



## **LESS-FAVOURED AREAS IN THE EUROPEAN UNION**

### **Comparative analysis**

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## 1. Introduction

This study is the final result of a three-month long internship period at the Regiebureau POP (Coordination Unit of the Dutch Rural Development Plan). The main aim of the research was to analyse and compare EU Member States' Rural Development Plans (RDP) with special emphasis on the measure of "Less-favoured areas and areas with environmental restrictions".

The relevance of this study lies in the present interest of the Dutch Ministry of Agriculture, Nature Conservation and Food Quality in extending the territory of Dutch less-favoured areas. These areas currently cover 109.032 ha (3.22%) of the total surface of the Netherlands and the related measure is implemented in an indirect way (passive measure) favouring nature management purposes. For extending these areas and modifying the way of subsidising them, an investigation about the Member States' experiences might be useful.

As a consequence of the short time available and the high number of RDPs in the EU-15, this study covers only a limited number of countries, namely the ones that have some similar aspects with the Netherlands and are generally neighbouring countries. These are as follows: Belgium (Flanders and Wallonia), Denmark, France, Germany (North Rhine-Westphalia and Bavaria), Ireland and the United Kingdom (England and Wales). As there are important differences in the ways of dealing with rural development measures in these Member States, my research concerned four national and six regional RDPs. Some countries, such as Denmark, France, Ireland and the Netherlands have elaborated only one national plan for rural development, while others have drawn up plans for each of their regions.

My most important research questions concerned first of all the selection and classification procedure of the LFAs in the different Member States. This procedure goes back high in the past, in the mid 1970's, when the first European Directive of this kind introduced a system of compensation for areas with permanent natural handicaps. This fact caused some difficulties in my research as those persons who used to be active in this matter that time can hardly be contacted at present.

I was also eager to find out how the selection criteria of the LFAs have changed –if changed- since the installation of the system and what kind of amendments the Member States have taken since their first list of LFAs.

The other part of my questions concerned the current application of the measure of "Less-favoured areas and areas with environmental restrictions" in the different RDPs, the ways of diversifying and compensating them, the amounts of allowance given, the special eligibility conditions and the Member States' experiences related to the application of this measure.

I started my research with a desk study, I entered deep into detail concerning the European legislation about the less-favoured areas, the Member States' lists of LFAs and selection criteria described in Council Directives, and the Rural Development Plans. I prepared comparative tables to facilitate the comprehension of the different ways of application of the given measure and I gathered all the selection criteria for LFAs from the European legislation.

Once the theoretical background was acknowledged, it turned out that some practical questions were still open concerning the different ways of implementation of the Member States. To solve this problem I formulated a questionnaire for the MS's experts of this field. By the help of the Regiebureau I had also the opportunity to participate in a STAR Committee meeting in Brussels and to meet Mr John Lougheed, deputy head of the Unit of Rural Development Programmes at the European Commission, who is the expert of less-favoured areas. Some personal interviews took also place at the Dutch Ministry of Agriculture, Nature Conservation and Food Quality in the Hague, at the Ministry of Flemish Communities in Brussels and at the Ministry of Environment, Nature, Agriculture and Consumer Protection in North Rhein-Westphalia in Dusseldorf. These personal contacts contributed to my better understanding of the context and provided me with a clearer vision of the field.

This analysis is divided into three main parts. The first part contains a general description of the historical and legal background, together with the current challenges, future perspectives and guidelines provided by the European Commission. The second part comprises a comparison among the use of different selection and classification criteria applied by the Member States.

The third part of the study describes the various ways of application of the measure of “Less-favoured areas and areas with environmental restrictions” in the RDPs. It compares the possibilities Member States may choose to compensate their farmers for farming among handicapped natural conditions, in order to ensure continued agricultural landuse, to preserve the countryside and to maintain the social fabric of rural communities.

Based on the results originating from all these comparisons I draw some conclusions and give my recommendations for the Netherlands.

## 2. Historical and legal background

### 2.1 An old measure in a new policy

Following the EU summit in Berlin in March 1999, the Common Agricultural Policy has been reformed for the purpose of being able to face the challenges of the coming decades. These challenges originate from several internal and external reasons, such as the enlargement of the EU, further restrictions resulting from the WTO negotiations and also the need for a simplified system for the European farmers, in which environmental considerations get more importance.

The Berlin European Council reaffirmed that the content of the reform would secure a multifunctional, sustainable and competitive agriculture throughout Europe, including in regions facing particular difficulties. It will also be able to maintain the landscape and the countryside, make a key contribution to the vitality of rural communities and respond to consumer concerns and demands regarding food quality and safety, environmental protection and maintaining animal welfare standards<sup>1</sup>.

Accordingly, the reform not only concerned the market policy of the CAP (agricultural production and the Common Market Organisations), but also it introduced a second pillar, namely the rural development policy.

The framework of the Rural Development Policy was laid down in May 1999 in the Council Regulation (EC) No 1257/99 concerning the Community support for sustainable rural development. This regulation contains 9 rural development measures, 4 of which were accompanying measures of the 1992 reform and the others aim the modernisation and diversification of agricultural holdings. The Framework Regulation sets for the first time the obligation of elaborating rural development plans by the Member States at the most appropriate geographical level for a seven-year period (2000-06), on which their rural development programmes are based.

One of the 9 rural development measures defined in the Framework Regulation concerns “Less-favoured areas and areas with environmental restrictions” within the territory of the European Union. This is one of the oldest rural development related measures, as its origins go back high in the past. It is based on a former directive no longer in force, namely the Council Directive 75/268/EEC, which was the one that inaugurated in 1975 a system of aids to assist areas with permanent natural handicaps. For facilitating the implementation of this directive, the Commission published its interpretation in an Explanatory Memorandum (COM (74) 2222), which provided the Member States with instructions concerning the selection criteria for three types of less-favoured areas (mountain areas, less-favoured farming areas and small areas with special handicaps).

On the basis of the directive and explanatory memorandum of 1975, each of the then 9 Member States designated its less-favoured areas and translated the directive to national level by a Council Directive adopting the list of its LFAs. These lists have been extended since that time in several amendments and new Member States have nominated their LFAs in accordance with the same legal basis. Those countries that designated as LFA less than 0.4% of their total territory (such as the Netherlands), could reserve the right to pursue further discussions about them in the future.

By the accession of Spain, Finland, Sweden and Austria, the surface of the LFAs has increased significantly. However, since 1997 less changes have been carried into effect concerning the extent of LFAs. The present candidate countries are also directed to follow the same guidelines, although the system already needs to be reformed in certain aspects.

The selection criteria for LFAs have not been modified in essence since 1975, except for a few of them, such as the percentage of active population engaged in agriculture i.e. The original directive was repealed two times, once in 1997 then in 1999. One new aspect has been introduced to the system by the Regulation 1257/99, a new type of disadvantaged area which is affected by environmental restrictions. So far relatively few areas have been designated as such and in the

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<sup>1</sup> Reform of the Common Agricultural Policy (CAP) ([www.europa.eu.int](http://www.europa.eu.int))

future this category will be reserved for Natura 2000 territories. The new framework regulation has also changed the basis of the compensation within this measure in accordance with the principles of the CAP reform (subsidies not encouraging increase in productivity – decoupling from production). The compensation is not based any more on livestock units (headage payment), but is an area-based allowance. Good Farming Practice and environmental considerations have also got more attention in the renewed context.

A very important modification of the system came into force under the implementing rules of the Regulation 1257/1999. Until 1999 the classification of LFAs was done on the basis of a reasoned request by the Member States to the Commission. The Council, on the basis of a proposal by the Commission, adopted the list of LFAs. Since 1999 decisions adopting or modifying lists of LFAs are no longer taken at the Community level, but by the Member States, who notify the Commission. Member States must give, though, specific information on these amendments. While there is no formal approval, the Commission checks each proposal notified to verify its conformity with the Directive previously approved<sup>2</sup>.

For the time being, the Commission considers sufficient, even a bit exaggerated the present extent of less-favoured areas<sup>3</sup>. It tends to maintain a balance in the policy between financial sources allocated to development and to income support. Accordingly, the Commission does not intend to encourage further extensions of the less-favoured areas. This intention is especially topical at the moment as the Court of Auditors is currently investigating the justness of allowances for certain LFAs. The system was elaborated and the areas were justified so long ago, that certain areas might not be eligible any more for such aids. For this reason the system might be reviewed in the future on request of the Court of Auditors.

The system is also criticised for its inequality of certain aspects. The criticism is based on the fact that wealthier countries are able to compensate better their farmers for their natural handicaps than other countries. This might cause unequal conditions for farmers farming in different Member States, but struggling against the same natural handicaps.

As many conditions have seen changes since the installation of the system of less-favoured areas, the necessity of a reform is justified. The elements of this reform are not clear yet, though. The mid-term review of the CAP and the mid-term evaluation of the RDPs may help to define further steps and changes.

## **2.2 The legal context of less-favoured areas**

The system of compensating farming activity among disadvantaged conditions resulting from permanent natural handicaps was first introduced to the Common Agricultural Policy in 1975 by the Council Directive 75/268/EEC. This directive authorized the Member States to introduce a special system of aids in order to ensure the continuation of farming, maintaining a minimum population level and conserving the countryside in certain areas, which had been endangered by abandonment due to difficult farming conditions resulting from severe natural handicaps.

The Directive defined three types of areas struggling against difficult farming conditions within the European territory, such as mountain areas, characterised by considerable limitation of landuse possibilities, areas endangered by depopulation due to the presence of infertile land and low productivity, as well as small areas affected by specific handicaps. Farmers in all these areas were allowed to be compensated for their disadvantages according to the severity of the permanent natural handicap affecting their farming activities.

The Directive did not limit the types of agricultural activity at the farms. In case of livestock production (cattle, sheep and goat) the allowance was based on livestock units (headage payments), while in other cases it was calculated in relation to the area farmed.

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<sup>2</sup> Special report No 4/2003 concerning rural development: support for less-favoured areas, together with the Commission's replies; OJ C 151, 27.6.2003, p.9, 20

<sup>3</sup> Information based on the consultation with Mr John Lougheed, Deputy Head of the Unit of Rural Development Programmes on the 5<sup>th</sup> June 2003, Brussels

Although the Directive laid down the types of disadvantaged areas, the eligibility conditions and levels of aid, it did not give a clear guideline concerning the selection and classification of these areas. To make clear which areas can be designated as such, the Commission gave its interpretation of the criteria for the selection and classification in an Explanatory Memorandum (COM (74) 2222).

### ***Selection criteria for LFAs according to the Explanatory Memorandum COM (74) 2222***

#### ***1. Mountain areas***

- ❖ *Altitudes above 600-800 m, or (criterion dependent on the location of the mountain, degree of latitude and North-South exposure of the slopes)*
- ❖ *Slopes greater than 20% (average slope per km<sup>2</sup>), or*
- ❖ *Combination of the two factors (if one of the two factors is less severe, the other one must be proportionately more acute; the sum of the two handicaps is not less severe than that resulting from each of the factors taken separately)*

#### ***2. Less-favoured areas in danger of depopulation***

*Farming areas of homogeneous character which exhibit the following characteristics:*

- ❖ *Presence of infertile land unsuitable for cultivation or intensification and mainly suitable for extensification*
  - *Yields of grass or cereals below 80% of the national average and not above Community average, or*
  - *Stocking density below 1 LU/forage ha, or*
  - *High percentage of UAA or of all area in permanent pasture made up of rough grazing, or*
  - *Low value of the land or of an index of land values considerably below national average.*
- ❖ *Economic results appreciably lower than average*
  - *Can be demonstrated by an economic indicator (value added, gross farm income, labour income, etc, or more complex indicators made up of several factors)*
  - *“Appreciably less than average” means less than 80% of the national average*
- ❖ *Low or dwindling population predominantly dependent on agricultural activity*
  - *Population density not greater than 50% of the national average, and not exceeding 75 inhabitants/km<sup>2</sup>, or*
  - *Rate of regression not less than 0.5% per year.*
  - *Substantial proportion of the working population engaged in agriculture. (only criterion modified since 1975)*

#### ***3. Small areas with special handicaps***

- ❖ *Unfavourable production conditions (poor soil, poor drainage, presence of excessive salinity in coastal areas or small islands, etc), or*
- ❖ *Constraints on farming due to environmental regulations or public regulations relating to the preservation of the landscape or coastal protection, or*
- ❖ *High cost of sea transport in case of islands.*

The instructions of this Explanatory Memorandum are still largely appropriate except for some details. New candidate countries were always encouraged to follow these guidelines, what is the case at present, as well.

Due to the significant differences among the Member States, these selection criteria relating to the severity of handicaps are based on the averages of the Member States and not that of the Community.

From 1975 to 1997 only a few amendments modified the original text of the Directive 75/268/EEC. These amendments did not change the principles of the compensation system and the selection and classification criteria of the LFAs.

The first directive concerning LFAs existed until 1997, when a new Council Regulation (No 950/97) repealed it in May 1997. This new regulation was intended to improve the efficiency of agricultural structures and comprised nine measures financed by the Guidance Section of the EAGGF. The "aid scheme to benefit less-favoured agricultural areas" together with the other three accompanying measures became then part of the rural development related measures of the Common Agricultural Policy, instead of being separate entities. The principles and objectives of the scheme remained invariable and the compensatory allowance could still be allocated as "Headage payment" in case of keeping cattle, sheep, goats or equine animals, while as "Area-based payment" in case of other types of agricultural production (with certain limits).

The reform of the CAP brought important changes to the system of aids for agriculture. From one point of view, due to the overproduction and the WTO constraints of market liberalisation, subsidies must not encourage production any more. "Decoupling" means that aids must be separated from the production, which concerns compensatory allowances as well in case of less-favoured areas. From the other point of view, rural development policy had a great leap forward and became the second pillar of the Common Agricultural Policy in addition to the market policy (first pillar).

These policy-changes were partly incorporated in the Council Regulation 1257/1999, which represents the framework of a reformed rural development policy. The one of its nine measures concerning LFAs is now called "Less-favoured areas and areas with environmental restrictions". The most important change of this measure is the switchover from compensation based on livestock unit to area-based allowance, which meets the principles of decoupling. At the same time, the financing of the Community contribution of this measure passed from EAGGF-Guidance to EAGGF-Guarantee Section.

The other new aspect is the introduction of a new type of area to compensate, namely the areas affected by environmental restrictions. These restrictions may result from the implementation of limitations on agricultural use, based on Community environmental protection rules, in consequence of which additional costs or/and income foregone may occur to farmers respecting them. At present, the most commonly used restrictive Directives are the Flora and Fauna Directive (92/43/EEC) and Wild Bird Conservation Directive (79/409/EEC). However, it is clear that compensation must not be granted for reduction or avoidance of pollution, in accordance with the "polluter pays" principle. Such environmental protection rule is for example the Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources.

These areas are currently limited to reach 10% of the total surface of each country together with the less-favoured areas affected by special handicaps (art. 16 + art 20). Payments for compensating farmers under these two articles may be accumulated. In the future, though, according to the proposal -related to the mid-term review of the CAP- adopted by the Council of Ministers in June 2003, areas with environmental restrictions shall comprise exclusively Natura 2000 areas without any limitations concerning the size.

The present Framework Regulation lays down the eligibility conditions for receiving compensatory allowances, such as pursuing the farming activity in a less-favoured area for at least five years from the first payment, applying good farming practices and farming a minimum area defined by the Member State.

For the application of the Framework Regulation, detailed rules have been laid down in the Commission Regulation (EC) No 445/2002. This has been recently amended by Commission Regulation (EC) No 963/2003. These amendments further the improvement of transparency and the procedure for submitting amendments of the RDPs.

Concerning the less-favoured areas, only a few changes can be expected in the amendment of the Regulation 1257/1999.

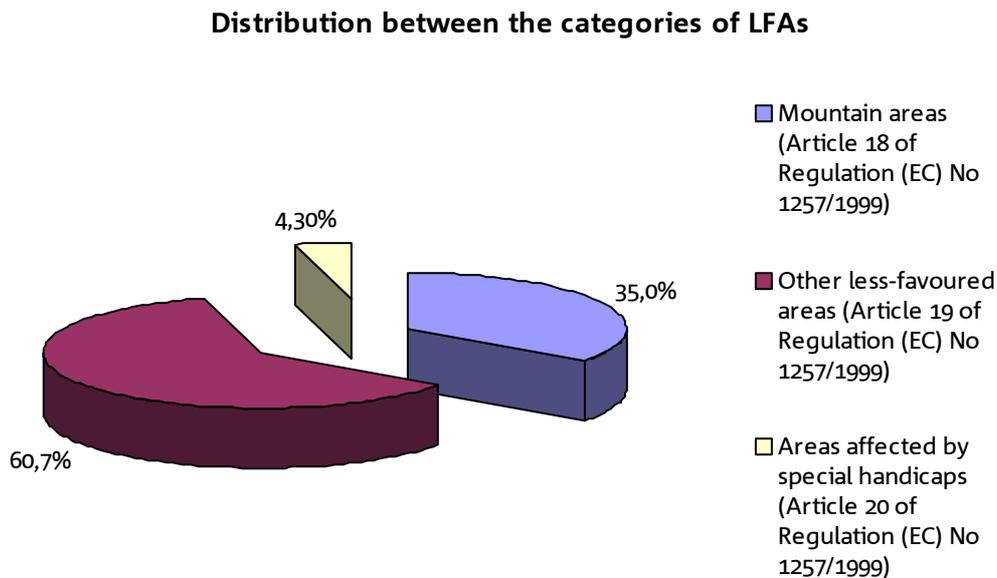
### 3. Selection criteria for LFAs used by the different Member States

#### 3.1 Extent of the different categories of less-favoured areas

The areas classified as less-favoured increased steadily from 36% in 1975 to 56% of the Community's UAA (Usable Agricultural Area) in the year 2000. This increase was due partially to the successive enlargements of the EU, with a number of countries having a high proportion of less-favoured areas, such as Spain, Finland, Sweden, Austria, etc. The rate of LFAs varies considerably from one Member State to another, ranging from 1% for Denmark to more than 98% for Luxembourg<sup>4</sup>.

Graph 1 shows that the areas in danger of abandonment (Article 19) comprehend the most important category of LFAs, representing alone 60.7 % of the total surface of LFAs. Mountain areas also represent a significant part among LFAs, but as they are less important within the countries of my analysis (except for France), I paid less attention to these. Although the areas affected by specific handicaps represent only 4.3 % of the LFAs, they have an important role in my study as the Netherlands have identified LFAs exclusively in this category.

Graph 1



Source: Document of the Court of Auditors No 4/2003

Among the countries of my analysis, Ireland has designated as less-favoured the most significant rate of its total UAA (around 74%). This percentage is composed by less-favoured farming areas in 73.5 % and by LFAs with special handicaps in only 0.5 %. Ireland has extended considerably the surface of its LFAs over time, it went up from 51.2% to 70,9% between 1975 and 1998. These continuous extensions were not consequences of selection criteria modifications, but originated from the classification of new territories on the basis of these criteria laid down in 1975 and reinforced in 1985. The map of Irish LFAs can be seen in Annex 1.

From 1975 until 1995, German LFAs also went through an important increase. Their amount almost doubled; from 29 % in 1975 it reached 54 % of the agricultural area in 1995. Germany has a great percentage of less-favoured areas classified within article 19, representing around 46% of

<sup>4</sup> Special report No 4/2003 concerning rural development: support for less-favoured areas, together with the Commission's replies; OJ C 151, 27.6.2003, p.3

Germany's UAA. A relatively low percentage (2.5%) of the total UAA had been designated as mountainous area, an important part of it in Bavaria (241200 ha) and in Baden Wurtemberg (119042 ha). Areas affected by specific handicaps do not represent an important percentage, only about 1.5 % of the total UAA. In Saarland, though, they reach 35407 ha.

In the year of introduction of the system of aids compensating permanent natural handicaps, the United Kingdom identified about 37% of its UAA as being less-favoured. The list of these areas had been continuously extended to reach 52% until 1995. This percentage decreased since that time and now represents 44% of the total UAA of the United Kingdom. It is wholly composed by farming areas in danger of abandonment (article 19). Only the Isles of Scilly (about 1400 ha) are classified within the meaning of article 20, but these areas only represent 500 ha of farmed land and are not subsidised by compensatory allowance.

In case of France (without taking into consideration the overseas territories) the surface of mountainous areas represent a relatively high percentage (13.9% of UAA). The extent of areas classified under article 19 reaches 28.5% of the French UAA, while as being affected by special handicaps, only a very small territory was designated ( around 1.2%).

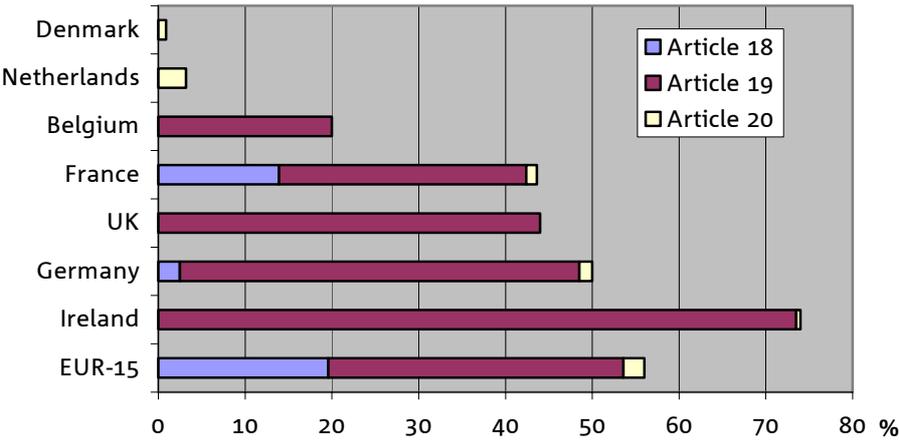
Belgium, such as the UK, only identified zones as being in danger of abandonment (article 19). These territories are exclusively situated in the Wallon region (almost 37% of wallon UAA is concerned), while at present the Flemish part of the country do not have any areas classified as being disadvantaged. In the near future, though, the Flemish administration intends to classify less-favoured areas<sup>5</sup>.

The Netherlands and Denmark have the lowest percentage of LFAs within the EU. They both classified areas solely within the meaning of article 20 of the Regulation 1257/1999, although their selection criteria are significantly different.

The last extension of LFAs took place in the period of 1991-1992 in case of the UK, Germany and the Netherlands, while Irland and France last completed their lists of LFAs in 1996 and 1998 respectively. Belgium has not extended its LFAs since 1977 and Denmark since 1998 (year of creation of the first directive concerning the list of Danish LFAs). The extent of LFAs as a proportion of UAA in the different Member States is demonstarted by Graph 2.

Graph 2

LFAs as a proportion of total UAA per Member State



Source: Document of the Court of Auditors No 4/2003 and RDPs of the MSs

<sup>5</sup> Information based on the consultation with Mrs Sophie Dewispelaere, Ministry of Flemish Communities (VLAM), on the 5<sup>th</sup> June 2003

### 3.2 Indicators used by Member States to identify different types of LFAs

As it was already mentioned above, the guidelines for the selection criteria of the different types of LFAs were laid down in the Explanatory Memorandum COM(74) 2222. These guidelines allowed the Member States to identify their LFAs according to their national characteristics. As it did not give a very strict instruction, but only a framework, Member States used a wide variety of indicators to define the three types of disadvantaged areas.

#### 3.2.1 Areas in danger of abandonment (Article 19 of the Regulation 1257/1999)

Especially the indicators to designate areas in danger of abandonment vary significantly. Almost all Member States use their own unique indicators for the criteria of land productivity and economic performance. The following tables show the different indicators used by Member States to fulfil the common criteria.

##### Land Productivity

<i>Country</i>	<i>Indicators used</i>	<i>Limit value</i>
<i>Belgium</i>	<ul style="list-style-type: none"> <li>▪ permanent meadow or pasture/UAA</li> <li>▪ number of days without frost</li> <li>▪ production from bovine animals (per ha)</li> <li>▪ cereal yield</li> </ul>	min 80% 150 70% of national average 80% of national average
<i>France</i>	<ul style="list-style-type: none"> <li>▪ final agricultural production/ha</li> <li>▪ stocking rate (LU/ha)</li> </ul>	80% of national average 1
<i>Germany</i>	<ul style="list-style-type: none"> <li>▪ agricultural comparability index (LVZ)</li> <li>▪ permanent meadow or pasture/UAA</li> </ul>	28 min 80%
<i>Ireland</i>	<ul style="list-style-type: none"> <li>▪ percentage of ploughed area</li> <li>▪ stocking rate (LU/ha)</li> </ul>	7,8% 1
<i>United Kingdom</i>	<ul style="list-style-type: none"> <li>▪ grassland/total UAA</li> <li>▪ stocking rate (LU/ha)</li> <li>▪ farm rent</li> </ul>	min 70% 1 65% of national average

**Table 1**

For the criterion of 'High percentage of permanent pasture' laid down by the Commission, Belgium and Germany uses the indicator of a minimal rate of 80% of the UAA to be permanent meadow. In the United Kingdom the rate of grassland must be 70% at least. For the same criteria Ireland fixes a maximal rate of ploughed area, 7.8%.

The common criteria of 'Stocking density' is used by France, Ireland and the UK, with a maximal rate of 1 LU/ha. All the other indicators are unique and incomparable with each other.

Germany elaborated a special classification system in 1974, which was based on a complex indicator called 'landwirtschaftliche vergleichszahl' (agricultural comparability index). This index was calculated on the basis of the natural characteristics of agricultural areas, such as the soil quality, climatic conditions, heterogeneity of soils, water management problems, etc. The classification of German LFAs in danger of depopulation is based on this point system. The national average value of LVZ is around 40. An area may be classified as LFA, if its LVZ factor does not exceed 28 points, representing the 70% of the national average. In certain exceptional cases, such as in case of a substantial percentage (20%) of population engaged in agriculture, or high proportion of permanent meadow, this LVZ may reach 32.5 points within LFAs. The big advantage of this system is its objectivity and comparability. It might be an easily justifiable criterion for the Commission.

## Economic Performance

<i>Country</i>	<i>Indicators used</i>	<i>Limit value</i>
<i>Belgium</i>	▪ earned income per work unit	77% of national average
<i>France</i>	▪ gross farm income per annual family labour unit	80% of national average
<i>Germany</i>	▪ agricultural comparability index (LVZ)	28
<i>Ireland</i>	▪ family farm income per male farm worker	80% of national average
<i>United Kingdom</i>	▪ labour income per man-work unit	80% of national average

Table 2

Concerning the economic performance, the countries of my research mostly used the indicator of 'farm income per labour unit'. In case of Germany, the criteria of land productivity and economic performance are both defined by the above-mentioned LVZ factor. The whole range of indicators used by the fifteen Member States is shown in Annex (source: STAR document, ref.: VI7675/98)

## Population

<i>Country</i>	<i>Indicators used</i>	<i>Limit value</i>
<i>Belgium</i>	▪ population density ▪ agricultural population	76/ km <sup>2</sup> min 15%
<i>France</i>	▪ population density ▪ agricultural population	min 50% of national average min 15%
<i>Germany</i>	▪ population density ▪ agricultural population	130/ km <sup>2</sup> min 15%
<i>Ireland</i>	▪ population density ▪ agricultural population	27/ km <sup>2</sup> min 30%
<i>United Kingdom</i>	▪ population density ▪ agricultural population	55/ km <sup>2</sup> min 30%

Table 3

The population related indicators are the same in all of the countries of my investigation, although their limits vary significantly, from 27 to 130 in case of population density, and in the interval of 15-30% concerning the rate of population engaged in agriculture. Only Germany does not comply with the common criterion related to the population density, having its limit value considerably exceeding 75 inhabitants/ km<sup>2</sup>.

However, to comply with the criterion of population density is more and more difficult taking into consideration that the European countryside is getting more attractive for citizens in certain countries, such as Germany for example. These new inhabitants increase the level of population density of less-favoured areas, but do not contribute to the main objectives of this RD measure (maintenance of the countryside and landscape features, continuation of farming, etc). This means, that the areas concerned might fall out from the category of being less-favoured, while their disadvantages and need for help do not decrease. This tendency not only affects this given measure of the rural development policy, but also the Leader+ programme, as it has a population density limitation, too (only applicable in rural areas having less than 120 inhabitants/ km<sup>2</sup>)<sup>6</sup>.

<sup>6</sup> Information based on the consultation with Dr Schulze Pals, Ministerium für Umwelt und Naturschutz, Landwirtschaft und Verbraucherschutz des Landes Nordrhein-Westfalen, on the 4<sup>th</sup> July 2003.

### 3.2.2 Small areas with specific handicaps (Article 20 of the Regulation 1257/1999)

All countries but Belgium have identified some small areas with specific handicaps. These areas are generally very different from each other, as each country has some special natural-geographical features causing unfavourable farming conditions within its territory. Criteria for identifying these areas are not as concrete as the ones in case of less-favoured farming areas. First of all, they are not measurable. Unfavourable production conditions may originate from island location, strong winds, poor soil or drainage, as well as excessive salinity or other special conditions. Table 4 shows the selection criteria of the different Member States laid down in their Council Directives.

#### Areas affected by special handicaps

<i>Country</i>	<i>Selection criteria</i>
<i>Denmark</i>	<ul style="list-style-type: none"> <li>▪ all islands with an area of less than 600 km<sup>2</sup> on which adverse natural conditions contribute to a farming income below national average</li> </ul>
<i>France</i>	<ul style="list-style-type: none"> <li>▪ unfavourable natural production conditions (poor soil potential, poor drainage, steep slopes, excessive level of salinity)</li> <li>▪ handicaps resulting from constraints relating to conservation of countryside, preservation of tourist potential &amp; insular nature of certain areas</li> </ul>
<i>Germany</i>	<ul style="list-style-type: none"> <li>▪ unfavourable natural production conditions, and</li> <li>▪ coast or landscape protection constraints</li> </ul>
<i>Ireland</i>	<ul style="list-style-type: none"> <li>▪ unfavourable natural production conditions (island position, excessive ambient of salinity, violent wind and low soil potential)</li> </ul>
<i>Netherlands</i>	<ul style="list-style-type: none"> <li>▪ unfavourable natural production conditions due to poor drainage conditions and poor soil quality</li> <li>▪ handicaps resulting from restrictions prescribed for the preservation of countryside</li> </ul>
<i>United Kingdom</i>	<ul style="list-style-type: none"> <li>▪ adverse natural production conditions (steep slopes, very strong winds, poor drainage), and</li> <li>▪ handicaps resulting from the geographical location (island position)</li> </ul>

Table 4

In case of the Netherlands and Denmark, all of the disadvantaged areas are classified in this category. Their justification is, though, very different. The Netherlands identified their less-favoured territories in inundation areas along the riverbanks and in brookvalleys, as well as in small scale sandy landscapes and deep peatmeadow areas. Their selection was based on the criteria of poor soil and drainage conditions and also on the existence of handicaps resulting from restrictions prescribed for the preservation of countryside. These small spots of disadvantaged areas are located all over the country. Their sparse location makes complicated to deal with and control them. For this reason the Commission prefers to have these areas more concentrated<sup>7</sup>. Accordingly, the Netherlands may extend their LFAs in order to aggregate the isolated spots to bigger zones.

The case of less-favoured areas affected by special handicaps in Denmark is different. Denmark identified as such all of its small islands, exactly 4 bigger and 27 small islands. The island location may cause higher costs of transport, in addition to other natural handicaps. In order to avoid the abandonment of these islands and the cessation of the farming activity, it is essential to compensate the handicaps resulting from the island location. The surface of LFAs in relation of the total UAA is very low, less than 1%.

In France, LFAs classified under Article 20 comprise all the marshland, generally situated along the seaside. They only represent about 2.8% of the total surface of LFAs (808511 ha in total).

<sup>7</sup> Information based on the consultation with Mr John Lougheed, Deputy Head of the Unit of Rural Development Programmes on the 5<sup>th</sup> June 2003, Brussels

### 3.3 Problems of the current situation

The criteria and indicators for the selection of less-favoured areas have been first laid down by the Member States in 1975 (Denmark defined them in 1998). They have been modified a few times until the end of the 1970's, but since that time they are invariable. The Member States identified their disadvantaged areas on the basis of these criteria and indicators. The lists of LFAs have been continuously extended since 1975. Since 1998 less modification has been done.

As the selection criteria were laid down so long ago, there is no evidence any more for the validity of the existing classification of less-favoured areas. Especially in case of LFAs classified under Article 19, the eligibility conditions might have changed considerably during the last 30 years. As a consequence, there might be certain areas classified as being less-favoured, where no longer any handicaps are left.

Having the same suspicion, the Commission commenced a review of these existing classifications in 1993, but this review was not finalised due to different reasons. Until 1997 there was still a "permanent pressure of Member States to extend the LFAs"<sup>8</sup>. Since that time, though, this pressure has been decreasing. I presume, that the reason for this decrease and prudence originates from the concern of the Member States of sparking off a new review of LFAs, while requesting for extensions. This is likely to result in a reduction of areas instead of an extension.

However, the global review and an occurrent decrease of the less-favoured areas are very delicate social-political issues. In most of the Member States farmers would be hard hit by the withdrawal of the compensatory allowance. The switchover from headage payment to area-based payment already caused great problems in certain countries, such as the United Kingdom and Ireland i.e., as an important part of their farmers fell out of the compensation or receives lower amount of aid in the new payment system. Further restrictions might result in serious discontent.

In this context, my opinion is that the Netherlands do not need to worry of "losing" existing less-favoured areas, because the justification for Dutch LFAs is still valid. Not only is it valid, but there are even more handicaps, as for nature conservation purposes the water level is kept currently higher than it used to be in former times. Higher water level is an unfavourable condition for farmers. Consequently, the biggest risk of a request for extension might be the refusal, but not the diminution of already classified LFAs.

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<sup>8</sup>Special report No 4/2003 concerning rural development: support for less-favoured areas, together with the Commission's replies; OJ C 151, 27.6.2003, p.9

## 4. Application of the Article 13 in the different RDPs<sup>9</sup>

My investigation concerns seven Member States, four of which elaborated only one national Rural Development Plan, while the others drew up several regional plans. In case of countries, which have separate RDPs for each region, I chose only two regional RDPs per country. The reason for my decision –besides the shortage of time- is that these regional RDPs generally apply the Article 13 in a similar way, only with a few differences. From Germany I selected North Rhine-Westphalia and Bavaria, from the UK England and Wales, from Belgium both of the regions, Wallonie and Flanders.

### 4.1 Application of the Article 13 in the Netherlands

Based on the classification criteria laid down in 1975, less-favoured areas in the Netherlands are identified as deep peatmeadow areas, river forelands, brookvalleys and inundation areas, slopes and small scale sandy landscapes. These areas are situated sparsely all over the country. The total surface of LFAs represents 109.032 ha.

The measure of ‘Less-favoured areas and areas with environmental restrictions’ falls under the Agricultural Nature and Landscape Management Scheme of the Dutch Rural Development Plan. Consequently, it contributes to nature and landscape conservation purposes through farming. It is a state instrument, accordingly financed by the state without provincial co-financing. Passive management means that a certain amount of support is granted for maintaining natural handicaps in the landscape. On this purpose, no activities may be carried out in these areas which have negative impact on the existing natural and landscape features, such as changing the topographical parcelling structure, microrelief, the soil structure/profile, or the features of the landscape, as well as lowering the groundwater level.

The compensation of less-favoured areas is based on Article 13a of the Framework Regulation. The allowance is granted –unlike in case of other MSs’ RDPs- not only for farmers, but also for entrepreneurs using and maintaining a contiguous agricultural land. The farmland (of at least 0,5 ha) as a whole must be located within less-favoured area, the rules of Good Agricultural Practice must be respected by the entrepreneur and the activity must be continued for at least five years from the first payment. In case of compliance with the above-mentioned conditions beneficiaries receive the subsidies during six years, that represents 94 €/ha for peat, clay and sandy soil (in 2003).

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<sup>9</sup> Article 13 of the Council Regulation (EC) No 1257/1999 defines the two main support types of LFAs. 13a concerns naturally less-favoured areas (Article 18, 19, 20 explain them more in detail); 13b is related to areas with environmental restrictions (more in detail in Article 16)

#### 4.2 Facts and figures about the different RDPs

The ways of implementation of the Article 13 in the different RDPs vary significantly. There are some similarities, though, which can serve as starting points for the comparison. In most of the RDPs the less-favoured areas of the given region or country are differentiated according to the degree of handicap affecting them. The levels of compensatory allowance refer to these handicaps. The differentiation schemes and amounts of allowance are summarized in Table 5.

Only Denmark, having a very few LFAs, does not modulate payments, which means that each farmer living and farming more than 5 ha on one of the approved islands of the Island Scheme may be granted with the amount of 58 €/ha. This allowance is relatively low compared to other RDPs. The Netherlands also switched to a system of not differentiating payments in 2003. During the first three years of the programming period the allowance paid for peat soil was higher (118 €/ha) than for sandy and clay soil (82 €/ha). From this year all three soil types are granted with the same amount of 92 €/ha. In case of both countries, the totality of farmland must be located within LFA in order to be eligible for the subsidy. In Denmark this criterion results from the fact, that the whole territory of the approved islands are designated as LFAs.

RDPs	Differentiation of LFAs	Compensatory allowance (€/ha)	Community contribution
Netherlands	Nature Conservation Scheme		25%
	▪ Peat soil	94	
	▪ Sandy soil ▪ Clay soil	94 94	
Denmark	Island Scheme no differentiation	58	25%
France	▪ High mountain areas		50%
	• dry	186	
	• outside	184	
	▪ Mountain areas		
	• dry	174	
	• outside	130	
▪ Simple LFAs			
• dry	78		
• outside	48		
▪ Foothill areas			
• dry	86		
• outside	53		
Ireland	▪ More Severely Handicapped (lowland)	89	In average 58,4% of the payments is cofinanced by EU (50% cofinancement)
	▪ Less Severely Handicapped (lowland)	76	
	▪ Mountain Type Grazings	57	
England	Hill Farm Allowance Scheme	Payments decreasing gradually year by year (2001-2006)	22% in average over the 7-year plan period
	▪ Moorland	13,02 – 9,39 €/ha	
	▪ Common land	13,02 – 9,39 €/ha	
	▪ Other Disadvantaged Areas	18,6 – 13,42 €/ha	
	▪ Other Severely Disadvantaged Areas	34,4 – 24,82 €/ha	
+ environmental incentives	+ 10-20%		
Wales	Hill Land Scheme		17%
	▪ Severely Disadvantaged Areas	35 €/ha	
	▪ Disadvantaged Areas + additional payment for sustainable farming systems	25 €/ha + 10-20%	
Nort Rhine-Westphalia	▪ LVZ<15	143	25%
	▪ 15<LVZ<20	112	
	▪ 20<LVZ<25	81	
	▪ 25<LVZ<30	51	
Bavaria	Calculation based on LVZ		50%
	▪ LVZ<=15	179	
	▪ LVZ>=31	51	
	Calculation independent of LVZ		
	▪ Alpine pastures	179	
▪ Areas above 1000m altitude	179		
▪ Common pastures	179		

Table 5

In the French RDP, the differentiation of LFAs corresponds more or less with the EU classification of LFAs. High mountain and mountain areas are the ones classified under Article 18, foothill areas and simple LFAs comprise Article 19 and 20. Areas classified under Article 20 are part of the simple LFAs. High mountain areas are characterised by the biggest disadvantages, according to the payment modulation. The special element of the French system is the category of dry areas within each type of LFA in the Mediterranean region, where production conditions are even more disadvantaged. The category of dry zones was created in 1985 and the higher amount of compensation allocated in these areas helps to favour traditional plant production, such as vine, some fruits, perfume plants, herbs, etc. (namely the ones not being subsidised in the framework of any Common Market Organisation) in addition to stockfarming. While the amounts per hectare of the compensatory allowance are relatively high in France (53-186 €/ha), the size of the eligible area is limited to a maximum of 50 ha per holding. Moreover, in order to favour small holdings, the first 25 ha of the holdings receive a 10% higher rate of premium.

On the contrary, in England and Wales the compensatory allowances do not represent high amounts, only about 13-49 €/ha according to the natural handicaps, but the subsidised areas are much bigger than in other countries or regions. In England up to 700 ha and in Wales without any area limitation, less-favoured forage areas are subsidised. However a modulation exists, namely the bigger the size of the area, the lower the amount of compensation is. The differentiated land categories are shown in Table 5.

In Ireland 3 levels of LFAs and payments are differentiated. Poorer regions on the western seaboard of Ireland have been classified as More Severely Handicapped (79.03% of LFAs), while others Less Severely Handicapped including the coastal areas with specific handicaps (Article 20). The criteria of the MSH area status are, from one hand, land potential not exceeding 4 on a land assessment scale of 1-9, and from the other hand a level of average agricultural income per annual work unit of less than 60% of the national average income. These two categories (MSH, LSH) are compensated up to a limit of 45 ha/holding. Mountain Type Grazings have to meet the criteria of land of poor quality with an inferior type of vegetation (heathers, sedges, bracken, mosses, etc), as well as peat or gley type of soil with impeded drainage, low pH and unsuitability for any type of arable production. The amount of allowance is lower in this case, but the number of eligible hectares is higher, namely 60 ha/holding.

Compensation for natural handicaps in the German LFAs are differentiated on the basis of the above-mentioned LVZ factor<sup>10</sup>. In North Rhine-Westphalia 4 levels have been fixed, while in Bavaria only two, between these limits allowances are graded on a sliding scale. In Bavaria payments independent from LVZ are granted as well, for alpine pastures, areas above 1000 m altitude and common pastures, as well.

In Germany, before the elaboration of regional RDPs, a federal RDP had been drawn up, which served as a framework for the regional plans. In order to have a regional RDP co-financed by the Federal Government, besides the financing of the given regional government and the EU, regional plans had to correspond with this framework. The federal plan described the guidelines of the modulation and intervals of the compensatory allowance, as well as the possible activities of support. This system seems to be efficient and simple, although its maintenance in the next programming period is not evident yet. Wealthier Länder prefer to have complete independence of the Federal Government, even if their RDPs are not co-financed by Berlin. On the contrary, the former DDR Länder and the less wealthy ones vote for the maintaining of the current system, as they need financial help from the Federal Government<sup>11</sup>.

In case of the Netherlands a similar system might be also interesting, namely to have one national framework programme and four regional RDPs. In this way the differentiation of state and provincial measures might be eliminated, so the system might be simplified and more effective.

Wallonia and Flanders are not present in my tables because currently they are not implementing the Article 13a in their RDPs. Flanders do not have any LFAs identified yet, although one of its future requests for RDP amendments is likely to contain an extension of LFAs and to fill the Article

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<sup>10</sup> Agricultural comparability index

<sup>11</sup> Information based on the consultation with Dr Schulze Pals, Ministerium für Umwelt und Naturschutz, Landwirtschaft und Verbraucherschutz des Landes Nordrhein-Westfalen, on the 4<sup>th</sup> July 2003.

13a with content. The Flemish administration intends to identify LFAs mainly in inundation areas within the meaning of Article 20 of the Framework Regulation. The extension would represent 12000 ha, and the compensation is supposed to be 200 €/ha, with a Community contribution of 50%<sup>12</sup>.

On the contrary, Wallonia has an important part of its territory classified as being disadvantaged, but due to the shortage of budget available from EAGGF, the Article 13 is not included in the RDP. Compensatory allowances for LFAs are financed exclusively by the state budget. Farmers in these areas may benefit from the sources of European funds through other measures (i.e. higher investment premiums, assistance for fodder groups, assistance for investments for young farmers in LFAs, etc.).

In all of the RDPs a certain number of special eligibility conditions are defined as well. These special conditions are summarized in Table 6.

RDP	Special eligibility conditions for compensatory allowance				Payment limitations
	Min area in LFA/holding (ha)	Type of area	Activity	Beneficiary	
Netherlands	0,5 100% of the holding must be in LFA	-	No activities having a negative impact on existing natural and landscape features	Natural or legal person with a permanent or sustainable right to use & maintain an contiguous agricultural land	-
Denmark	5	-	-	Living on an approved island as a landowner or leaseholder	Up to 100 ha
France	3 ha stockfarming 1 ha traditional plant prod.  Min 80% of the UAA must be in LFA.	-	<ul style="list-style-type: none"> <li>▪ Stockfarming (cattle, sheep, horse, goat)</li> <li>▪ Traditional plant production in dry mountain areas (vine, orchard, parfume plants, herbs)</li> </ul>	Head of a holding living, and the holding being registered in LFA. Max 65 year-old Non-agricultural income not exceeding minimum wage	Up to 50 ha
Ireland	3	Only for forage area used for grazing	Stockfarming (cattle, sheep, horses, goat, deer) min 0,15 LU/ha	Farmers residing within daily commuting distance of the holding (70 miles)	Up to: MSH lowland 45ha LSH lowland 45ha Mountain type grazing 60ha
England	10	Only for forage area	Extensive stockfarming (cattle, sheep breeding) min 0,15 LU/ha	Farmer	0-350ha: 100% 350-700ha: 50% >700ha: no aid
Wales	6	Only for forage area	Extensive stockfarming (cattle, sheep breeding) min 0,15 LU/ha	Farmer	0-140ha: 100% 140-640 ha: 65% >640ha: 35%
Nort Rhine-Westphalia	3	Only for forage area	Excluded: wheat, maize, wine, apples, pears and peaches, sugar beet and intensive crop cultivation exceeding 0,5 ha	Farmer	LVZ>30 no aid Max 12.271 €/holding
Bavaria	3	Grassland Arable land		Farmer	LVZ>35 no aid except for: ▪ holdings with more than 30% of areas difficult to cultivate  For arable land max. half of the premium paid for grassland is paid Max 12.271 €/holding

Table 6

<sup>12</sup> Information based on the consultation with Mrs Sophie Dewispelaere, Ministry of Flemish Communities (VLAM), on the 5<sup>th</sup> June 2003

Some RDPs limit the types of landuse eligible for compensatory allowance. In case of Ireland, England, Wales and North Rhine-Westphalia only forage areas may be subsidised.

In most of the cases the agricultural activity is limited, too. The German federal RDP excludes from the support certain activities, such as the production of wheat, maize, wine, apples, pears and peaches, sugar beet and intensive crop cultivation exceeding 0,5 ha per holding. Bavaria subsidises though the other arable activities, as well as grassland. In Ireland, England and Wales only extensive stockfarming is eligible for the support. In France, besides stockfarming the above-mentioned traditional plant production activities in the dry mountain areas may also be granted.

Member States struggling against rural exodus in their LFAs request from the beneficiaries of the compensatory allowance not only to farm, but also to live in or in the nearby of the given less-favoured area. Such conditions exist in Denmark, France and Ireland. In the Netherlands not only farmers, but also entrepreneurs using and maintaining agricultural land, may be beneficiaries, without the obligation of residing in the same area.

In case of France, the age of the farmer and his non-agricultural income are limited as well.

#### 4.3 Environmental aspects

According to the principles of the CAP reform, environmental considerations are highly emphasised in the Rural Development Policy, as well. The new aspect of the measure related to the less-favoured areas, namely the compensation of handicaps resulting from environmental restrictions, also promotes this consideration. Environmental restrictions are European rules and regulations causing extra costs or income foregone in areas where they are implemented. Not only natural, but also such disadvantages may be compensated within the meaning of Article 13 of the Framework Regulation. According to the latest amendment proposal of the Regulation adopted by the Council of Ministers in July 2003, these environmental restrictions comprehend exclusively the Wild Bird Directive (79/409/EEC) and the Habitat Directive (92/43/EEC). Consequently, areas within the Natura 2000 network are all included. Here occurs the question why only the two above-mentioned Directives and not other restrictive rules may be taken into consideration under this measure (i.e. Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for the Community action in the field of water policy)<sup>13</sup>.

Nevertheless, not all of the Member States apply this part of the Article 13 (13b). In England, instead of implementing the Article 13b, activities carried out in favour of the environment in the LFAs are granted by means of an increase of payments. In order to benefit from the enhancement, the farmer has to contribute to the biodiversity, to run a mixed cattle and sheep enterprise, to be registered as an organic farmer, or to reduce his stocking density below a certain level. Farmers who meet one of these criteria have their basic payment increased by 10%, while the ones meeting two or more have an increase of 20%.

Welsh farmers are encouraged in a similar way to pursue sustainable farming systems. This payment element has seven indicators, each with a score value of one point. Farmers who score one point have an increase of up to 10% to their basic payment. Two points or more are remunerated with an increase of up to 20%.

The fact that in certain countries only extensive stockfarming is subsidised might be also conceived as an environmental incentive.

In Bavaria, North Rhine-Westphalia and Flanders the Article 13b is implemented.

RDPs	Differentiation of LFAs	Compensatory allowance (€/ha)	Community contribution
North Rhine-Westphalia	<ul style="list-style-type: none"> <li>▪ High obligation of conservation</li> <li>▪ Medium obligation of conservation</li> <li>▪ Easy obligation of conservation</li> <li>▪ Areas improving ecological coherence</li> </ul>	122 61 46 122	25%
Bavaria	<ul style="list-style-type: none"> <li>▪ Preservation of the variety of ecological structures</li> <li>▪ Management restrictions</li> </ul>	75 amount depending on other measures	50%
Flanders	no differentiation	200	50%

<sup>13</sup> Information based on the consultation with Dr Schulze Pals, Ministerium für Umwelt und Naturschutz, Landwirtschaft und Verbraucherschutz des Landes Nordrhein-Westfalen, on the 4<sup>th</sup> July 2003.

## 5. Conclusions and recommendations

After a three-month long investigation of one of the oldest Rural Development Policy measures, namely the measure related to the less-favoured areas, the following conclusions can be drawn.

As the European guidelines provided a relatively wide margin for the selection and classification of LFAs, as well as for the implementation of the Article 13 of the Regulation 1257/1999, each Member State elaborated a considerably different system for the identification and compensation of its LFAs. All of these systems have strong and weak points, consequently none of them can be considered as perfect and worthy of imitating without deep examination. Drawing up and implementing rural development plans for the first time, Member States still keep on modifying their RDPs in order to bring them to perfection. To be able to work out the best solutions, I am persuaded that co-operation and experience exchange are inevitable among the Member States.

As the legal background of the selection and classification of LFAs go back high in the past, there is less and less evidence for the validity of the existing classification of the disadvantaged areas. Consequently, the compensation system based on this classification is also losing evidence. The current investigation of the European Court of Auditors confirms my assumption of this kind. In my opinion the system needs to be reformed, especially for being able to face the challenges of the accession of ten new Member States.

Taking into consideration the weaknesses of the system and the current investigation of the Court of Auditors, the fact that the Commission is not very much in favour of LFA extensions is not surprising. However, its outspoken reason is the intention of maintaining a so-called balance between financial sources allocated to development- and to income support. In the Commission's opinion, the time being is not the best moment for a request of extension. I think, though, that the moment will not be more convenient after the accession of the candidate countries, either, as a high rate of their territories will be considered as less-favoured. However, it is expedient to wait for the consequences of the investigation of the Court of Auditors and the experiences of the mid-term review of the CAP as well as the mid-term evaluation of the RDPs. To sum up with, the right timing and well preparedness might be topical.

The consultations with other Member States' experts have led me to the conclusion, that most of the countries –especially the ones having an important part of their territory classified as less-favoured- are very prudent and do not intend to increase their LFAs any more, as it might raise a review of the existing classification. Such a review might result in a decrease instead of an extension of LFAs.

Nevertheless, I am convinced that a drastic decrease is very unlikely to happen. According to the Member States' experts, the compensatory allowance is an extremely efficient instrument. An important part of the farmers benefiting from this income support could not continue farming without it. Consequently, the reform of the system is a delicate social-political issue. Furthermore, in my opinion even if an overall review takes place, the Netherlands do not need to worry of “losing” existing less-favoured areas, because the justification for Dutch LFAs is still valid.

The Netherlands currently have an area of 109032 ha designated as being less-favoured, which represents about 3.22% of the total surface of the country. Taking into consideration that a maximum of 10% of the total surface may be designated under Article 20 of the Framework Regulation, the Netherlands may extend their LFAs by 229698 ha under this Article.

Since the entry into force of Regulation (EC) No 1257/1999, decisions adopting or modifying lists of LFAs are no longer taken on Community level, but by the Member States, who notify the Commission. Member States must give, though, specific information on these amendments. While there is no formal approval, the Commission checks each proposal notified to verify its conformity with the Directive previously approved. As at present the Commission is not encouraging LFA extensions, the notification about the extension must be very well justified. The arguments must be very rational and supportable.

An important argument might be the fact that the Netherlands have only a low percentage of their territory classified as LFA. Consequently there is no unbalance between support for development and income support in the Dutch Rural Development Plan. The balance between these two support types, so much emphasised by the Commission, should be considered on national level, instead of Community level.

An other reasonable argument might be the intention of extending LFAs in order to create contiguous areas instead of the existing sparsely located spots. These would be easier to handle and control, and match the Community's conceptions about LFAs.

In the Netherlands, for the past decades higher water levels have been maintained in rural areas. The higher water level contributes to nature conservation purposes, while causing difficulties for farmers. This characteristic may also serve as an argument for extending Dutch LFAs in certain wet areas.

The German system of classification based on the agricultural comparability index (LVZ) seems to be very objective and reliable, and easily supportable first of all. It would not cause too many difficulties to elaborate a similar cadastre for the Dutch agricultural area, as most of the data needed is available.

Not only under Article 20 might be Dutch LFAs extended, but areas might be classified under Article 16, as well, as being affected by environmental restrictions. Having a certain part of the country already classified according to the Wild Bird and Habitat Directives, the Netherlands could compensate many farmers for their handicaps resulting from these restrictions. In case if areas classified under Article 20 are simultaneously subject of Article 16, compensatory allowances could be accumulated up to 200 €/ha. The list of areas under Article 16 can be permanently extended in line with the extension of the Natura 2000 network.

By means of stronger cooperation and common lobbying with countries of similar natural characteristics, it might be possible to have other environment-related rules, such as the Water Policy Directive (Directive 2000/60/EC), also accepted as environmental restrictions, serving as basis to classify even more areas under Article 16.

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## II. Annexes

### Annex 1

14

#### Indicators used for the common criteria for less-favoured areas in danger of depopulation

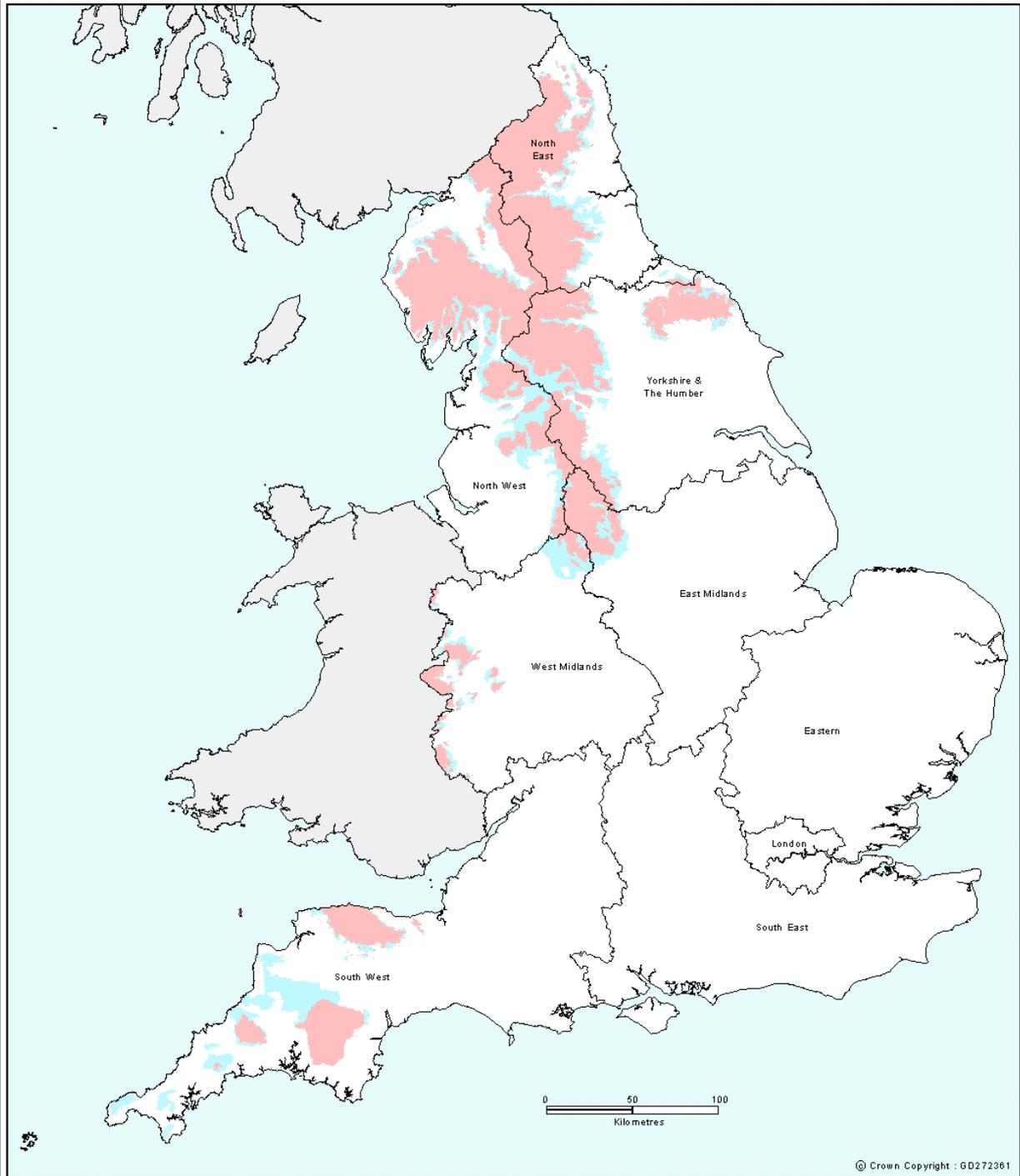
(Source: STAR document, ref.: VI7675/98)

Criteria	Indicators used	MSs that apply the indicator	Limit value
Land productivity	1. agricultural comparability index (BZ)	1	30
	2. number of days without frost	1	150
	3. production from bovine animals	1	70%
	4. Nikula index	1	440
	5. potential natural yield index	1	
	6. final agricultural production per ha	1	80%
	7. agricultural comparability index (LVZ)	1	28
	8. yield	4	66 to 84 %
	9. percentage of ploughed area	1	7,8%
	10. stocking rate (LU/ha)	3	1 to 1,19
	11. farm rent	2	65 %
	12. at least 50 % of the UAA of the 'Concelho' is affected by serious handicaps	1	50%
	13. productivity index 'L. Turc'	1	30
	14. arable land/productive area	1	50%
	15. standard index of yields	1	80%
	16. gross value added of holdings per annual work unit	1	80%
	17. grassland/total UAA	1	70%
Economic performance	1. agricultural comparability index (BZ)	1	30
	2. earned income per work unit	1	77 %
	3. Nikula index	1	440
	4. potential natural yield index	1	
	5. agricultural comparability index (LVZ)	1	28
	6. farm income per labour unit	3	80%
	7. indices related to livestock density	2	66 % or 0,2
	8. net value added at factor cost per agricultural worker	1	80%
	9. standard gross margin (SGM)	1	80%
	10. standard index of yields	1	80%
	11. gross value added of holdings per annual work unit	1	80%
	12. labour income per man-work unit	1	80%
Population	1. population density	13	27 to 130/km <sup>2</sup>
	2. depopulation rate	7	0,5 to 2 %
	3. agricultural population	13	15 to 50 %

<sup>14</sup> Source: Special report No 4/2003 concerning rural development: support for less-favoured areas, together with the Commission's replies; OJ C 151, 27.6.2003, p.18

Annex 2  
Map of less-favoured areas in England

**Map 1: Less Favoured Areas**

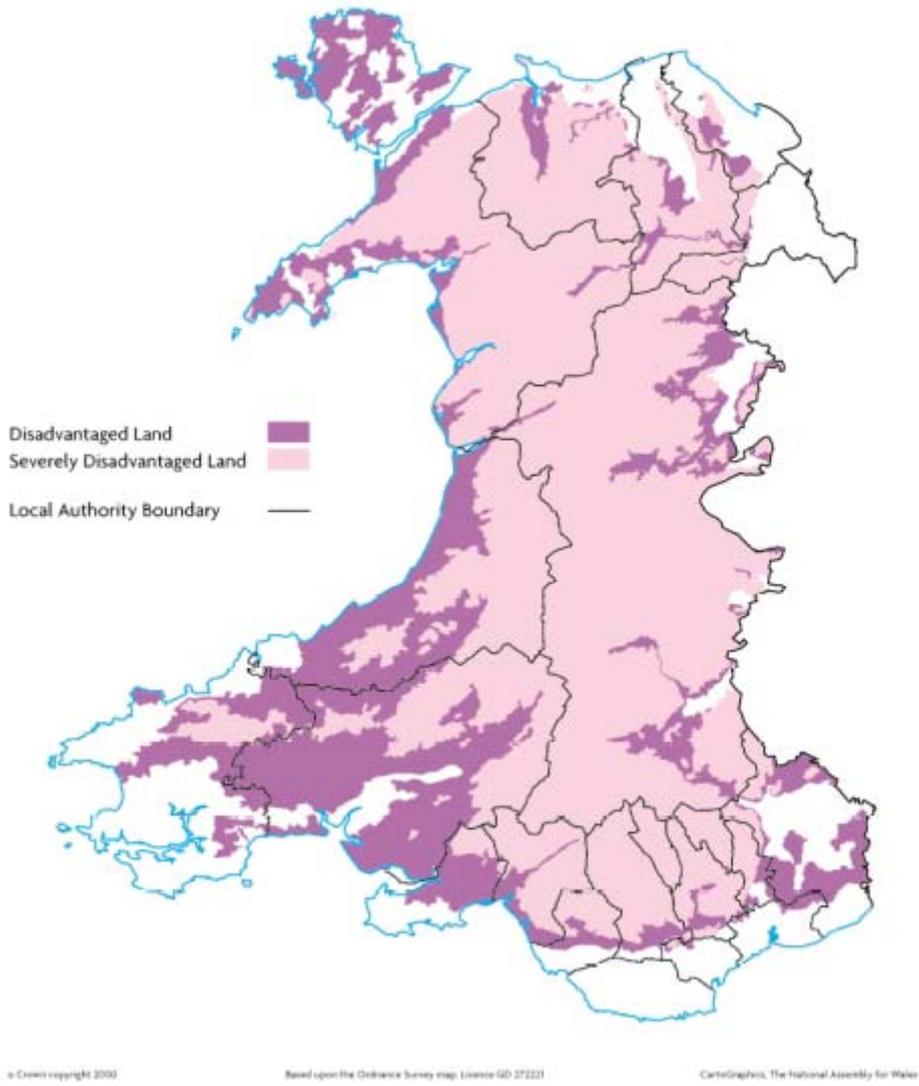


Less Favoured Area (LFA)

 Disadvantaged	 Severely Disadvantaged
 Regional Boundary	

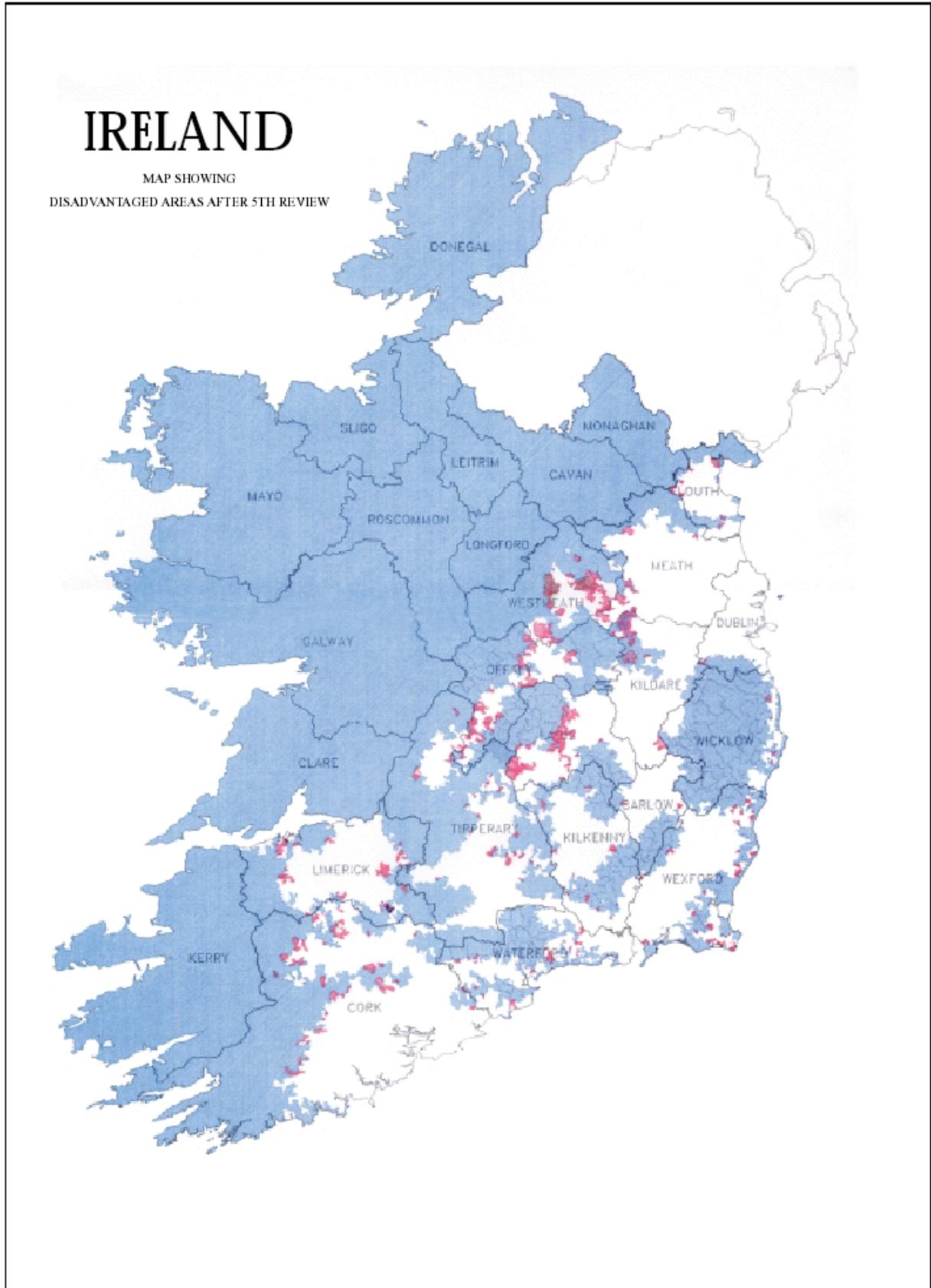
### Annex 3

#### Map of less-favored areas in Wales



Annex 4

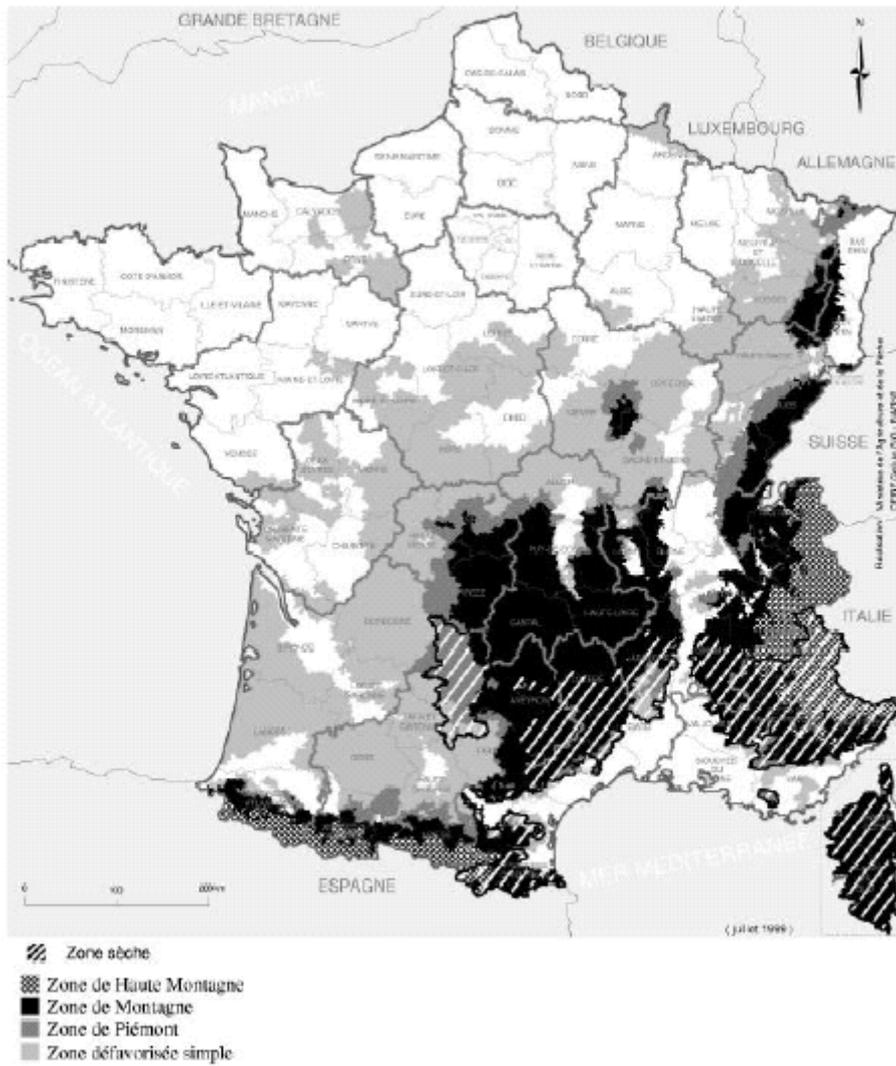
Map of less-favoured areas in Ireland



Annex 5

Map of less-favoured areas in France

**LES ZONES AGRICOLES DEFAVORISEES FRANCAISES  
(classement des communes)**



SOURCES: Ministère de l'Agriculture DECS - IRZUM  
CEMADEF Osnabrück

## Annex 6

### Less-favoured areas in the Wallon region of Belgium

