment scheme. The receipt of such a payment by farmers is only guaranteed when they heed the requirements of the Cross Compliance scheme (see below).

While direct payments for certain products still force farmers to make decisions based on the amount of payment they receive, the new single farm payments encourages farmers more to produce goods according to market demand. As there is no longer a direct link between production and the amount of payments per hectare (decoupling), production decisions on a farm level will be based on market returns. Other factors such as prices for fertiliser, water or seeds will have a more prominent impact than they have had up until now. So, decoupling could result in lower or higher environmental impacts, depending on local conditions (GFA-RACE and IEEP, 2004; Schmid and Sinabell, 2004; Ganzert et al., 2003), market incentives and the type of business itself (e.g. small-large scale farmers, organic farming)⁶.

4.2 Cross Compliance

From 2005, all farmers receiving direct payments will be subject to compulsory cross-compliance⁷. They must respect Cross Compliance standards in two ways:

- First they must respect the **Statutory Management Requirements** set-up in accordance with 19 EU Directives and Regulations⁸. The standards relate to the protection of the environment; public, animal and plant health, food safety and animal welfare, and some of them will also be part of the River Basin management plans under the WFD.
- The second part of Cross Compliance includes the requirement that all agricultural land for farmers claiming payment should be kept in **Good Agricultural and Environmental Condition** (GAEC). In general, GAECs focus on the protection of soil, having a positive

⁶ There is the also the possibility to partially decouple payments. See Interwies et al (2006)

⁷ See Council Regulation No 1782/2003 and Commission Regulation No 796/2004.

⁸ the Directives relevant for water protection are the Groundwater Directive (Article 3), the Sewage Sludge Directive (Article 3), the Nitrates Directive (Articles 4 and 5), the Conservation of Wild Birds (Articles 3, 4 (1), (2), (4), 5, 7 and 8), the Conservation of natural habitats, wild flora and fauna (Articles 6, 13, 15, and 22(b)).

side-effect on the reduction of diffuse pollution. It is up to the individual Member States to define minimum GAEC requirements and they may differ, reflecting local conditions.

One of the major challenges regarding Cross Compliance as expressed by Member States themselves after the first months of implementation is that "*certain elements are objectively difficult to check (e.g. prohibition of the substances of Annex I of the Directive 80/68/EEC "groundwaters", slope rate, etc.)*". Further, "*checks are long and cover many elements: visits of numerous plots, checking of documentation, etc. This is burdensome for the farmer who has to be involved closely*" (European Commission, 2006). This makes the development of Cross Compliance towards further water protection a challenging prospect.

In general, Cross Compliance is another step towards protecting European Waters on a broader scale and to applying the Polluter Pays Principle to farmers. Therefore the immediate priority should be a proper implementation of the current CC, including the implementation of **farm advisory systems** and efficient **control mechanisms at the national level**. Nevertheless, even assuming full compliance of all European farmers, this alone will not guarantee reaching WFD objectives.

4.3 Opportunities from Rural Development

The new upcoming Rural Development Regulation (RDR) for the period 2007-2013 is designed to place agriculture in a broader context covering three major policy objectives. These objectives aim to improve: i) competitiveness of farming and forestry (Axis 1); ii) Environment and land management (Axis 2); and iii) quality of life and diversification (Axis 3). The three thematic axes are complemented by a fourth implementation axis (LEADER) that streamlines the local development strategies.

The four axes of the upcoming RDR contain a set of measures that offers the ability to protect and enhance natural water resources (e.g. agri-environment and agro-forest payments, natural handicap payments, use of advisory services, meeting standards) as well as to preserve high-nature value farming and forestry systems and the cultural landscapes of Europe's rural areas. Further, there are several provisions for co-operation at all different levels (see section 4.5). This set of measures also includes a new measure allowing farmers to be compensated for income foregone due to WFD implementation (Art 38 RDR).

However, it should be noted that water protection, is only one of several goals in the EU's RD policy. As Member States have only a minimum requirement of how much money they must dedicate to each axis, the extent to which water protection will be considered is dependent on their specific list of priorities.

In conclusion, the upcoming RDR can play an important role in achieving the WFD objectives. However, upcoming RDR will not be sufficient to tackle all pressures from agriculture due to the scale of the problem, the limited funds available and the type of measures provided⁹. Thus, it is important to consider territorial priorities and synergies between the measures, as well as for outside the CAP funding (e.g. water pricing, voluntary modulation) (see section 5.3).

4.4 Incentives from CAP payments on a water pricing system

Both the CAP and the WFD create different incentives for farmers. The current CAP sets incentives on production, even if they are less than before the 2003 reform and the WFD sets incentives for the sustainable use of water.

⁹ See Dworak, et al (2006). Currently a study is carried out by the EU-Commission estimating the costs for implementing the WFD. More detailed results will be expected in mid 2007.

The links between these incentives are complex, including several uncertainties (e.g. definition of water uses/water services) and open issues. There is only limited information available on how the incentives deriving from each policy interfere. It is crucial to gain a better understanding of these incentives as they are to some extent contradictory.

Depending on the farm regime, the CAP payments have a different influence on the incentive function of potential water prices and/or the cost recovery contribution of water users to occurring costs¹⁰. In order to develop appropriate pricing policies, it is important to have a better understanding of the specific role CAP payments have (e.g. distorting effects) and how they influence farmers' decisions. In doing so, some of the main incentives from the CAP (payments covering parts of the financial costs of water services, incentive CAP payments reducing the environmental costs related to a water use, payments increasing the potential added value of producing a certain crop and thus potentially increasing the resource costs of a water use) have to be discussed in this context. Nevertheless, there is a general agreement that water pricing under Art 9 of the WFD can represent a way to address pressures on water in the agricultural sector (Interwies et al, 2006).

4.5 Co-operation and Participation

The EU has introduced measures to tackle pressures on water resources since the 1970s, but these command-and-control approaches have achieved various success. New governance approaches are emerging that involve voluntary co-operation between the main actors.

Co-operation between both the agricultural and water sectors can be established on various issues (e.g. monitoring, establishment of GAECs and codes of good farming practices, sustainable river basin management as an integral part of rural development) and with different aims. One aim could concern cost saving (e.g. shared databases for WFD and CC control purposes), another aim could be the prevention of further conflicts (e.g. agricultural land use). Fostering the participation of stakeholders in decision-making processes will lead to better planning decisions and thus improve the acceptance of future measures.

Both policy areas provide a wide range of options to establish co-operation and to arrange participation at all levels and among all stakeholders (e.g. LEADER under RDR, Art 14 WFD regarding public participation). As groups of stakeholders differ among these levels in terms of thematic focus, degree of organisation and type of contribution, there is a need to find tailor made solution that "fit for propose".

The potential synergies that could arise from a better, broader establishment of co-operative and participative efforts in both areas have the potential to substantially increase the momentum of policy implementation at the interface of CAP and WFD. Therefore, further effort should be made to facilitate the sharing of experiences from existing examples.

¹⁰ See, for example, Varela-Ortega et al. (1998) or Mejía et al. (2004) on the effects of price changes on agricultural water uses. Both authors argue that the impact of price changes on water demand is highly site-specific, depending on tariff schemes, crop types planted, soil and climate, as well as institutional structures of the water supply system.

5 Possible Options for Strengthening the Linkages between the current CAP and WFD

As one can see from the previous chapter there are several options under the CAP to support WFD implementation; there is no doubt that additional effort from the agricultural sector will be needed to fulfil the WFD objectives. This chapter outlines possibilities and options for further strengthening the linkages between both policy areas outlining “sticks” and carrots”.

5.1 Further Development of the Rural Development Policy

Certain Rural development measures, if well implemented, are an important tool to create a positive impact on the environment. Nevertheless there is only limited knowledge on the impact each single measure provided under the existing RDR has on the environment, and particularly on water (European Commission, DG Agriculture (2004), European Commission, DG Agriculture (2005)). In order to further develop the EU Rural Development policy and to extend/strengthen the most efficient measures a better evaluation of existing knowledge is needed. Such an evaluation should address the following issues:

- How many MS made use of RD measures to support the WFD implementation and to what extent?
- Which measures have been selected and how are they implemented? What are success factors, which factors hamper implementation.
- How cost efficient are these measures?

Such an evaluation could also benefit the upcoming discussion regarding **Art 38 RDR** which compensates farmers for WFD implementation. The Commission will set up detailed roles for applying this article in 2008. In order to support DG Agriculture drafting the specific guidelines for this article and to make best use of this article, an agreement has to be reached within the water sector on the general direction for this article¹¹. This will require to have a better idea of the future design of the first WFD programs of measures at river Basin Level drafted in 2008 and established in 2009. As the budget provided for this measure is limited, cost effective measures should be supported.

Due to budget cuts, but also due to the large scale of the problem, current RD funds will not be sufficient to tackle all pressures related to agriculture. Therefore, it will be necessary to consider additional funds. Such additional funding can result from the use of polluter related financial instruments or the use of funds not directly related to the polluter (see section 5.3 for further details).

5.2 Enforcement and further development of CC standards

As stated before, more efforts will be needed to tackle agricultural pressures in order to comply with WFD objectives. One option amongst others, (e.g. use of Rural development mechanism, water pricing) is to use the current CC-scheme and its possible development under the next CAP mid term review in 2008 to afford better water protection.

There are a wide number of different options available for the further development of the Cross Compliance regime. These should be examined in more detail and offered to MS as key options for inclusion within River Basin Management Plans for 2008/9.

¹¹ Currently, most MS have not prepared plans as to how to use Art 38. See Marsden et al, 2006.

After discussion of the SSG in Vienna¹², the **future mid-term perspective of CC** to better support the WFD requires a stepwise approach. First, a review of the present system should be carried out, before deciding whether there is value in or a need for further development of Cross Compliance. In this context and if appropriate, the extension of Cross Compliance towards further water protection should be considered.

5.3 Additional Sources of Funding at National / Regional Level and related Instruments

As one can see above, current instruments provided under the CAP will not alone be sufficient to tackle all water pressures resulting from agricultural practice. The reasons for this are manifold and cover aspects such as differing objectives (e.g. secure food production) or limited budgets (e.g. Rural Development). In order to close these "gaps" it will be necessary to consider instruments outside the CAP (e.g. cooperative agreements, water pricing) and/or additional funds to tackle the current pressures from agriculture¹³.

Potential instruments outside the CAP are manifold and a general overview of possible solutions and measures is lacking. Compilation and evaluation of alternative tools should be commenced, resulting in an all-inclusive catalogue of measures. In addition to a mere gathering of information, such a catalogue could be a source of inspiration in the future work on WFD and agriculture.

Regarding additional funding, in general there are two main options: i) use of polluter related financial instruments (e.g. water pricing or polluter related taxes, further modulation) as part of the WFD programs of measure or ii) use funds not directly related to the polluter (e.g. funds charged by the general tax payer, funds charged by the user, such as co-operative agreements with other sectors).

Applying the first option the revenues generated could specifically support adaptation measures in the agricultural sector. This can be envisaged in two ways (Interwies et al, 2006): (i) earmarking revenues for agriculture-related measures as part of the "programme of measures" of the WFD such as water efficiency investments for farmers, (ii) additional financing of rural development measures under the CAP. In both of cases, (part of) the revenue from water pricing schemes flows to the agricultural sector and would be another step towards the implementation of the polluter pays principle .

While the first option is in line with the Polluter Pays Principle of the WFD, the second option should be prioritised before applying for exemptions.

Another option that should be further explored is the mechanism of voluntary modulation, transferring funds from pillar one payments to pillar two (Rural Development).

5.4 Learning from each other

The success of linking WFD and the CAP will strongly depend on the approach chosen within each Member State and how successful Member States are in implementing this link on the ground. Even if there exist only a few positive examples for establishing such a level on the national, regional or local level across Europe, they could provide a valuable input for others.

Experiences generated in these examples could be used as a starting point and would reflect the clear preference for "less documents and more information exchange" mentioned at the London and the Vienna Conference by several Member States. Further, such a continuous

¹² See Conclusions of the Vienna Conference

¹³ Such an approach is strictly seen in conflict with the Polluter pays Principle of the WFD.

information exchange would also support the new Member States and Accession Countries in developing appropriate structures within their currently ongoing administration reforms.

When developing a framework for such an experience exchange, there is a clear need to consider the different levels of actors (local, national, European) but also the variety of actors involved in agriculture and water management (e.g. farmers, authorities, local water managers, NGOs, etc.). The Rural Development Networks established under Art 67 and Art 68 of the upcoming Rural Development Regulation could provide a forum such an exchange. On the local level workshops with specific focus on the local circumstances are seen as most appropriate. The LEADER (Art. 61 and 62 RDR) approach could support such local activities.

Another option could be the development of a best practice document, collecting various approaches from across Europe, analysing key drivers and main obstacles. It could be used as a starting point for the establishment of further linkages or co-operations.

6 Issues for further Discussions

The SSG work under the 2005-2006 mandate has covered several important and urgent issues for establishing a link between the CAP and the WFD. Nevertheless, there are several open issues that have to be investigated and discussed in order to further strengthen the current link between both policies. These issues can be clustered around the following five Key Topics:

Key Topic 1: Development of EU Common Agricultural Policy

- With regard to the role of water management within the future Rural Development programmes (2007-2013) there is a need to continue the assessment the future development of rural areas considering demographic changes and changes in production caused by further reduction of direct payments, as well as other political developments (e.g. energy policy) and climate change and the related interference with water management needs. The question of how these developments will effect water management in the future should be additionally addressed.
- There is a need to discuss the different options for further CC development in the context of a cost effectiveness assessment (CEA) as required under Article 11 of the WFD. Further such a discussion also must address the issue of how to share new costs between the different actors and which administrative burdens might occur.
- Alternative instruments - including measures outside CAP - must be considered, in order to ensure cost-effective measures, participation, common understanding and ownership.

Key Topic 2: Issues related to Costs

- The WFD requires to be implemented in an cost effective way. Therefore, when developing the CAP further towards water protection the most cost effective approach should be chosen. This requires further work on the costs and benefits of the different options in order to find the: i) rationale of the actions proposed, and ii) to distribute the costs and benefits among the different actors.
- The WFD allows for **exemptions** in the case of disproportional costs (WFD Art. 4.5). However, the definition of the term “disproportionate” under the WFD is still under discussion. As draft River Basin Management Plans have to be published by the end of 2008, a further clarification (not only for the agricultural sector) on how to justify exemptions is needed to estimate the total cost for WFD implementation. In this context there is also a need to find a balance between farmers and water mangers interest.
- As regards **water pricing**, the “adequate contribution” of the agricultural sector to the costs recovery of water services (WFD Art. 9) needs to be further assessed and clarified.
- The development of the future agricultural policy needs to take into account the **polluter-pays-principle** (PPP) under the WFD.
- There is a strong indication that additional funds will be needed to better support the WFD implementation from the agricultural sector. Options for such funds and the most effective design of the mechanism / instruments to establish them have to be further elaborated.

Key Topic 3: The Role of Farm Advisory Systems

- There is a clear need to further develop farm advisory systems (FAS) in a broader context and to make them more available to farmers. In this context, communication and dissemination of water related information and techniques should become important elements.
- Further, the share of experiences and knowledge on Member State specific strategies would therefore be beneficial. Pilot River basins could help setting and testing local references.

Key Topic 4: Options arising from Improvements caused by alternative Agricultural Practices and Techniques

- The Common Agricultural Policy beside other factors has promoted the modernisation of agriculture in Europe. However, this modernisation has been accompanied by damaging effects on the environment. In order to reduce these negative impacts a shift from conventional to environmentally-friendly (e.g. organic farming, integrated farming system) agriculture could be one solution. Such a shift requires new farming techniques and practices (e.g. new weed management, direct sowing techniques) or the re-application of past sustainable agricultural practices (e.g. rotation of crops). There is a need to assess these options in more details as regards their effects on water.

Key Topic 5: The Role of the Customer and Retailers

- Clean water and healthy agricultural products are important for the secure provision of food and water supply to a wider public. Nevertheless, food prices decreased over recent decades because of consumer behaviour. This has resulted in more and more environmental pressures from production processes. Therefore, the role of consumers and their willingness to pay for more environmentally produced food is an important factor for the development of an sustainable agriculture. Further there is a need to assess the role of retailers in the production chain.

7 Summary and Conclusions

The latest CAP reform allows for a better link between agricultural and environmental objectives including increased opportunities for implementing the Water Framework Directive. In the last two years, a Strategic Steering Group on "WFD and Agriculture" has worked on this issue outlining the opportunities, the challenges and the gaps of this reform to support WFD implementation. These activities can be concluded as follows:

- With introducing full decoupling in 2003, there is no longer a direct link between production and the amount of payments per hectare. Farmers will produce goods more according to market demand and production decisions on a farm level will be based on profit margins achieved on the market. Other factors such as prices for fertiliser, water or seeds will have a more prominent impact than they have up until now. This could result in lower or higher environmental impacts, depending on the local conditions, the incentives from the market and the type of business itself (e.g. small-large scale farmers, organic farming). As still some products are coupled (e.g. rice) and Member States have the possibility for partial decoupling, there is still a distortion on production decisions, keeping an incentive for water-consuming crops even if it is lower than under the "old" CAP.
- Mandatory **Cross-Compliance** (CC) requirements, including the Nitrates and Groundwater Directives which deal directly with water protection, will also help to reach the WFD objectives. However, the impact of CC on WFD implementation is limited, since CC does not cover all aspects of the WFD and Member States do not implement the legislation involved with the same efforts. Therefore, farm advisory systems should be extended, as they help to deliver a better acceptance and implementation of environmental legislation. In order to better support the WFD a stepwise approach is required, starting with a review of the present system should be carried out.
- There is a high potential of **RD programmes** to support WFD implementation due to the wide set of measures provided, the positive response from farmers and the possibility of tailor-made approaches on the local level. However, partial assessments and qualitative interpretations show that the current (2000-06) and next (2007-13) RD budgets are insufficient to provide the necessary funds to meet the WFD objectives at a broader scale. Thus, it is important to consider territorial priorities and synergies between the measures, as well as for outside the CAP funding (e.g. water pricing, voluntary modulation).
- **Water pricing** incentives represent a way to address pressures on water. The CAP payments, depending on the farm regime have a different influence on the incentive function of potential water prices and/or the cost recovery contribution of water users to occurring costs. In order to develop appropriate pricing policies, it is important to have a better understanding of the specific role CAP payments have (e.g. distorting effects) and how they influence farmers' decisions. A more detailed assessment is needed.
- The CAP and WFD provide a wide set of possibilities for **co-operation** and participation between the water and agricultural sectors. These possibilities are of a technical nature (e.g. monitoring for control purposes, farm advisory systems) but also of an organisational nature (e.g. LEADER+, National and EU RD networks) and cover all different levels of action. Co-operation and networking between different authorities and stakeholders, as well as the involvement of local actors, is vital to

ensure successful implementation of the WFD and sustainable agriculture at the same time.

- Under the 2005/2006 mandate options were explored to bridge gaps between the CAP and the WFD with the detailed assessment of rural development programmes opportunities, the question of cross-compliance standards or the importance of water pricing. This first round showed also its limits as it took place before the finalisation of the river basin management plans and their associated programmes of measures. Further, and as a consequence, only a few practical case studies were available. As a result several key questions still need to be addressed for 2007-09, such as the further development of CC, the detailed "design" of Art. 38 RDR, an assessment of the impacts of new technologies and practices as well as the role of customers.

Indeed, the current window of opportunity for linking both policy areas and for a harmonisation between the CAP and WFD implementation processes is significant. In order to make best use of this window, co-ordination between the different authorities involved is a key element for the appropriate implementation of the WFD and the future development of CAP towards sustainable agriculture and adequate water protection. The establishment of such a co-ordinated approach requires a capacity building process at all levels. To understand the different traditions of both policies will be key for a successful implementation in the next few years.

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