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Warsaw Agricultural University



WFD and Agriculture Linkages at the EU Level

Analysis of the Policy and Legal Linkages between CAP and WFD

Background Paper

Final Version – 13/02/2006

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Foreword

As a result of a process of more than five years of discussions and negotiations between a wide range of experts, stakeholders and policy makers, the Water Framework Directive (or the Directive 2000/60/EC) of the European Parliament and of the Council established a framework for European Community action in the field of water policy. The Directive, which entered into force on the 22nd of December 2000, sets a framework for the protection of all waters with the aim of reaching a “good status” of all community waters by 2015.

The latest reform of the EU Common Agricultural Policy (CAP) in 2003 increased the opportunities for the implementation of the Water Framework Directive (WFD). A working document prepared by the Environment Directorate General of the European Commission highlighted a number of opportunities where the CAP can help achieve the WFD objectives (European Commission, DG Environment, 2003). However, achieving these objectives remains a challenge. Acknowledging this, the Water Directors, who are the representatives of the EU Member States administrations with overall responsibility on water policy, agreed in June 2004 to take action in the context of a Common Implementation Strategy (CIS)¹. To this aim they established an EU Strategic Steering Group (SSG) to address the issues of interrelations between CAP and WFD. The timeframe for the SSG work is short, given the tight WFD timetable (developing draft River Basin Management Plans by 2008, achieving the ecological status objectives by 2015) and the timing of CAP developments, notably the new European Rural Development Regulation which is to cover the period from 2007 to 2013.

The Strategic Steering Group (SSG) on WFD and Agriculture is led by the UK and the Environment Directorate-General of the European Commission with technical support from the Directorate-General for Agriculture and Rural Development. The aim of the group's work, which met for the first time in April 2005, is to identify the issues relating to agriculture which affect a Member State's ability to meet WFD objectives. The group will also put forward suggestions on how to best 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 the effects this would have on policy development and decisions.

As one of its first steps, the focus of the SSG is on preparing a report to support the aims of the WFD which analyses the legal and policy linkages between CAP and WFD. Ecologic and Warsaw Agricultural University (WAU) have been commissioned to prepare this report in the context of the 6th Framework Programme of Research project “WFD meets CAP – Opportunities for the future”². This report about legal and policy linkages between CAP and WFD uses information from the following sources:

- the output of the SSG on WFD and Agriculture activities and discussions that have taken place since April 2005;
- the Defra activities on the preparation and arrangement of the UK conference on Water Framework Directive and Agriculture, held on September 20-21, 2005 in London, and the conference outcome; and
- the preparations for the Austrian technical conference on CAP&WFD – Opportunities for the future, held on March 02-03, 2006 in Vienna, and the conference outcomes.

¹ The strategy's main aim is to allow a coherent and harmonious WFD implementation. The focus is on methodological questions related to a common understanding of the technical and scientific implications of the WFD.

² EC Contract No SSPE-CT-2005-006618 CAP&WFD.

Furthermore, the report builds on the input and feedback from a wide range of experts and stakeholders that have been involved through meetings or electronic communication media.

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DISCLAIMER

Please note: the data summarised in this report **has not been reviewed** by EU Member States.

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The information compiled in this paper is subject to rapid change.

The information presented is the status as of **February 2006**.

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1 Introduction

The recent changes in both policy areas – the Reform of the Common Agricultural Policy (CAP) and the Water Framework Directive (WFD) – offer potential to combine the efforts of the two policies in order to achieve a better environment. The last CAP reform, recently agreed on in June 2003, changed the EU agricultural policy significantly. It reforms the basis for EU support by establishing a link with meeting some baseline environmental standards. This approach may offer a more efficient way of raising environmental standards and increasing compliance with legislative requirements. Potentially this offers an opportunity for CAP to play a more important role in water protection programmes. Similarly, with the new approach of the WFD shifting from a patchwork regulation to a holistic river basin management approach, the future water policy will affect agriculture more strongly than before.

The CAP reform will give farmers greater freedom to decide what crops and livestock to produce. Under the reformed CAP, instead of having to produce particular products to obtain agricultural support, farmers will be able to choose what and how much to produce purely in response to market demands. The Council of Ministers of the European Union has also recognised that farmers in receipt of direct agricultural support have important responsibilities towards the protection of the environment, animal health and welfare, and public health. On the issue of environmental protection, several tools of the CAP, e.g. Cross-Compliance (CC), emphasis on rural development (Pillar 2) could contribute to the implementation of the WFD.

Against this background, the implementation of the legal requirements in both policy areas should be reviewed in order to identify possibilities for better co-operation and to combine implementation efforts. The objectives of this background paper is to provide a short overview of the relevant information of both the WFD and the CAP. For this purpose, the key CAP issues will be outlined with an emphasis on the most important instruments which can contribute to achieving the objectives required under the WFD, such as decoupled payments (with a short overview of the various implementation options), modulation, cross-compliance and the rural development programmes. In the same manner, a short overview of the key issues of the WFD and the related Common Implementation Strategy (CIS) will be provided. Based on this, the legal and organisational linkages between water policies (mainly the WFD as a framework for EU water policy) and the CAP at EU level will be outlined, taking into account the time limits for Member States to implement the various requirements of the WFD and the CAP as well as the forthcoming developments of the CAP, especially as regards the Rural Development Policy, and the further development of EU water policy. The background paper will further identify how decision-making processes are organised and who the main stakeholders are within both areas.

The paper clearly aims at serving as a background and introduction to both issues - CAP and WFD. Furthermore, the paper's outcome should help to strengthen understanding and co-operation between actors of the agriculture and water sectors and their overlaying policies. As a common starting point, the paper will be used for further discussions and serve as a basis for specific policy briefs developed under the Strategic Steering Group (SSG) on WFD and Agriculture and the research project CAP & WFD³. In addition, the background paper will be developed in preparation of the Austrian technical conference "WFD meets CAP – Opportunities for the future" in Vienna on the 2 and 3 March 2006 and distributed to the participants beforehand.

³ EC Contract No SSPE-CT-2005-006618 CAP&WFD.

2 Legal and Policy Framework

The European water policy was subject to important modifications over the last three decades. While first being focussed on pollution prevention and control as well as on setting quality targets for individual types of waters (section 2.1), the EU water legislation developed towards a more integrated and holistic approach. The milestone of this development is the entry into force of the EU Water Framework Directive (WFD) in 2000. Section 2.2 describes the key objectives of the WFD in more detail. In order to provide support to the implementation of the WFD by developing a coherent and common understanding and guidance on key elements of this directive, the EU Member State, Norway and the European Commission agreed on a Common Implementation Strategy (CIS) in May 2001 (section 2.3).

The European Common Agricultural Policy (CAP) is also marked by extensive changes since its establishment under the first Treaties constituting the European Economic Community (EEC) in 1957: the European Union's largest attempt to fundamentally reform the CAP was set by the Agenda 2000 (section 2.4). A 2002 mid-term review of the CAP was foreseen in the Agenda 2000 decision; section 2.5 describes the key elements of the reform followed by this review.

2.1 Development of the European Water Policy

The evolution of European water policy is marked by three distinct waves. The *first wave* started with the initiation of the first of a series of five-year Environmental Action Programmes (EAP) in 1973, laying down the objectives and principles of EC environmental policies. Since the end of the 1970s, several measures for the reduction and prevention of water pollution have been introduced in a number of directives, based primarily on a regulatory approach.⁴ The directives sub-divided the aquatic eco-systems into individually protected commodities and defined quality targets, each of which had to be followed or achieved through certain measures (e.g. emissions control) (Holtmeier, 1997).

In 1990, the major problems of water pollution within the EU were seen in the increasing eutrophication of sea and fish waters and in the general state of water resources. As a result of this, two new legal instruments were adopted setting strict rules on the treatment of wastewater and the use of nitrates in agriculture; this was the *second wave* in the evolution of European water policy. Wastewater treatment became obligatory even in the smallest settlement and legally binding measures came into force limiting the amount of animal fertiliser used on fields. With the implementation of the Directive on the integrated prevention and reduction of environmental pollution (96/61/EC), a new rule for emissions control was formulated. Also, the guideline to control the dangers in the event of major accidents (96/82/EEEC, the so-called Seveso II Directive) contains important aspects of water protection. However, in spite of the numerous regulatory interventions on the Community level, criticism on the lack of consistency in water protection policy continued.

With the entry into force of the EU Water Framework Directive (WFD)⁵ in 2000 (*third wave*), integrated water resources management (IWRM) became the central principle of European

⁴ The first generation's directives are: Surface Water Directive (75/440/EEC), Bathing Water Directive (76/160/EEC), Fish Water Directive (78/659/EEC), Shellfish Water Directive (79/923/EEC), and Drinking Water Directive (80/778/EEC).

⁵ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ EC L 327, 22/12/2000, p. 1.

water policy. While earlier EU water legislation was principally concerned with water quality targets for individual types of waters (drinking water, fish waters, bathing waters, groundwater) or with minimising pollution from urban waste water and agriculture, the new approach taken by the WFD is based on an integration of previously separate aspects of water policy and thus reflects the key elements of the IWRM concept. The following section gives an overview of the objectives of this new legislative framework.

2.2 The EU Water Framework Directive

The key objective of the WFD is to achieve “good status” for all waters by 2015. A comprehensive framework is established that covers surface waters, ground water bodies, transitional waters and coastal waters. Further aims of the Directive are (a) to prevent further deterioration and to protect and enhance the status of aquatic ecosystems, (b) to promote sustainable water use based on a long-term protection of available water resources, (c) to progressively reduce discharges and emissions of certain priority substances and (d) to contribute to mitigating the effects of floods and droughts.

The target of “good status” is defined by biological, chemical and morphological criteria; and a combined approach is adopted that addresses both point sources (emission limit values) and diffuse pollution (quality standards). Existing legislation is integrated after a transitional period, and management plans have to take account of legislative provisions of other directives (Nitrates Directive, Urban Wastewater Treatment Directive), so that qualitative targets of the different legislative acts are harmonised. The directive also provides for an integration of nature conservation. Not only water bodies in the narrow sense, but also aquatic ecosystems and terrestrial ecosystems relevant for the water balance are protected. Thus the Directive integrates relevant aspects across fields of environmental policy and nature conservation.

Water management in the EU thus has to be brought into line with geographical river basins, which means that existing institutional structures and procedures have to be overhauled. This poses a considerable challenge since ecosystem units are usually incongruent with existing political-administrative spatial units. Also, co-ordination between the administrations of different Member States becomes necessary for the management of transboundary river basins. Economic and financial instruments have to be integrated into a common management approach, and all water uses and functions will have to be integrated and arbitrated. The WFD thus exerts a strong influence on administrative structures of water management within the EU (Dworak and Kranz, 2005). Further and in accordance with the IWRM principles, public participation plays a key role in the management system created by the WFD (see section 3.1.4).

The WFD introduces another important innovation into European water policy by integrating economic aspects (see sections 3.1.2 and 3.1.3). Water pricing policies of the Member States have to ensure that the costs of water services, including environmental and resource costs, are recovered. To provide a basis for adequate water pricing, an economic analysis is to be conducted that estimates the volume, prices and costs associated with water services and the relevant investments and that makes judgements about the most cost-effective combination of measures. Water pricing policies furthermore should act as an incentive for the sustainable use of water resources and thus help to achieve the environmental objectives of the Directive.

2.3 A Common Implementation – The CIS Process

For the implementation of the Directive to be successful and effective, a common understanding and approach across political borders are crucial. Indeed, the strict limitation of human and financial resources in Member States as well as the international dimension of many of the European river basins renders the crossing of administrative and territorial borders essential.

In order to address the challenges in a co-operative and co-ordinated way, the Member States, Norway and the European Commission agreed on a Common Implementation Strategy (CIS)⁶ for the Water Framework Directive only five months after the entry into force of the Directive. This process aims to solve a number of shared technical and methodological challenges for the Member States (EU 25), the Commission and other stakeholders. The key activities of this strategy are:

- **Information sharing:** Several ways of information exchange were established. On the EU level a internet-based information exchange platform “WFD CIRCA – Implementing the WFD” was created. In addition, each country and the Commission started various initiatives such as conferences, workshops and public information in order to raise awareness on a wider scale.
- **Developing guidance on technical issues:** The aim of this task is to develop informal, practical Guidance Documents to support the overall implementation process and for testing in the pilot river basins.
- **Information and data management:** The information exchange and reporting under the Water Framework Directive is partly based on geographical information systems (GIS). As a consequence, the activity on information and data management focused on the harmonisation of the various systems, the development of a Guidance and the testing of a prototype. A working group (WG 3.1) led by the Joint Research Centre of the European Commission was established.
- **Application, testing and validation:** A key element of the implementation strategy is the integrated testing and validation of the Guidance Documents. By 2002, a pilot river basin network was established including 14 national or international (sub-)river basins.

2.4 Development of the CAP towards the Agenda 2000

The Common Agricultural Policy (CAP) was already established within the first Treaties constituting the European Economic Community (EEC) in 1957.⁷ When considering the “Treaties of Rome,” it should be kept in mind that the European Community was founded in the aftermath of World War II – a period of food supply shortage in which agricultural issues were high on the policy-making agenda. Coming into force in 1962, the CAP provided the principle framework for agricultural policy and rural development in all EU Member States. Since its establishment, the main objectives of the CAP have been to increase the agricultural productivity, ensure a fair standard of living for the agricultural community and stabilise markets. Further, it aimed to assure the availability of supplies and ensure that supplies reach

⁶ A detailed description of the CIS process and its outcome can be found in the following three strategic documents: 1) CIS Group, 2001; 2) CIS Group, 2003; and 3) CIS Group, 2004.

⁷ The CAP’s legal basis was defined in the Articles 32 to 38 (Title II) of the EC Treaty which have been transferred to the third part of the Constitutional Treaty (Article 121 to Article 128).

consumers at reasonable prices. Environmental objectives were not listed from the beginning. In order to achieve the main objectives, the EC pursued an income-oriented price support policy, which stimulated the intensification of agricultural production but also contributed to rising environmental problems. Due to increasing financial burdens on the EC budget, international pressure on the EC within the General Agreement on Tariffs and Trade (GATT) negotiations to liberalise the CAP and an increased awareness for environmental protection and nature conservation, discussions on a revision of the CAP became more frequent from the mid-1980s.

In 1988, the European Commission introduced programmes for extensive agricultural production and for setting aside arable land. However, the goal of these programmes was primarily to reduce the production surplus (European Commission, 1991). Because these policies did not show the effect expected and due to the ongoing negotiations in the Uruguay Round, the EU passed another agricultural reform in 1992 which constitutes the strongest change in course of the CAP since its establishment. The main objective of this reform was to de-intensify production, to reduce market surpluses, and to support more environmentally friendly agricultural practices. A cut of the financial support for major commodities like cereals and oilseeds represented the main change. However, farmers' income losses were compensated by acreage premiums for these crops, coupled with land set-aside requirements. Moreover, stocking limits and an extensification premium were introduced (European Commission, 1999a).

Within the framework of the so-called “accompanying measures” of the 1992 CAP reform, financial support is provided for early retirement, agri-environmental measures, afforestation and support for less-favoured areas. Most important from the environmental perspective and thus for water protection was the introduction of Council Regulation (EEC) No. 2078/92, the so-called **Agri-Environmental Regulation** (European Commission, 1992).

This Regulation establishes that all Member States have to offer farmers a set of incentive payments for voluntarily pursuing environmental protection objectives. The main characteristics of the agri-environmental programme are its voluntary nature for farmers (Bromley, 1997). Environmental achievement here must go beyond the legal standards. With this Regulation, the EEC created for the first time an independent, EU-wide agri-environmental programme to support environmentally acceptable production methods. The environmental goods produced by farmers received through state intervention the character of public goods, whose availability in sufficient quantity could not be guaranteed only by the market. On the whole the agri-environmental measures became an important source of income to farmers who were not competitive in the increasingly liberalised and globalised agricultural markets. For the necessary programmes, the EU provided its Member States – in contrast to the market regulating measures – co-financing of 50 or 75% from the funds of the European Agricultural Guidance and Guarantee Fund (EAGGF).

However, the 1992 reform could neither reduce extensively the high burden on the budget nor the serious environmental problems (Court of Auditors, 2000). Although at the same time a slight decrease in the intensity of fertilisers and pesticides could be identified (Stoyke and Waibel, 1997), considerable changes in intensity in, for example, cereal cropping were hardly achieved. With only a 10% share of the agricultural budget, the provision of funds for accompanying measures was very low. Also the effect on distribution through the conversion to direct transfer of payments remained minimal. Thus, the European Auditor General commented in its Annual Report of 1996 that “agricultural subsidies are still being used to support large farms and to push small ones out of production”. The suggestion of the former

Agricultural Commissioner MacSharry to grade these income payments according to farm size, number of animals kept and income level could not be pushed through.

The second largest attempt by the European Union to fundamentally reform agricultural policy was set by the **Agenda 2000** which negotiations was concluded at the Berlin Summit on 25 and 26 March 1999. It establishes a new policy framework for the period 2000-2006 as regards the EU agricultural policy, regional policy and the related EU budget. The Agenda 2000 seeks to strengthen the environmental provisions within the CAP and to integrate them in a more systematic way into a broader policy for rural development. It further creates new conditions especially for the agricultural sector and the Community's rural economies to prosper in the years ahead, defined in the Council Regulation (EC) No 1257/1999 (European Commission, 1999b). This Rural Development Regulation (RDR) brought together a number of policy measures under a single instrument, forming a 'second pillar' of the CAP concerned with rural development.

2.5 The Mid-Term Review 2003

In the Agenda 2000 agreement at the Berlin Summit of 1999 (see section 2.4), it was foreseen that in 2002 the EU's Common Agricultural Policy (CAP) should be subject to a review concerning its future operation. This so-called **Mid-Term Review** (MTR) reforms took place in light of the WTO compatibility, the EU enlargement process, increased awareness about environmental protection and nature conservation (cf. sustainable development strategy defined during the Gothenburg Summit), the need for a more market-focussed farming and, last but not least, increased expectations regarding food quality and safety.

As part of the MTR, an initial communication from the Commission to the EU Council of Ministers was published in July 2002 (European Commission, 2002) followed by a series of detailed legislative proposals for agriculture policy reforms in January 2003 (European Commission, 2003a). The main elements of the proposed review were: (i) to decouple direct payment to farmers from production; (ii) to make direct payments conditional on compliance with environmental, food safety, animal welfare and occupational safety standards; (iii) to increase the support for rural development by modulating direct payments for all except small farmers; and (iv) to introduce a new farm audit system and new rural development measures to improve production quality, food safety and animal welfare.

As a result of the Brussels Summit decision in October 2002 to impose a freeze on the current CAP budget until 2006, the Commission had to adjust its original ideas. The EU farm ministers agreed on a compromise concerning the fundamental mid-term reform of the CAP on 26 June 2003. The key elements of this compromise are (Dworak et al., 2005):

1. **The introduction of decoupled payments – the single farm payment scheme.** From 2005 onwards, the vast majority of direct payments are paid to farmers independently of their production volume, thereby effectively decoupling the link between subsidies and production. Only under well defined conditions can Member States maintain a limited link between subsidy and production (“direct support schemes”).
2. **Cross-compliance.** These subsidies will be linked to the respect of environmental, food safety, animal health and welfare standards. The so called “cross-compliance” scheme is based on an array of existing legislation concerning the above mentioned standards (e.g. Nitrates Directive, Habitat Directive), as well as on the requirement of keeping all farmland in good agricultural and environmental condition.
3. **The reduction of direct payments (higher 5,000 Euro/year) for farms.** Funds will be switched from production (CAP pillar 1) to rural development measures (CAP

pillar 2); this shift of funds is called “**modulation**”. Modulation became compulsory at the same rates across the EU with a progressive design: 3% in 2005, 4% in 2006 and 5% for the period 2007 to 2013. The first 5,000 Euro of direct payments are exempt from modulation. These modulated funds are added to the rural development budget, and redistributed for rural development purposes across the Community in a way that is designed to help particularly those Member States that have greater rural development needs.

4. **Financial discipline.** A mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot.
5. **Revisions of the market policy of the CAP.** This included asymmetric price cuts in the milk sector, a reduction of the monthly increments in the cereals sector by half and reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors.

The legal texts were formally adopted at the Agriculture Council of September 2003 and consist of several regulations provided as overview in the following table:

Table 1: CAP reform 2003: Legislative Framework

Horizontal rules on single farm payment, set-aside and modulation	Support for rural development	Market policy reform ⁸
<p>Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the CAP and establishing certain support schemes for farmers (European Commission, 2003b)</p> <p>Commission Regulation (EC) No 570/2005 of 14 April 2005 establishing budgetary ceilings for direct payment schemes (European Commission, 2005a)</p>	<p>Council Regulation (EC) No 1783/2003 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) (European Commission, 2003c)</p>	<p>Council Regulations (EC) No 1784/2003 (cereals)</p> <p>Council Regulations (EC) No 1785/2003 (rice)</p> <p>Council Regulations (EC) No 1786/2003 (dried fodder)</p> <p>Council Regulations (EC) No 1787/2003 (milk, common market organisations)</p> <p>Council Regulations (EC) No 1788/2003 (milk, levy)</p>

Source: DG Agriculture and Rural Development website: http://www.eu.int/comm/agriculture/capreform/index_en.htm.

The implementation of the reform consists of three Commission regulations: **Regulation 1** covers the provisions concerning cross-compliance, controls and modulation (European Commission, 2004a); **Regulation 2** embodies the key element in the reform of introducing a Single Farm Payment (European Commission, 2004b); and **Regulation 3** covers those areas of support, which in the future are still product specific, or where the Member States have the option to retain a certain element of support coupled (European Commission, 2004c).

⁸ For more information on the detailed requirements laid down in the regulations, please refer to the DG Agriculture and Rural Development website: http://www.eu.int/comm/agriculture/capreform/index_en.htm.

3 Relevant Basic Principles and Instruments of both Policy Areas

After the description of the evolution of the WFD and the CAP, Chapter 3 introduces the basic elements of each policy area that are of special relevance from the opposite perspective and for the identification of synergies between both areas. The main basic principles and instruments include for the WFD (section 3.1): (i) Environmental objectives and non-deterioration clause, (ii) River basin management planning and Programmes of Measures, (iii) Application of polluter-pays principle, and (iv) Supporting transparency by public participation; for the CAP (section 3.2): (i) Secure food supplies, (ii) Common market organisations, (iii) Strengthening rural areas, and (iv) Funding instruments.

3.1 The WFD Basic Principles and Instruments

As already mentioned in section 2.2, the purpose of the Water Framework Directive (WFD) is to establish a framework for the protection of inland surface waters, transitional waters, coastal waters and groundwater. This framework aims at preventing further deterioration and protecting and enhancing the status of aquatic ecosystems and, with regard to their water needs, terrestrial ecosystems and wetlands directly depending on the aquatic ecosystems. Section 3.1.1 provides an overview of the environmental objectives including the non-deterioration clauses as outlined in the directive. For the implementation of these objectives, the WFD asks the Member States to prepare for each defined River Basin District a Programme of Measures (PoM); its summary forms part of the River Basin Management Plan (RBMP) being the main reporting tool of the WFD (section 3.1.2). As another key element, the WFD requires Member States to ensure an adequate contribution of different water uses – subdivided into at least industry, households and agriculture – to the recovery of the costs needed for water services, taking account of the polluter pays principle. Section 3.1.3 provides a summary of the application of the principle according to the WFD. For transparency purposes, the Directive foresees the consultation and participation of stakeholder and the broader public during the implementation and planning process (section 3.1.4).

3.1.1 Environmental Objectives and Non-Deterioration Clause

The WFD objectives are twofold: on the one hand, the WFD intends to prevent further deterioration and enhance the status of water ecosystems, and on the other hand to promote sustainable water use based on a long-term protection of available water resources (Article 1 WFD). The Directive aims at achieving a good status of Community water by 2015. This goal is translated into **environmental objectives** referred to surface water ('good ecological and chemical status'), groundwater ('good chemical and quantitative status) and to protected areas (compliance with standards and objectives specified in EU legislation establishing those areas). These objectives are much broader than the objectives of previous water directives. Those surface waters which are subsequently identified as Heavily Modified Water Bodies (HMWB) and Artificial Water Bodies (AWBs) must achieve 'good ecological potential' by 2015 (in recognition of the fact that changes to morphology may make good ecological status very difficult to meet).

In addition the WFD also requires that no deterioration in water status take place and that protected area (established under existing community legislation) objectives be met. **Non deterioration** is in actual facts a minimum objective and implies the maintenance, the preservation and conservation of the status of a water body. The WFD does not specify any date for the entry into force of this objective, which indicates that it became legally binding

with the Directive on 22nd December 2000 (Barreira, 2003). This clause was highly contested during conciliation process: the Council wanted to link compliance to 15 years after entry into force of the WFD, while the European Parliament wanted it to enter into force immediately upon entry into force of the Directive. However, the absence of any date in the non-deterioration clause in Article 4 (1) WFD leads to the reflection that the Parliament's opinion prevailed (Barreira, 2003). This was clarified by Mr. Liikanen from the European Commission during a Parliament's debate on water management (European Parliament, 2001): “[...] *The directive does not prohibit water transfers per se. However it imposes a binding legal requirement that they should not harm the environment. [...] since the directive entered into force on 22 December 2000 a strict non-deterioration clause has applied, which should prevent a repetition of past errors. The possibilities for derogation are restricted and subject to mandatory conditions.*”

Several possibilities for exemptions exist. One concerns cases when unforeseeable circumstances, such as a natural catastrophe or other *force majeure*, cause a temporary deterioration. The second possibility arises when the benefits provided by the modification of a water body present an overriding public interest. The implementation of these possibilities are still under discussion (see section 3.1.2).

3.1.2 River Basin Management Planning and Programmes of Measures

The WFD utilises the river basin as the natural unit for water management. Each river basin within a Member State must be assigned to a river basin district (RBD) and the Member State must arrange for co-ordination of administrative arrangements for water management in relation to each RBD lying within its territory.

Article 11 of the WFD forces Member State to define and implement for each RBD and for those part of the international river basin district falling within its territory a summary programme of measures to address the pressures on waters. These so called **Programmes of Measures** (PoM) can be considered as the **principle mechanism** for implementing the environmental objectives required by the WFD by 2015 (cf. section 3.1.1) and the specific environmental objective of each river basin district (Hansen et al., 2004). PoM have to be carried out based on the risk assessment outlined under Article 5 of the WFD. Such programmes of measures represent a new framework for controlling activities within a RBD. These activities do not have to be water based only, they also include land-use activities. The programme is obliged to adopt basic measures and may choose to develop other supplementary measures.

A summary of the programme of measures forms part of the **River Basin Management Plan** (RBMP) which can be considered as the main reporting mechanism to the Commission and to the public. Articles 13 and 15 of the WFD lay down the overall requirements of the RBMP, while Annex VII specifies the full contents of the plan. According to this, RBMP shall cover inter alia the following elements:

- a general description of the *characteristics* of the river basin district,
- a summary of significant *pressures and impact* of human activity on the status of surface water and groundwater,
- a map of the *monitoring* networks,
- a list of the *environmental objectives* for surface waters, groundwaters and protected areas,
- a summary of the *economic analysis* of water use (see also below),

- a summary of the *programmes of measures*, including the ways in which the objectives established are to be achieved,
- a summary of the *public information and consultation* measures taken, their results and the changes to the plan made as a consequence.

In this context, another key point of the directive has to be taken into account: The combination of an emission-related approach with discharge related measures to reduce pollution under the basic obligation of cost recovery (Article 9). To do so, the WFD suggests four main fields of action:

- Development of principles for integrated planning and management of waters;
- implementation of regulations concerning the quantitative protection of water resources;
- establishment of instruments to control groundwater pollution by non-point sources; and,
- implementation of instruments to control groundwater pollution by point sources.

The design and implementation of the river basin management plans require the use of economic data to support and guide a range of decisions including RBD characterisation of the selection of mitigation measures to meet good status⁹ and determining appropriate use of the exemptions¹⁰. The Directive (Article 4 WFD) allows the application of less stringent objectives (see section 3.1.1) or extended deadlines under specific circumstances, e.g. in cases when the most cost-effective combinations of measures for reaching the good status prove to be disproportionately costly¹¹. Exemptions have to be justified in each RBMP, and need to be scrutinised every six years (Pielen and Holländer, 2005). The decision of exemption will ultimately have to be taken by the basin authority which reports to the European Commission; the legitimacy of this decision is grounded in the preceding participatory process (Pielen et al., 2005).

These economic assessments will look at the economic and social costs and benefits of measures, as well as the environmental ones. When considering agricultural activities, this will mean weighing up the risks, costs, benefits and other impacts of changing current practices of food production including environmental benefits and impacts on rural development (Dworak et al., 2005).

3.1.3 Application of the Polluter-Pays Principle

The polluter-pays principle (PP principle) has long been an element of European environmental policy.¹² Although the principle was only embedded in the EC Treaty in 1987 by the Single European Act, references to it in EC documents date back as far as 1973. However, the Water Framework Directive (WFD) is one of the first directives in which the PP principle is explicitly incorporated (Preamble 11; Article 9), and it plays a significant role in the directive's overall implementation. In general, the main elements of the principle can be

⁹ Additional information on the selection of the most cost-effective combination of measures can be found at: Interwies et al., 2004.

¹⁰ For further information on the application of exemptions, see CIS Working Group, 2005 and Crosnier, 2005.

¹¹ There is at present no imperative requirement for a common methodology with regard to the assessment of "disproportionate costs" (cf. Pielen et al., 2005).

¹² Early references to the PP principle in EC environmental policy can be found in e.g.: EC Action Programme on the Environment (1973), Council Recommendation (75/436), Waste Framework Directive 75/442.

summarised that those who damage the environment should bear the cost of such damage; and the price of a good or service should include the cost of environmental damage that results from the production process by charging polluters for the environmental externalities of the production of a good or service (Pielen et al., 2003).

By making polluters-pay compensation for ongoing activities that deplete resources or otherwise impact on the environment, this instrument implicitly provides incentives not to pollute and to introduce more environmentally sensitive practices.¹³ Furthermore, if the PP principle is applied through environmental taxes or charges, it generates revenue that can be employed (and earmarked) towards the recovery of costs associated with the administration of environmental or resource management policies (Pielen et al., 2003).

In the context of the WFD, the polluter pays principle is strongly connected to the provisions concerning **cost recovery of the water services**. According to Article 9(1), Member States have to take into account the principle of cost recovery of water services (including environmental and resource costs) in accordance with the polluter pays principle by 2010. This formulation does not extend as far as originally wished for by the European Commission: the directive's text does not imply that full cost recovery needs to be achieved. Lower cost recovery rates can be justified on social, environmental and economic grounds, as well as due to geographic or climatic conditions (Article 9 WFD). Member States have to ensure that each of the different water uses (disaggregated at least in industry, households and agriculture) contributes adequately to the cost recovery of water services. This is in line with the polluter pays principle and would mean (if full cost recovery was to be achieved) that the agricultural sector for example would have to pay for the costs produced by diffuse pollution for the provision of drinking water (Pielen et al., 2003).¹⁴

It is important to note that cost-recovery applies to water services and not to all water uses. As the definition of water services (sub-group of water uses) in Article 2(38) of the WFD leaves room for interpretation, the specification of which activities constitute a water service has initiated discussions among Member States. The WATECO¹⁵ working group (as part of the "Common Implementation Strategy", see section 2.3) clarified the definition in its guidance document for the economic analysis.

3.1.4 Supporting Transparency by Public Participation

The WFD requires extensive consultation and participation activities in order to foster the transparency of the implementation and planning process. The core public participation provision of the WFD is Article 14, referred to as "Public Information and Consultation". In this article three levels of participation are mentioned – information, consultation and active involvement – which are modelled after the first two pillars of the Aarhus Convention.

Information has to be guaranteed by the Member States as a prerequisite for participation. Consultation processes are compulsory in the production, review and updating of the river basin management plans. Member States have to publish the documents of the planning

¹³ This point is anchored in Article 9 of the WFD, which outlines that water pricing policies should provide "adequate incentives" for users to use water resources efficiently and therefore contribute to the overall environmental objectives of the WFD. Water pricing policies can thus form an integral contribution to a full implementation of the PP principle, by setting appropriate price signals.

¹⁴ For more detailed information on incentive water pricing and cost recovery in the WFD, see Interwies et al., 2006.

¹⁵ The "WATER ECONOMICS" working group led by France and the EC consisted of approximately 40 members; its task was to clarify the understanding of the economic aspects of the WFD.

process in three rounds and each time invite the public to comment within six months. Moreover, the WFD requires the measures taken to inform and consult the public as well as the results of the *consultation* to be documented, which gives the European Commission the means for monitoring and enforcing the participation processes (Mostert 2003). The WFD furthermore calls for the “*active involvement* of all interested parties“ in the implementation process. This level of participation is not mandatory, but „to be encouraged“ by the Member States. It implies that stakeholders are actively involved in the planning process and contribute to discussions and decision-making.¹⁶

3.2 The CAP Basic Principles and Instruments

Even after several reforms since it was founded, the CAP follows a set of basic principles which have to be recognised when establishing a link with EU water policy. They include secure food supplies which no longer as strategically important as it was in the past (section 3.2.1). Further, the CAP aims at providing market stabilisation, a fair standard of living for farmers and increased productivity in agriculture ensured by common market organisations (section 3.2.2). Strengthening rural areas is one of the principles the June 2003 CAP reforms tackled by switching funds from production to rural development measures; section 3.2.3 describes the main legislative framework for the forthcoming (2007-2013) Rural Development programmes. Finally, section 3.2.4 provides an overview of the related funding instruments of the CAP.

3.2.1 Secure Food Supplies

After World War II, the CAP was originally set up to secure the supply of food for Europe. After forty years concerns have evolved and securing the food supply is no longer as strategically important as it was in the past, the focus today is much more on how and under what conditions food is produced. The reasoning behind the change was explained by the European Commission (2004d): "*Citizens in present-day affluent Europe need no longer be troubled by anxieties about safe and secure food supplies. They can take it for granted that adequate supplies of what they want will be available. Their concerns are now much more focused on food production methods and whether sufficient attention is being paid to market requirements, the environment, food safety, food quality and animal welfare.*"

The June 2003 CAP reforms followed by the mid-term review reflect this development by linking direct payments to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as to the requirement to keep all farmland in good agricultural and environmental condition (“cross-compliance”).¹⁷

3.2.2 Common Market Organisations

Since the introduction of the CAP the common market organisations (CMOs) have gradually replaced national market organisations in those sectors where this was necessary. This organisation of markets guaranteed producers a price higher than the price on the world market for their products. Import levies were introduced which protected producers against imports of cheaper competing products from outside the EU. When internal prices fell below a particular threshold, the market organisations had various instruments with which to

¹⁶ For more detailed information on co-operation and participation at the interface of EU agricultural and water policies, see Dworak et al., 2006.

¹⁷ For more information on the cross-compliance and the WFD, see Muessner et al., 2006.

intervene in the market and thus re-establish equilibrium. At this point, its success was so impressive that it had to be adapted quickly to safeguard control of production in some sectors.

CMOs cover about 90% of final agricultural production in the Community.¹⁸ Until now, income support and, to a lesser extent, market support have been the major areas of CAP expenditure.

There are four types of common market organisations. Some organisations involve mechanisms for production premiums and intervention, others use a simple intervention system, some merely provide production aid or just provide the products concerned with customs protection.

Table 2: Types of Common Market Organisation

Types of market organisation	Products concerned
Single farm payments*	All the CMOs
Supplementary aid	Durum wheat, protein crops, rice, nuts, energy crops, starch potatoes
Intervention and production aids*	Milk and milk products (from 2005), beef and veal, rice, olive oil, cereals, sheepmeat, oils and fats, raisins
Intervention*	Sugar, milk and milk products, wine, pigmeat, fresh fruit and vegetables
Production aid*	Flax and hemp, processed products based on fruit and vegetables
Customs protection*	Poultrymeat, eggs, live plants and flowers, products for which there is no market organisation

* There are special arrangements for some products from Madeira, the Azores and the Canary Islands, the islands in the Aegean and the French overseas departments.

The common market organisations are established and implemented through defined process. According to the Article 34 of the EC Treaty, the Council sets up the CMOs, while the Commission takes the implementing measures required for the market organisations' operation. Each organisation is run by a management committee, comprising representatives of the Member States and chaired by a Commission's representative. If the Commission does not wish to accept the committee's opinion, it falls to the Council to take a final decision.

Building on the 2003 and 2004 CAP reforms, the European Commission plans to simplify the CAP by creating a 'single Common Market Organisation' to cut red tape and costs. The Commission wants to provide a single set of harmonised rules in traditional areas of market policy (such as intervention, import tariff quotas, export refunds and safeguard measures) without changing the substance of the existing instruments and mechanisms.

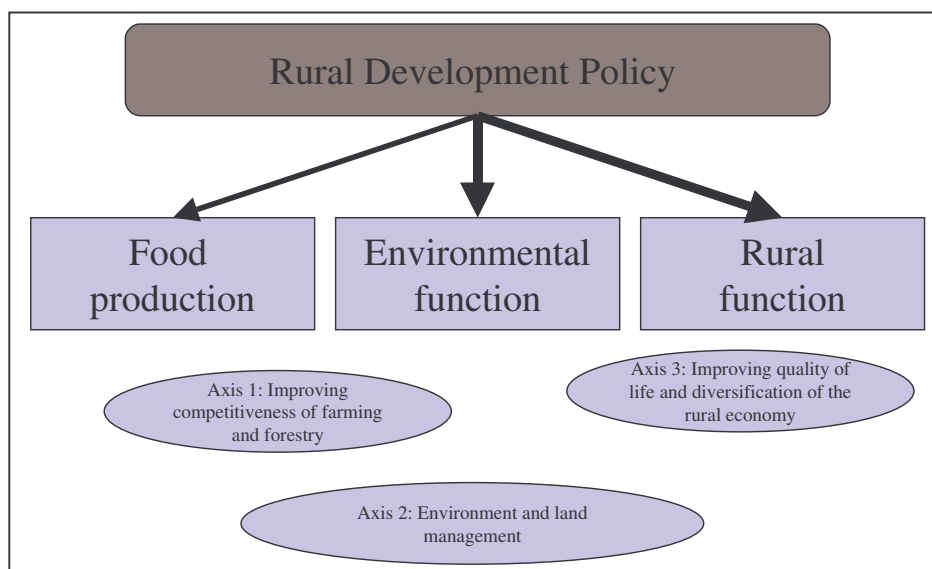
3.2.3 Strengthening Rural Areas

The EU's Rural Development (RD) policy has evolved as part of the historical development of the CAP. It is a response to the various characteristics of Europe's rural areas, which differ both in geographical and landscape features, as well as in the challenges they face. These challenges range from the restructuring of the agricultural sector, remoteness, poor service provision and depopulation to population influx and pressure on the natural environment, particularly in the rural areas near urban centres (Bendz, 2004).

¹⁸ See also <http://europa.eu.int/scadplus/leg/en/lvb/l11047.htm>.

By bringing the new RD policy under a single funding and programming instrument (European Agricultural Fund for Rural Development – EAFRD, see section 3.2.4), Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development (European Commission, 2005c) seeks to increase the coherence, transparency and visibility of RD policy, and aims to facilitate its implementation. The EU RD policy is designed to place agriculture in a broader context (see).¹⁹

Figure 1: The Main Objectives of the 2007-2013 Rural Development Policy



Source: Dworak et al., 2005.

The reform within the upcoming Rural Development Regulation (RDR) is based on three major policy objectives (Dworak et al., 2005):

- **Axis 1: Improving competitiveness of farming and forestry:** Increasing the competitiveness of the agricultural and forestry sector through support for restructuring and modernisation.
- **Axis 2: Environment and land management:** Enhancing the environment and the countryside through support for land management. Payments are subject to cross-compliance including good agricultural and ecological farming practice²⁰.
- **Axis 3: Improving quality of life and diversification:** Strengthening the quality of life in rural areas and promoting diversification of economic activities through measures targeting the farming sector and other rural actors.

The three thematic axes are complemented by a **fourth implementation axis (LEADER)** that streamlines the local development strategies. These strategies should be developed through a bottom-up approach.

The three axis consist of many different measures, with a variety of objectives. Some have specific environmental objectives (e.g. meeting environmental standards), some have several objectives of which one may be environmental (e.g. natural handicap payment), and some do

¹⁹ For further details on the linkages of Rural Development Programmes and WFD, see Dworak et al., 2005.

²⁰ In the case of agri-environment payments (Art. 39 RDR), national mandatory requirements as regards pesticides and plant protection products, and other relevant national legislation (sanction approach).

not have explicit environmental objectives (e.g. support of business creation and development).

In order to guarantee consistency within the Member State and the overall EU, the individual measures have to be submitted to and assessed by the Commission and require a positive decision by the Commission, based on a positive opinion of the Monitoring Committee, to be put into effect. Thereby the Commission tries to ensure as far as possible that measures do not have negative environmental impacts (Dworak et al., 2005).

3.2.4 Funding Instruments

EU spending on agriculture is made through the *European Agricultural Guidance and Guarantee Fund* (EAGGF) set up by Regulation No 25 of 1962 on the financing of the common agricultural policy (as last amended by Regulation (EEC) No 728/70). The Agenda 2000 CAP reforms brought greater clarity to CAP funding, as well as stabilising overall CAP expenditure and earmarking more funds for rural development measures. Council Regulation No 1258/1999 of 17 May 1999 lays down the CAP financing for the **period 2000-2006** (European Commission, 1999c). Agricultural expenditure includes two main areas (so-called 'Pillars'):

- **Market and income support measures (Pillar 1):** cover direct payments to farmers and continuing market-related subsidies under the common market organisations. The funding for Pillar 1 measures comes from the EAGGF *Guarantee Section*.
- **Rural development (Pillar 2):** provides funding to strengthen rural areas (see section 3.2.3). Measures are jointly funded (co-financed) by the EU and by Member States. The majority of expenditure for rural development measures is funded by the EAGGF Guarantee section, although a significant part comes from the *Guidance section*²¹.

In the last years, an increasing pressure towards the modernisation and simplification of the agricultural (and structural) funding system could be recognised. On 31 May 2005, the Agriculture Council reached political agreement on a regulation that will drastically change the way in which the CAP will be financed **from 2007 onwards**.²² The Council Regulation of 21 June 2005 establishes a single legal framework for financing CAP spending (European Commission, 2005b), creating two new funds under the general EU budget: the *European Agricultural Guarantee Fund* (EAGF) and the *European Agricultural Fund for Rural Development* (EAFRD). Both funds will apply the same rules wherever possible.

Simplification will be considerable for Rural Development programmes for the time period from 2007 to 2013. Unlike present practice, all Rural Development programmes will now be brought under one single fund (EAFRD), and governed by a single regulation, under a single programming, management and control system. The new system seeks to increase its coherence, transparency and visibility, and aims to facilitate its implementation. The new system of compulsory modulation agreed in the June 2003 CAP reform (i.e. switching of funds from production to rural development) will be used to finance the introduction of the new rural development measures, or to reinforce existing measures.

²¹ The Guidance section is one of four European Structural Funds that aim to assist regions that lag behind in their development, including rural areas. The other structural funds are the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Financial Instrument for Fisheries Guidance (FIFG).

²² Although it was proposed in the framework of the financial perspectives 2007-2013, its duration will not necessarily be limited to 2013.

4 How to Establish Synergies between the CAP and the WFD?

The Common Agricultural Policy and the Water Framework Directive remain in the implementation stages and are still being elaborated and reviewed, thus they still offer potential for further integration and harmonisation. Chapter 4 gives an overview of possibilities to establish synergies between the CAP and the WFD. It will further highlight potential challenges while implementing both policy areas.

4.1 Linking the Implementation Process of both Policy Fields

The CAP and the WFD policies follow specific time tables that are currently not directly linked to each other. Table 1 provides a comparison of the time tables of the CAP modifications and the WFD implementation.

Table 1: Time Tables of the CAP and the WFD

Year	Common Agricultural Policy (CAP)	Water Framework Directive (WFD)
2000	Approval of Rural Development Programmes under Agenda 2000	Adoption and coming into force of the WFD
2003	CAP Reform , including decoupling, cross-compliance, modulation, strengthened rural development policy	
2004		Analysis of the characteristics, pressures and impacts in river basins (according to Art. 5 WFD)
2005	Cross Compliance becomes compulsory, including introduction of Good Agricultural and Environmental Condition (GAEC)	
2006	End of 2000 – 2006 Rural Development programming period Final approval of EU strategic guidelines Drawing up and submission to Commission of RD national strategies and measures	Monitoring network must be established (according to Art. 8 WFD) Public consultation of timetable and working programme for the production of a river basin management plans (according to Art. 14 WFD)
2007	Start of new Rural Development Programmes Report on cross compliance	Interim report of significant water management issues (according to Art. 14 WFD)
2008	Review of 2003 CAP Reform (according to Article 8 Regulation (EC) No 1782/2003)	Public consultation on the river basin management plans (according to Art. 14 WFD)
2009		River basin management plans (according to Art. 13 WFD)
2013	End of 2007 – 2013 Rural Development programming period	
2015		Achievement of good status in all European water bodies (according to Art. 4 WFD)

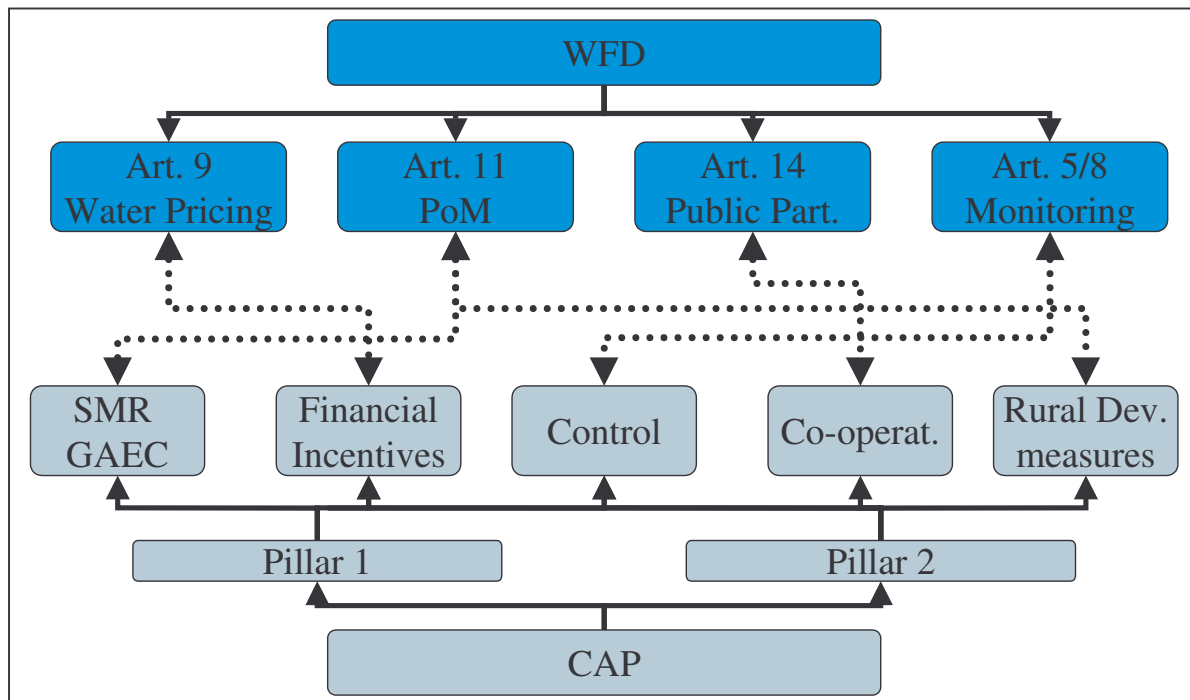
Source: Dworak et al., 2005.

As can be seen in Table 1, both time tables mismatch to some extent but there is a clear window of opportunity to create win-win situations between the implementation of the WFD and the CAP reform. In 2008, the mid-term review of the 2003 CAP reform and the public consultation on the WFD River Basin Management Plans (RBMP), including the Programmes of Measures (PoM), will take place at the same time. This gives the unique opportunity to find a common approach between both policies.

4.2 Links between CAP and WFD Instruments and Mechanism

There are several tools of the CAP which might be useful to support the implementation of the WFD. Figure 2 gives an overview of the links between instruments and mechanism of the CAP (SMRs/GAECs, financial incentives, control, co-operation and RD measures) and the WFD (water pricing, PoM, public participation and monitoring).

Figure 2: Links between CAP and WFD Instruments and Mechanism



Source: Own presentation.

The following sections provide more details on the linkages between (i) Cross Compliance and Programme of Measures, (ii) Rural Development and Programme of Measures, (iii) water pricing and CAP financial incentives, and (iv) control and monitoring. More detailed information on the issue of co-operation and public participation which is a key for successfully linking the CAP and WFD can be found in section 4.4.

4.2.1 Cross Compliance and WFD Programme of Measures

Cross compliance entails respect of both statutory management requirements (SMR) related to environment, animal and plant health and animal welfare (Regulation (EC) No 1782/2003, Annex III) and minimum requirements, to be defined by the Member States, for Good Agricultural and Environmental Condition (Regulation (EC) No 1782/2003, Annex IV).

While the WFD is not yet one of the SMRs, and other SMRs have no relation to its objectives, the implementation of the directives relating to the environment should help to achieve WFD objectives. The following directives are particularly relevant:

- the Groundwater Directive, Article 3,
- the Sewage Sludge Directive, Article 3,
- the Nitrates Directive, Articles 4 and 5,
- the Wild Birds Directive, Articles 3, 4 (1), (2), (4), 5, 7 and 8, and

- the Habitats Directive, Articles 6, 13, 15, and 22(b).

Further, while the SMRs relating to animal health and welfare are unlikely to have direct effects on implementation of the WFD, it is possible that they could have indirect positive effects: e.g. the placing of plant protection products on the market (Council Directive 91/414/EEC of 15 July 1991) may indirectly impact water quality by providing a stronger control over which pesticides and fertilisers are used. Another example concerns directives relating to animal welfare and housing which may result in fewer animals being housed together, thus decreasing the risk of over-discharging organic animal waste.

In addition, GAECs may also help to achieve WFD objectives, in particular in reducing runoff and soil erosion²³.

4.2.2 Rural Development and WFD Programmes of Measures

The other CAP instrument that can potentially support WFD implementation is the new **Rural Development** Regulation, providing a broad set of opportunities to organise a linkage between WFD and rural development. The implementation of the WFD objectives was clearly identified within the Community Strategic Guidelines as an important aim (European Commission, 2005d: 10). Measures available under Axis 2 of the upcoming RDR (environment and land management) have a particular potential for supporting and contributing to this aim. Indeed, Axis 2 offers the most obvious opportunities for a direct contribution to the delivery of WFD objectives most specifically in relation to payments linked to the WFD (Article 38 RDR). However RD programmes should not just involve directly targeted measures but should also consider how other measures might be tailored so as to give added value by contributing to the WFD delivery.

When drafting RD national strategies and programmes, the results of the WFD Article 5 reports on impacts and pressures should be used to help define the scope, objectives and measures concerning the preservation or restoration of water resources.²⁴ At a later stage the results of water monitoring networks which will be established in 2006 could be used to help evaluate the effectiveness of certain measures under the RDR²⁵.

4.2.3 Water Pricing and CAP Financial Incentives

The market alone is unlikely to deliver the necessary environmental improvements in agricultural production. Indeed, on the whole, only few consumers are willing to pay for products produced in an environmentally friendly way; what is more, farmers currently do not account for the external costs of agricultural production, such as the costs of water pollution with nutrients or pesticides. Instead, these external costs are largely borne by others (e.g., higher expenses for water purification and treatment for the water industry, and ultimately for water consumers). In some instances, external costs are not even paid for by the current generations (e.g., degradation of the water environment without material damage to water users). The existence of such external costs means that, from the point of view of society as a whole, the market is working inefficiently.

Incentive water pricing aiming at the sustainable use of water is one important part of WFD implementation, and is strongly linked to other economic concepts such as cost recovery and

²³ For further information on Cross Compliance and the WFD, see Müssner et al., 2006.

²⁴ Herbke et al., 2005 provides more detailed information on the pressures and impacts from agriculture on water.

²⁵ Information on the linkages between Rural Development and the WFD can be found in Dworak et al., 2005.

the polluter-pays-principle. As the current application of incentive water pricing in the context of the WFD shows, there is a need to specify the main terms and concepts (cost categories, adequate contribution to cost recovery, adequate incentives) further in order to support practical implementation. In addition, there is need to share experiences among Member States.

The CAP clearly has a large influence on the incentive and cost recovery aspects of water pricing. By providing a wide range of payments under the two pillars, the CAP sets different incentives to farmers regarding water use. In order to develop a proper water pricing system to fulfil WFD obligations, it is essential to understand these payments and their effect on farmers' decisions. Some of these payments work against the incentives that a sustainable water pricing system is expected to convey, e.g. by setting an incentive to use more water or by covering parts of the financial costs of water services. On the other hand the CAP provides payments which could soften social and economic hardships resulting from WFD implementation.²⁶

4.2.4 Control and Monitoring

The WFD and the CAP contain different monitoring and control requirements that all focus to some extent on water quality, quantity and hydromorphological aspects. A close co-operation could be beneficial for both sides. This is especially important as the development and maintenance of control rules and measures can lead to excessive operational costs and are very difficult to implement. Therefore, economic efficiency of the system and administrative capacity to implement it should constitute important criteria for developing an appropriate system. A close co-operation between stakeholders involved in water and agriculture management in Member States could also influence the costs for reporting, as similar data has to be reported several times to different authorities.

4.3 Co-ordination between Responsible Authorities

One of the major difficulties besides the different timetables (see section 4.1) is the issue of co-ordination. The WFD follows a river basin approach, while the RDR follows a national and regional approach respectively. In order to create cost-efficient win-win situations for both policy areas, it is essential to rationalise and to ensure harmonisation of the implementation. This task becomes even more difficult in transboundary river basins where different regions or even different Member States are sharing the same river basin and different stakeholders – not only between riparian states, also between agriculture and water management within a Member State – are involved. This requires a very ambitious collaboration of the authorities planning rural development and those responsible for river basin management plans.

This means that representatives from the authorities in charge of Rural Development planning need to be represented in the river basin authorities and vice versa. Equally, measures of the Rural Development Programmes may become part of the Programme of Measures under the WFD or vice versa. As the window of opportunity is rather limited at this stage (RD programmes will be finalised by end of 2006, drafts of Programmes of Measures have to be available by the end of 2008), options coming from the RD mid-term revision (2008) should be kept in mind.

²⁶ Further information on water pricing and WFD can be found in Interwies et al., 2006.

As river basin catchments will be larger than the geographic regions for Rural Development in many cases, it is possible that river basin authorities will need to seek input into several regional Rural Development Programmes, and it is also possible that individual rural regional authorities may have to be involved in more than one river basin plan. This shows the important role of the co-ordination activities of the responsible authorities. Indeed, the co-ordination between the different authorities involved in the different planning processes is a key element for the appropriate implementation of the WFD (especially for the development of the Programmes of Measures) and the development of the RD programmes.

4.4 Co-operation and Public Participation

It is very unlikely that any River Basin Management Plan (RBMP) can be implemented successfully if it does not have public acceptance, and success is extremely unlikely without the acceptance of relevant water users. Thus, public participation will be a key factor to develop a common approach between farmers and authorities responsible for water management at all levels. The involvement of relevant stakeholders, such as farmers, water suppliers and nature conservation groups, can give the possibility to identify measures that result in benefits for each of the parties (for example, farmers can reduce the costs of mineral fertilisers and pesticides thanks to a better application of these substances; water suppliers can abandon responses to increasing water pollution, such as the closure of wells). Potential conflicts between Rural Development Regulation and WFD policies can be minimised. Therefore, major efforts should be put into backing these tools.

The upcoming consultations for WFD implementation (Art. 14) will offer opportunities for the agricultural sector to get more involved. Co-operation between both the agricultural and the water sector can be established on various issues and different aims. One aim could be the issue of cost saving (shared data bases on water quality for control purposes) another aim could be the prevention of further conflicts (e.g. water pricing, 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 to be taken.

Stakeholder activities concerning water and agriculture take place at different governance levels. The involved stakeholder groups differ between those levels in terms of thematic focus, degree of organisation and type of contribution. Therefore measures and initiatives to foster co-operation and participation need to be carefully adapted to the governance level they are intended to address.

5 Conclusion

The evolution of the Common Agricultural Policy (CAP) after World War II and the development of the European water policy towards the adoption of the Water Framework Directive shows the different traditions of both policy fields and the challenges they had to address during the last decades. The CAP at the beginning clearly aim to secure the supply of food for Europe, while its focus today is much more on how and under what conditions food is produced. In relation to the CAP, the water policy has a short historical development and is being originally characterised by a strongly pollution-oriented approach and a set of individual directives and ending up with the inter-sectorial catchment based approach of the WFD. It is important to understand these differences. Indeed, the tradition and culture behind CAP and WFD should be taken into account while establishing links between both policies to enable the appropriate implementation in a coordinative way.

The window of opportunity for a better co-ordination and also harmonisation between the CAP and WFD implementation processes is significant. For example, the mid-term review of the 2003 CAP reform conducted in 2008 needs to be linked with the public consultation on RBMP and PoM which will be undertaken for each river basin district in the same year. The 2008 review includes the cross-compliance system and potentially the list of statutory management requirements as well as the direct support schemes.

Furthermore, the process of implementing and specifying the new RDR for the period 2007-2013 in the national strategies provides also a window of opportunity. As part of the national strategies, the RD measures which can benefit from the Article 38 RDR payments linked to the WFD will have to be further defined in the context of the PoM development in 2008. This process offers the water managers the opportunity to express their needs for a better protection of water resources and the aquatic environment in the framework of the RD policy. Measures as the management and/or restoration of floodplain functions associated with a water body can potentially be funded under Article 38 RDR supporting the achievement of the WFD environmental objectives (good status of all water bodies by 2015).

For the achievement the WFD objectives and the implementation of the CAP modifications, the co-ordination between the relevant authorities plays a key role. Representatives from the authorities in charge of Rural Development planning need to be represented in the river basin authorities and vice versa. The co-ordination between the different authorities involved in the different planning processes is a key element for the appropriate implementation of the WFD (especially for the development of the Programmes of Measures) and the development of the RD programmes.

In addition, the upcoming consultations for WFD implementation (Article 14) will offer opportunities for agricultural stakeholder to get more involved. The active involvement of farmers is contingent on their capacity to participate in collaborative activities. Fostering the participation of stakeholders in decision-making processes will lead to better planning decisions and thus improve the acceptance of future measures to be taken.

6 Bibliography

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