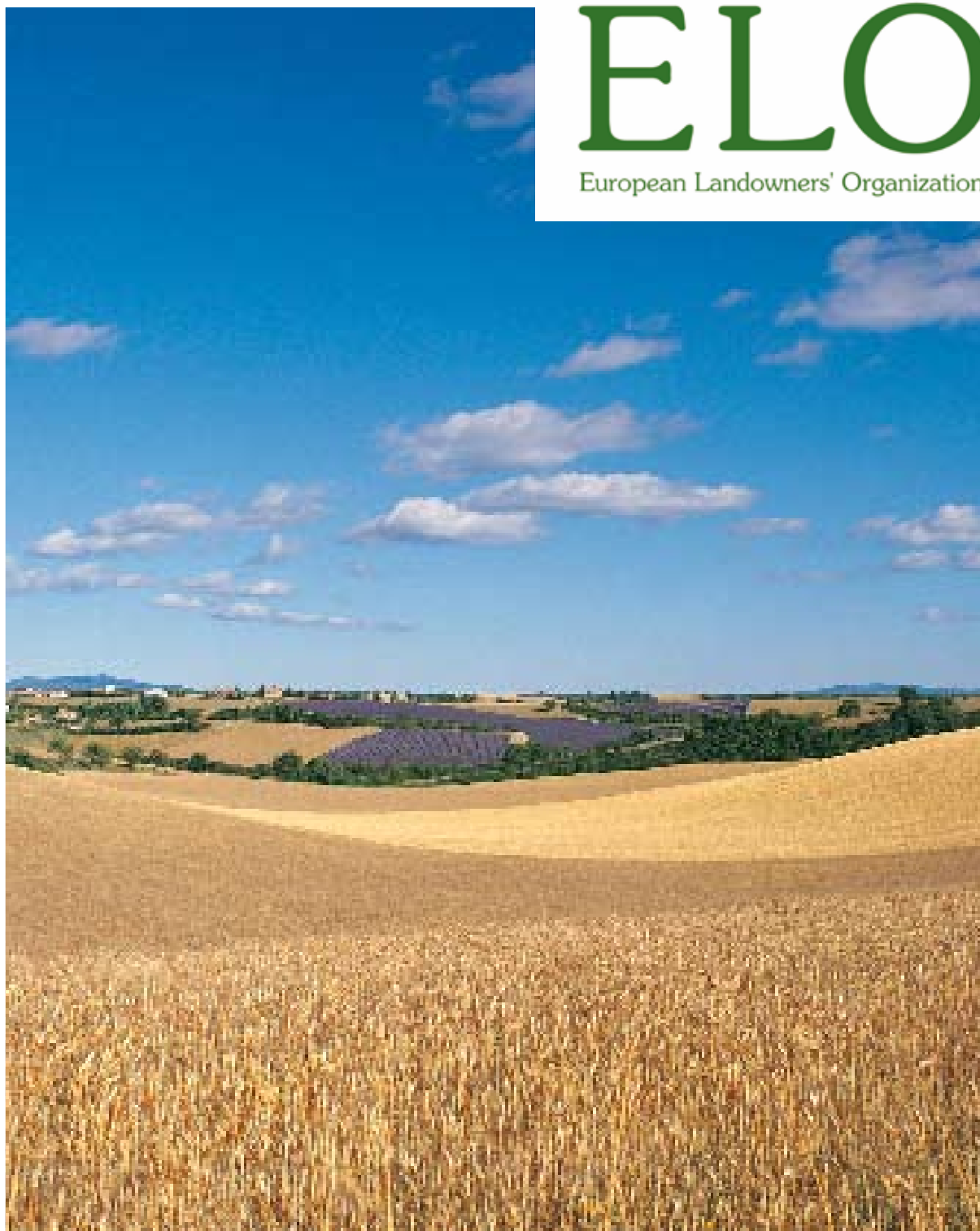




ELO

European Landowners' Organization



Activity Report 2005

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Dear Friends,

It is once again a great pleasure for me to present you, at the turn of the year, our actions and our achievements, our hopes and to introduce the challenges we have to face.

2005 is over; a year during which ELO has been efficiently promoting the crucial role of private initiative and property for a prosperous countryside all over Europe in the framework of a balanced approach to social, environmental and economic considerations. It is not one at the expense of the others; it is a global approach which allows the countryside to develop its own richness and to be a unique asset for society as a whole. The livelihood of the countryside is only possible because some private managers are delivering this service.

It is our belief that the future of Europe's countryside is dependent on the individual management decisions of its millions of entrepreneurs and landowners. Burdensome regulations make little sense, as they have demonstrated in European history their total inefficiency. Private enterprise and property are the best guarantee for economic, social and environmental protection and development.

As a matter of fact the discussion about Natura 2000 led reasonable people to understand that without the voluntary contribution of millions of European landowners and rural users it will be impossible to make a success of this project. As a landowner, I like to see my management being recognised, as far as it will not set my activities in aspic and as a consequence destroy the nature the public authority was hoping to protect.

Our sustainable land management vision is to make it clear that without land management, society and nature are in trouble. This works in both directions: Land management and society need nature; and in crowded areas such as ours, nature needs the care of land management, farming and society.

We are seeking to jolt the already outdated philosophy that the best way to tackle environmental problems is through more and more regulation. We suggest it isn't, and that a far more effective way is to engage all the good volunteers from the private sector.

Combined with the tremendous developments in food processing, retailing and food service, Europeans can boast a fantastic, variety, quality and reliability of food supplies second to none in the world. However, not surprisingly, modern science-based agriculture may have resulted in some loss of biodiversity and some damage to natural resources, soil, water and air.

This sets an even greater challenge for modern land managers. We are asked to continue to innovate and produce high quality foods to meet the needs of the public, and in addition to reduce pollution and to increase the delivery of the environmental services of biodiversity and landscape. In addition to this, the civil society expects from us to produce more of Europe's energy supplies, and perhaps some more flood protection and some more carbon sequestration too!

Just to make this more interesting there is a drift in agricultural policy to reduce the public financial support this sector has enjoyed for the last half century and to expose Europe to more import competition from areas of the world which seems to have less concern

for the environment. These are challenges indeed, and it is clear that they can only be met by the efforts of private land managers working within a public policy framework suited for the task.

To tackle those challenges one should understand first of all three considerations:

First, land management is like no other sector of the economy, it provides a complex, and constantly changing, balance of private goods and environmental services. Second, these activities are spatially defined and climatically and biologically determined. Each plot of land is a unique mix of soil, water, climatic and ecological characteristics and is set into business structures defined by the local social and legal structures. Third, private businesses are delivering both private and public goods, and because securing payment for public goods will be a challenge, if the private business is not viable then this whole system will be unsustainable.

These features are all too easily overlooked by the tendency of the EU to draw up grand objectives as regards sustainable development, increasing productivity and competitiveness, and preserving biodiversity, such as supported by the Göteborg and Lisbon Strategies. Naturally we agree with these objectives, but not with attempts to achieve them through a mass of regulations and directives imposed bureaucratically all over Europe.

Our observation is that this approach has yet been able to provide successes, especially in the environmental field. We therefore offer eight principles which should underlie sustainable land management and should guide public environmental policies. These principles are:

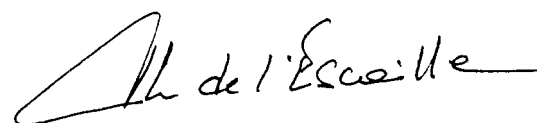
1. An intergenerational time view,
2. A science-based approach,
3. A voluntary participation
4. Working in partnership,
5. The proportionality principle,
6. A decentralised approach,
7. Working with natural cycles,
8. And finally securing property rights and responsibilities.

We do not say that owners of property are never responsible for environmental harm. We do however say that property rights can be developed to tackle this problem.

Tradable emissions rights are an example. They can bring down overall levels of pollution, but also reward efficiency and innovation, unlike monolithic regulation. The challenge is to harness the behaviour that protects property rights.

It is our job to tackle it: the ELO is getting this message across to the EU institutions, the NGOs, the academic world and national representatives.

The ELO is leading the debate on the relation between ownership, business and environment both in terms of the concept and in order to develop prosperous countryside businesses. While the task is huge, we strongly believe the society is increasingly accepting this message. The ELO could not achieve its goal without its members, its partners and you who share this conviction and convey our message from the European to the national and regional levels.



Thierry de l'Escaille
CEO - Secretary General



II. SAFEGUARDING THE ENVIRONMENT THROUGH MANAGEMENT

ENVIRONMENTAL LEGISLATION

In the 1970's, Member States agreed to do a better job addressing environmental issues at the EU level, both in order to comply with obligations derived from International Conventions and to find solutions to specific ecological problems, including cross border issues. As a result of these initiatives, a number of policies have been put in place which support the protection of water, soil, air, and other natural resources, including biodiversity.

A large number of environmental policies have an impact on private lands in the EU. Especially in rural areas, the implementation of related legislation can have a severe impact on the economic, social, cultural and even environmental sustainability of entire regions. Considering the complexity of natural and biological cycles, especially as concerns man's interaction, a great deal of thought must be put into formulating appropriate policies and related legislation. While within an adequate framework that protects the principles of private ownership, environmental legislation can be combined with efforts to improve and maintain the sustainability and economic

viability of regions, environmental legislation that neglects man's own contribution to the sustainable management of natural resources, including soil, water, air, crops, biomass, and nature, also harbours the potential to neglect the impact that man has already had on the environment and his potential for positively impacting it in the future. ELO insists that it is through wise land use management coupled with a respect for the environment as supported by scientific progress and appropriate policies that systems can be put in place that can be sustained for the long term.



Therefore, as an advocate for sustainable land use management based on the principles of private ownership which foster a sense of responsibility and stewardship, ELO has actively been following EU environmental legislation, both in order to analyse its impact on landowners and managers (and therefore



society at large) and to influence policies where possible to better achieve the overall target of sustainability.

In particular, ELO has actively followed environmental legislation affecting soil, water, air, and nature, especially as this relates to its impact on rural activities including forestry, agriculture, hunting and fishing. In addition to the Sixth Environmental Action Programme, ELO has closely followed relevant legislation:

including the Habitats and Birds Directives (NATURA 2000) and the Water Framework Directive, among others.

The Sixth Environmental Action Programme (6th EAP)

The 6th EAP, adopted by the European Parliament and Council in 2002, runs until 2012, and requires the European Commission (EC) to prepare Thematic Strategies covering seven environmental areas (Protection of Soils, Prevention and Recycling of Waste, Protection and Conservation of Marine Environment, Sustainable Use of Pesticides, Air Pollution, Sustainable Use of Natural Resources and Urban Environment). Thematic strategies are new processes used by the EC to globally address a specific theme. The holistic approach chosen by the EC leads to long consultations with all stakeholders and should be followed by appropriate political tools, should these be Recommendations, Directives or Regulations. ELO is closely following the 6th EAP, as the chosen themes are directly related to its members' activities. Relevant activities are explained in this chapter in the sections on soil, water, air and nature.

THE NATURA 2000 NETWORK

In 1979, the Birds Directive was adopted to protect migratory species, complemented in 1992 by the Habitats Directive, which protects their habitats and those of other endangered species of Community interest. The Birds and Habitats Directives require Member States, and eventually their regions, to create a coherent ecological network of areas designed to protect specific fauna and flora. This interconnected network of sites is called the "Natura 2000 Network." Around 20,000 sites have already been included in the N2K network, and maritime sites are even now being designated. Natura 2000 already covers almost 20% of the EU territory, and soon a majority of EU citizens will live near or in N2K sites.

SOIL

Soil is a most valuable but largely non-renewable resource performing many functions vital to life, such as providing necessary structural and nutritional support for food and biomass production, storage, filtration and transformation of many substances, including water, carbon and nitrogen. These functions involve complex interactions within the soil itself, between the soil and the crop/grazing animal and between the soil and the wider environment. Besides its role as provider of raw materials, it also serves as a habitat and gene pool, as well as a platform for human activities, landscape and heritage.

ELO believes that the functions of soil are worthy of protection because of their socio-economic as well as environmental importance. Sustainable rural development can be reached through adequate soil



management, combined with the protection of water and further natural resources.



Both the European Commission and ELO believe that there is a need for better understanding and more research to be done in this respect and are very well aware of the fundamental aspects of sustainable soil management. The intervention of man into this natural set of inter-relationships has provided the basis for much of modern life from food production to infrastructure grounds. These soil uses should continue while minimising adverse impacts on soil functions.

Some European soils are facing major threats, some of which are reversible, others which are not. These threats were addressed during Working Group meetings in which ELO actively took part in the context of the preparation of the Thematic Strategy for Soil Protection. These meetings focused on erosion, contamination, sealing, compaction, reduced organic matter, salinisation and landslides. This Strategy, which has been the subject of intense discussions between the European Institutions, the Member States and numerous stakeholders for 4 years, aims to ensure the protection and sustainable use of soil in the EU through preventing soil

degradation, preserving soil functions and restoring degraded soils. The Soil Strategy defines common principles to limit the threats to EU soils by combining action at EU and Member State levels. ELO contributed to the elaboration of workable tools.

A proposal for a Soil Framework Directive is currently in the pipelines of the European Commission. The broad framework of this proposal mainly requires MS to identify risk areas. MS will however be left to define the level of ambition of their targets. Given the nature of the legislative process (“codecision” procedure/EP+EU Council), its practical effects are not expected before 2015.

ELO welcomes the Strategy but has been calling the Commission’s attention to the question of whether the approach to sustainable soil management should be accomplished through a guidance linked to maintaining good agricultural and environmental condition, or through a regulatory framework such as a Soil Framework Directive.

In any case, during 2005 ELO advocated in favour of incentives for land businesses such as provided, for example, through agri-environmental payments, which would help and encourage land businesses to mitigate against threats to soil resources.

Also, specific pieces of legislation focussing on rural activities with regard to wastes, sewage and sludge have been merged into the thematic strategy on protection of soils. Sewage and sludge management is an important aspect of the rural world, and ELO insisted on the need for clear information on the quality of the products to be used on land, norms for use, clear product liability, and



a review on farm leases with regard to this aspect. The sewage and sludge directive is to be adopted in 2006-2007.

Thematic Strategy on Prevention and Recycling of Waste (adopted 21.09.2005)

ELO is also indirectly involved in the *Thematic Strategy on Prevention and Recycling of Waste*, as most of the legislation influencing its members are dealt with in other processes. Nonetheless, interest in this process is generated by the fact that the life cycle of products is important for producers in rural areas and some rural activities could be an ally in the management of recycling wastes. This Strategy was adopted on 21 September 2005 and is undergoing review of definitions. ELO will follow the process up to its concrete application on the national level.

WATER

In 2004 ELO applied for participation in the Common Implementation Strategy (CIS) of the Water Framework Directive (WFD). Since then, ELO has been involved in many different activities organised by the European



Commission-DG Environment under the umbrella of the CIS. At present, ELO is a full member of the Strategic Coordination Group, the Strategic Steering Groups “WFD and Agriculture” and “WFD and Hydro-morphology,” and the Working Group on Flood Risk Management. We also expect to become a member of the future Working Group on Climate Change.

In all these groups, ELO seeks to improve the perception that other stakeholders have of landowners’ activities and their impacts on water. Taking into account the available resources and relevant timeframes, ELO also plays a key role identifying instruments and measures within the CAP and the Rural Development programme which can be used to help landowners and managers achieve the WFD objectives. Through so doing, ELO promotes the further adoption of best practices and incentives, and provides its expertise on other Community policies linked to water resources, for example, the Nitrates Directive, pesticides, and the NATURA 2000 network.

Strategic Coordination Group (SCG)

During 2005 the SCG held several meetings which included presentations and discussions on environmental objectives and inter-calibration, Pilot River Basins, reporting, and monitoring. Moreover, the Group also discussed the integration of water considerations into other policy areas, in particular renewable energy policy (hydropower), transport policy (navigation) and their links with hydro-morphological alterations. Future WFD issues include the linkages between climate change and water and the future streamlining of all EU water policy-related reporting.



Strategic Steering Group “WFD and Agriculture”

In June 2004 the Water Directors decided to set up a new Strategic Steering Group “WFD and Agriculture,” which started its activities in 2005. During the UK Presidency, in September 2005, DEFRA and the European Commission organised a Conference in London on WFD and Agriculture. Representatives from ELO and CLA had the opportunity to exchange ideas and meet representatives from Member States, NGOs and other stakeholders. The purpose of the Conference was to raise awareness of the WFD and agriculture agenda, especially the challenges to achieving WFD objectives caused by the agricultural impact on waters covered by the Directive. The ELO-CLA message was clear: “Landowners and land managers are one of the main users of water resources, but they also provide a great service to society by wisely managing and improving those water resources.”

Strategic Steering Group “WFD and Hydro-morphology”

The Water Directors agreed at their meeting in Luxembourg in June 2005 to start a new activity on hydro-morphological alterations as part of the CIS. The first phase of the activity starts in the beginning of 2006 and will focus on navigation, hydropower and flood defence. A second phase building on the experiences/results of the first phase could be launched (post 2006).

Working Group on Flood Risk Management

A new policy on flood protection is being developed at the moment following the Commission Communication of July 2004. In January 2006 a new Directive on Flood Risk Management was presented by the



European Commission. In order to prepare the necessary follow-up, the Commission has suggested that work on flood risk management should be brought under the umbrella of the CIS process.

Proposal for a Directive on Groundwater (COM (2003) 550 Final)

On September 2003 the European Commission presented a Proposal for a Directive of the European Parliament and the Council on the protection of groundwater against pollution. The proposed Directive introduces, for the first time, quality objectives obliging Member States to monitor and assess groundwater quality on the basis of common criteria and to identify and reverse trends in groundwater pollution. The first reading report was adopted by the European Parliament on 28 April 2005, which was followed by a political agreement reached at the Environment Council on 24 June 2005. The Common Position was adopted at the Council on 8 December 2005, which coincided with the publication of the Commission communication on the Common Position.

The Directive is now in its second reading at the European Parliament and is one of the main priorities of the current Austrian Presidency. ELO is concerned about this Proposal for a



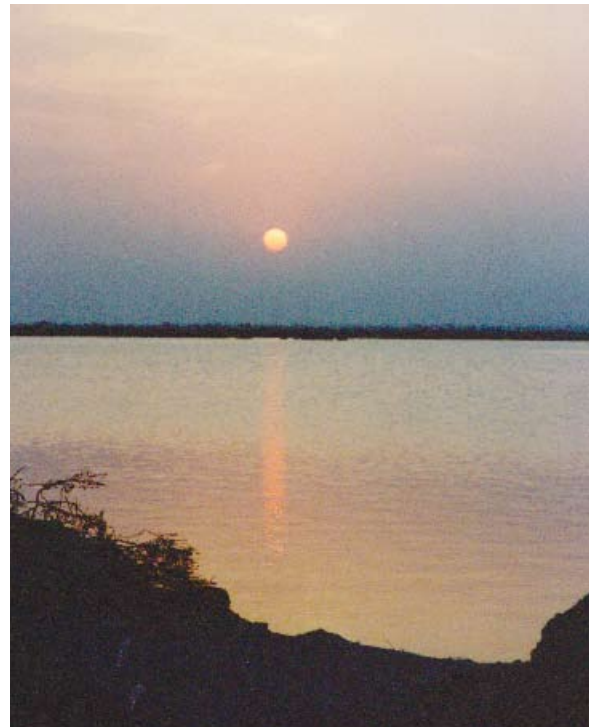
Directive, because groundwater is used for agriculture and other related activities in which ELO members are involved. Thus, we sent some comments on the present Proposal:

- Legislation on water issues should be less ambiguous in their interpretation. The laws define groundwater as a common pool resource, but landowners own some of these resources and the customers are a bit confused about the nature of the groundwater and of the water in general. The legislation has to be clearer, especially related to ownership and rights, to be accepted by society at large and be better implemented at local level.
- The Directive should encourage all the people involved in groundwater management. There is a potential for small-scale users to recognise their interest and manage groundwater for the collective good. A practicable system of incentives should be established in order to achieve this encouragement.
- Need for information on technical advice on the definition of targets for water levels, abstraction and use.
- Water and groundwater should be treated both as an economic and social resource.
- Overlap with the Nitrates Directive, which regulates the groundwater pollution, should be avoided. Having two norms dealing with the same topic will render difficulties in the practical implementation of both Directives. The experience has shown that in some countries and regions such overlap has led to unnecessary and unjustifiably burdensome prohibition of rural activities.

Proposal for a Directive on Flood Risk Management (COM (2006) 15 Final)

One of the main issues discussed at the Water Directors meeting, held on 2 December 2004, was European policy on floods. The conclusions of that meeting were taken into account by the Council, which invited the Commission to submit a proposal for a European action programme on flood risk management. The Commission has since organised several stakeholder meetings in Brussels and an internet consultation to discuss a document with a legislative proposal. ELO has attended relevant meetings, representing the important role that landowners and land managers can and do play in flood defence through appropriate practices.

On 18 January 2006 the Commission will present a proposal for a Directive on Flood Risk Management which aims to reduce and manage the risks that floods pose to human health, the environment, infrastructure and





property. Member States would first need to carry out a preliminary assessment to identify the river basins and associated coastal areas at risk of flooding. For such zones they would then need to draw up flood risk maps and then flood risk management plans focused on prevention, protection and preparedness.

ELO considers that the Directive is very important for its members' activities, not only in terms of protecting properties or economic assets but also biodiversity resources. The proposal includes measures to promote appropriate land-use, agricultural and forestry practices, recognising that the way agricultural and forested areas are used is important for flood prevention and protection. The Austrian Presidency is also very keen on promoting the adoption of this Directive, taking into account that in recent years Austria has suffered the consequences of heavy floods.

ATMOSPHERE

Thematic Strategy on Air (adopted 21.09.2005) – CAFÉ process

ELO welcomes the Thematic Strategy on Air, adopted on 21 September 2005, as some forms of pollution may be detrimental to rural activities, as is the case with regards to particulate fallout coming from incinerators. The rural world could help to alleviate some pollution by providing environmental services such as carbon sinks.

The strategy has also launched a programme called CAFE, Clean Air For Europe, and one of the subgroups is focusing on ammonia coming from agriculture. ELO will participate in the debate in order to help with defining the most appropriate, integrated and consistent

actions to reduce various environmental impacts from agriculture (notably on water, air, and climate change). ELO will insist on the feasibility of foreseen measures during the process.

Climate Change Challenge

Climate Change is becoming one of the most important issues not only on the European scene but all over the world. The United Nations and the European Institutions are focusing their activities to face this common and very big challenge. For this reason, the European Commission set up the European Climate Change Programme (ECCP) in June 2000 to help identify the most environmentally sound and cost-effective EU measures enabling the EU to meet its target under the Kyoto Protocol, namely 8% reduction in greenhouse gas emissions from 1990 levels by 2008-2012, complementing Member States' efforts.

In 2005, EU institutions supported climate change mitigation efforts through:

- Thematic Strategies on the Sustainable Use of Natural Resources, Protection of Soil, Waste Recycling, the Biofuels Strategy, Biomass Action Plan, Green papers on Energy Efficiency and Security of Energy Supply.
- Under the ECCP, the Commission also proposed the European Emission Trading Scheme which became operational in 2005 as the first and biggest market enabling companies to trade carbon dioxide emissions.

ELO has been following the ECCP since 2000, realising that European Strategies and Action Plans have an influence on the rural world. During 2005, ELO aimed at



highlighting the importance of using natural resources to produce green energy and sequester carbon and at increasing recognition of the contribution of landowners and rural entrepreneurs in this field.

ELO recognises that all European sectors must take care and work in a common way to reduce the emissions of greenhouse gases (GHG) and recognises the important role that forests, agriculture and soils can play, as significant instruments to tackle climate change, considering their carbon storage capacity.

On the one hand, in addition to producing food products, agriculture can be used to produce non-food products, including biofuels such as bio-diesel and ethanol. Soils can also be managed to release less carbon and other gases into the atmosphere. Also, carbon is stored in forests during their growth and in wood products. Carbon management could include a wide variety of techniques to promote increased carbon storage on land: including forest conservation, afforestation, reforestation, agro-forestry and new agricultural practices. Biomass from forests provides yet another alternative to the use of non-renewable fossil fuels.

These management systems are measures which to some extent can be supported by the EU, for example increasing the forest area and thus the volume of carbon stored and supporting the use of renewable energy, including biomass and biofuel. ELO aimed to promote these activities in 2005 through its recommendations within the framework of agricultural and rural development support. In particular, through its position papers and interventions at meetings and conferences, ELO stressed the significant contribution of landowners and rural entrepreneurs to the production and supply of biomass for energy networks and so the creation of local energy networks.

Biomass

During 2005, ELO has been particularly proactive with regard to promoting alternatives to fossil fuels, and in particular biomass. Biomass is all renewable raw material of plant or animal origin destined for non-food use. Of the 5 big families of renewable energies which exploit natural cycles: hydraulic, wind, solar, geothermal, and biomass, biomass is one of the most important and certainly harbours much potential for landowners. As is also the case for other renewable resources, its renewable character means that it regenerates itself and is inexhaustible if used sustainably.

Aside from Europe being faced with multiple energy challenges, the world economic context is not favourable to economic operators in the countryside. ELO therefore advocates for a sustainable and long term response through focusing on biomass or “green coal.” This alternative energy source provides landowners and farmers with a major alternative to diversify their income.



Moreover, compared to traditional energies, biomass has many advantages: a relatively low cost, it is less susceptible to market fluctuation in the short term, decreases reliance on oil-producing countries, and of course contributes to the promotion of regional economic structures.

The three main types of biomass are: farm, forestry and safe waste resources. The sustainable use of biomass is part of a virtuous circle that enables the efficient management of waste, supporting an integrated approach: biomass becomes biofuels, biogas or fertilizer, which is then transported and spread onto the fields, thus fighting against the loss of soil organic matter, promoting new crops and considerably reducing the ecological footprint of energy consumption when compared with fossil fuels.

Given the energy challenges of the future, the strategic importance of biomass is currently undervalued. It is important to understand

that market creation relies on there being a demand. It is ELO's role, together with public authorities, to show that the biomass market is full of possibilities and is worth investing in. It is thus crucial to clearly identify regulatory, market and technological barriers to uptake and solutions to overcome them.

The biomass market lacks political, financial and administrative support allowing it to compete with fossil energy. One of the factors of resistance in the Member States is the problem of excise duties. Tax breaks are indeed one major tool for increasing the competitiveness of biofuels, and it has to be coupled with local infrastructures and connections to the existing network.

In 2005/ early 2006 the Commission proposed a Biomass and a Biofuels Action Plan, highlighting the need for a coordinated political approach. The aim is to reduce oil imports by 8%, prevent greenhouse gas emissions equivalent to 209 million tons of CO₂ per year and create around 300,000 new jobs, thus meeting the requirements of the Lisbon and Göteborg agendas. These Action Plans announce a number of initiatives such as the review of the biofuels Directive, the review of the implementation of the energy crop premium and the review of the Fuel Quality Directive to be carried out in 2006.

ELO firmly believes that the goals of the Biomass and Biofuels Action Plans can be achieved as part of a balanced approach and with a view to sustainable development. It can lead to a win-win situation which could



be profitable at once for the rural world, governments, the environment and investors. It is a major opportunity for revitalising the countryside by reconciling the economy and the environment for the profit of our European society as a whole.

NATURE

Under the Habitats and Birds Directives, Member States have to ensure that appropriate measures are taken in Natura 2000 (N2K) sites to:

- avoid any activity significantly disturbing species or damaging habitats for which the site was designated
- preserve, maintain or restore habitats and species in favourable conservation status (FCS)

Within the limits of EU legislation, each Member State decides on the method to use to achieve the goals. Methods have to take into account ecological needs and socio-economic, cultural, and regional characteristics of the concerned area.



The objective of N2K is the preservation of the most endangered habitats and species of Community interest, not the creation of

strict natural reserves where human activities would be systematically banned. On the contrary, this is a conception where man has an active role to play, where man contributes to biodiversity enhancement. N2K includes the sustainable development principle. Its objective is clearly not to get rid of existing socio-economic activities, but to combine biodiversity and socio-economic aspects, pillars of sustainable development. During 2005, ELO continued to defend this principle—that man and nature can work together.

N2K recognizes that man and biodiversity are interdependent. Human activities contribute to the richness of EU biodiversity. Although site designation should consider scientific criteria, management plans also require a close partnership with rural actors, resource holders such as owners, managers, occupiers and users. Because of their know-how, experience and knowledge, they are essential partners for the concrete and successful implementation of N2K. EU legislation welcomes the development of management plans that aim to bring species and habitats conservation objectives into line with existing socio-economic activities through appropriate means (e.g. management contracts, incentives, LIFE projects).

Most N2K sites are privately owned and are host to numerous socio-economic activities that often contribute to biodiversity (agriculture, forestry, fish farming, tourism, leisure, fishing, hunting, recreational activities). Obviously these activities are possible in or near N2K sites. If adaptations or modifications to these uses are necessary, the feasibility of these proposals have to be negotiated with rural actors and financed.



New plans and projects that entail important modifications to land use in or near a N2K site are also not systematically banned. Nevertheless, they have to comply with the procedure set up in the Directive for evaluation of their impact. The first step is to determine if the project is likely to have significant impact on species and habitats for which the site was designated. If the impact is not considered significant, the project will be pursued. If on the contrary the evaluation demonstrates foreseeable negative effects, an alternative, less detrimental option will be favoured. Some projects detrimental to N2K sites may be pursued for imperative reasons of major public interest. In this circumstance, compensatory measures will be taken in order not to jeopardize the N2K network and its global coherence.

Financing Natura 2000

The importance of maintenance of EU biodiversity is recognized at the highest political level. Following the recent changes introduced by the Common Agricultural Policy (CAP), single farm payments are dependant on maintenance of a farm in good agricultural and environmental condition. One of the Rural Development Regulation's (2007-2013) aims is to improve the rural

environment and the quality of life. Farmers and foresters could benefit from related

financial support compensating additional constraints linked to N2K designation. Specific management initiatives going beyond N2K requests could be subsidised under national and EU co-financing. A series of questions on financing N2K remain unanswered and should be resolved after adoption of the EU global budget, the CAP budget, the LIFE section and the various structural funds. N2K success will be highly dependant upon the financing which is really allocated.

Natura 2000 has laudable objectives in N2K sites and even outside of these protected areas for migratory species. These objectives need adequate funding and support from everyone, including rural actors, local and regional authorities, associations and EU citizens.

- Birds Directive 79/409/EEC
- Habitats Directive 92/43/EEC
- Commission dedicated "Nature" webpage: www.europa.eu.int/comm/environment/nature/home.htm

NATURA NETWORKING INITIATIVE

ELO is a partner of Eurosite and Europarc in the NATURA Networking initiative (NNi) which aims to increase awareness of N2K among relevant stakeholders and the general public.

Through organising a number of events and utilising its network of organisations to further disseminate its message, ELO supports environmental services and environmentally friendly management practices on private estates in N2K areas.



In 2005, ELO promoted sustainable management on N2K lands through organising:

- Sessions aimed at improving the implementation of N2K in MS
- Information and training events, and
- Communications actions



ELO Meetings on the implementation of N2K

The transposition of relevant EU legislation is over, but its implementation is still underway. In order to facilitate constructive discussion and thinking about the implementation of N2K network in MS and its implication for rural entrepreneurs, the following meetings were organised. The objective of these meetings were to gain the trust of private actors in order to support the sustainable management of N2K areas in accordance with the Commission objectives:

13 January 2005, Czech Republic. Together with its Czech member (SVOL), ELO organised a meeting with the Czech Minister of the Environment and Eurosite to promote cooperation between the administration and landowners in the management of N2K areas.

26 May 2005, Czech Republic. ELO organized a joint meeting with Czech landowners (SVOL), local administration,

Eurosite and the Commission in Prague. The aim of the meeting was to improve the implementation of N2K in Czech Republic through supporting communication between local administration and landowners who owns estates in N2K areas.

16 June 2005, Belgium, Flemish region. ELO organised a meeting with Eurosite, Flemish landowners, local administration and the Commission at the Wynendale Estate in Belgium, covering the implementation of N2K in Flanders. ELO supported the EC integrated policy approach, bearing in mind economic, ecological, cultural and social values of agricultural management.

21 October 2005, Ireland. ELO organised a joint meeting with the Irish Landowners' Organisation in Dublin and Eurosite in order to explain the implementation of N2K in Ireland. The meeting discussed the establishment of a European Ecological Network which would focus in particular on challenges and opportunities for site managers and local communities as regards access to funding, rural tourism, extensive agriculture and forestry (commercial assets for products) and employment.

21 November 2005, Czech Republic. ELO organised a joint meeting with the Czech Landowners' Organisation in Prague under the Prince Programme in order to explain the current state of cooperation between private land managers and the public administration in the implementation of N2K.

8 March 2006, Spain. ELO, in cooperation with its Spanish member "Grupo de Empresas Agrarias" (GEA), organised a working meeting on 8 March about the implementation



of the N2K network in Spain. The meeting was held in Madrid under the auspices of the Spanish Ministry of Environment. Discussions with European, National and Regional representatives largely focused on the question of financing N2K, with particular attention to cofinancing through EU existing funds such as the new Council Regulation (EC) No 1698/2005 on Rural Development.

Other meetings aimed at facilitating related efforts are planned for Belgium (June, 2006), and Italy (October, 2006). Past meetings



have included key Commission contacts, such as Mr Nicolas HANLEY, Head of the Unit responsible for Nature and Biodiversity in DG ENV, as well as high level officials from regional and national administrations.

Raising awareness of the environment and management of N2K Sites

In addition to efforts aimed at improving communication, the NNi programme also supports the training of private stakeholders involved in the management of rural areas. In 2005 ELO continued to develop specific links with local stakeholders and actors in part through establishing “N2K Ambassadors,” who consist of individuals cooperating closely with ELO who have a good knowledge of N2K and are working towards bridging the gap between policy and practice. The foreseen ambassadors will be from the Czech Republic and Spain. ELO is waiting for formal agreements before releasing their names.

28 February 2005, Belgium, Brussels.

ELO organised a training seminar for the Austrian Landowners’ Organisation. About 30 stakeholders attended along with speakers from the European Commission. The agenda included CAP reform, the implementation of N2K and the Rural Development Policy between 2007 and 2013.

19 April 2005, Belgium, Brussels.

ELO organised a meeting for young landowners in Brussels to give them access to decision makers in Europe as well as better understanding of EU environmental legislation. The two-day meeting at the European Parliament included representatives from more than 11 Member States as well as the Commission. The seminar was not only informative it also provided networking opportunities for future European landowners.

19 September 2005, France, Arles.

ELO organised an agri-environmental workshop in the Tour du Valat, France. This training session for landowners presented case studies of estates which produce environmental services. This session focused on French land management, implementation of environmental policy and the reactions of landowners. These presentations were complemented by a number of presentations.

18 October 2005, Austria, Ilmitz.

ELO and the Austrian Landowners’ Organisation participated in the meeting “Developing Stakeholder Partnerships” with the DG ENV unit “Protecting the Natural Environment.” Mr Hans DAMM, ELO representative, gave a presentation titled “Working in Partnership for NATURA 2000, Case studies – farming/ agriculture,” a pioneering example of participation in ecological programmes (nature conservation by contract) in an agriculture company.



In addition to several other DG ENV staff, individual meetings were attended by Heads of Unit, Nicolas HANLEY, Nature and Bio-Diversity Head, Mr Ladislav MIKO, Head of Directorate B – Protecting the Natural Environment, as well as key representatives from regional and national authorities.

Actions towards a larger public

ELO's activities have been complemented by a campaign to inform the public about the N2K network and its implications for the sustainable management of private lands. It has reached the broader public through its Countryside magazine, the internet and other media.

ELO publishes several communications on N2K, its implementation, and related concerns. The following list summarises the relevant articles issued in Countryside in 2005. All articles have been uploaded on the ELO website, www.elo.org :

Countryside n°74 (1 page) - 5 languages
Countryside n°75 (4 pages) - 5 languages
Countryside n°76 (1 pages) - 5 languages
Countryside n°77 (2 pages) - 5 languages
Countryside n°78 (6 page) - 5 languages
Countryside n°79 (4 page) - 5 languages
Countryside n°80 (3 page) - 5 languages
Countryside n°81 (6 page) - 5 languages
Countryside n°82 (2 page) - 5 languages

Website: A new web page has been elaborated to inform ELO members and partners about N2K and NNI. This page is also a way to access ELO partners, including Eurosite, Europarc, and the Commission (DG ENV). On this page it is also possible to find a

“Green Days” formulary to facilitate and report the engagement of our members in N2K committees. The primary objective of Green Days is to promote events throughout the EU that facilitate understanding and acceptance of N2K at the local and regional level.

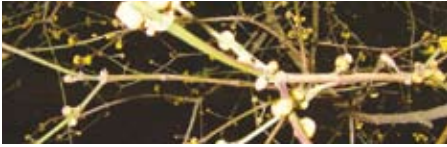
ELO wishes to deepen its members' knowledge about N2K and the opportunities it provides without hiding the difficulties involved with its implementation. ELO believes that in order to gather the support of stakeholders around this European project, the Commission must clearly communicate the implications of N2K for land use management. Communication is crucial to the success of the N2K network.

In 2006, ELO will continue to support the NNI. We will encourage increased involvement of estate owners in favour of N2K as well as the construction of a “Case Studies Network.” Without the support of landowners and managers, it would be extremely difficult for the Commission to successfully implement N2K.

SUSTAINABLE USE OF NATURAL RESOURCES

Thematic Strategy on Sustainable Use of Natural Resources (adopted 21.12.2005)

ELO actively participated in the consultation process on the sustainable use of natural resources, its members being directly involved either in the extraction, production and management of natural resources, or in the recycling of products as raw materials. The thematic strategy aims at elaborating a policy framework to limit or alleviate negative impacts on natural resources during the production or use processes. The life



cycle of products are analysed in depth, and it is hoped that the negative impact from the use of natural resources can be decoupled from production. This approach is one of the key elements used to limit the environmental footprint of our modern societies. Some crosscutting issues with other EU actions dealing with other media such as soil, air and waste or pesticides and Natura 2000 are obvious.

During this process, ELO has clearly stated the viewpoint of landowners and rural entrepreneurs, notably the need to consider river fish stock as a natural resource and the need to offer safe sewage and sludge products as new raw materials, also taking into account aspects related to product liability. ELO believes that existing legislation in the field of agriculture, forestry and rural areas are addressing the issue (e.g. alternative energies such as biomass...) and hopes the Thematic Strategy will help to achieve greater coherence. The Thematic strategy on sustainable use of natural resources was adopted the 21st of December 2005, and ELO will follow its concrete implementation.

PLANT PROTECTION PRODUCTS

The primary function of the rural world is to feed growing populations with safe products, which has been possible in part thanks to plant protection products (PPPs). The 21st Century is seeing the development of another function: the production of fossil fuel alternatives in order to reduce petroleum dependency. Future generations of land managers will thus face an enormous challenge. They will need the means to fulfil this task while making sure that related activities do not adversely affect biodiversity. The era of modern farming

has come, and it is inextricably linked to environmental protection and enhancement of local economies and communities. Farmers and agricultural industries are willing to take responsibility for environmental and health issues through using safe and appropriate technologies and products.

Specific Basic Legal Framework

- Plant protection products (PPPs) are covered by **Council Directive 91/414/EEC** defining strict rules for their authorisation. The Directive requires very extensive risk assessments for effects on health and environment to be carried out, before a PPP can be placed on the market and used. A revision of this Directive is scheduled for the 2nd quarter of 2006. Community rules also exist that define **maximum residue limits (MRLs)** on food and feedstuffs.
- The **Biocidal Product Directive (98/8/EC)** aims to provide a high level of protection for humans, animals and the environment and targets the harmonisation of the European market for biocidal products and their active substances.
- Communication '**Towards a Thematic Strategy on the Sustainable Use of Pesticides**' COM (2002) 349.

In 2005, ELO represented rural entrepreneurs and landowners through defending their interests as responsible stewards of their land, believing that business, social and environmental performances are mutually dependent. A balanced approach as regards the EU Commission's "Strategy on sustainable use of pesticides" (2002) is thus necessary.

ELO supports the use of products that increase output from existing farmland. This contributes to sustainable agriculture by reducing the need to further convert semi-natural habitats into agricultural fields.



New products are being developed for use according to food and sanitary safety requirements within the context of sustainable agriculture and integrated pest management. They have been placed on the market in order to mitigate threats to natural resources and soil and are part of good practices when combined with appropriate cultivation techniques such as conservation tillage or the use of environmental-friendly machinery.

The EU Strategy on Pesticides aims to reduce the risks from pesticides to farmers, consumers, and the environment whilst maintaining crop productivity. The objectives of the strategy are twofold, targeting the issue both at its source (i.e. PPP producers) as well as its end result (i.e. PPP users). MS are required to improve controls on the use and distribution of pesticides, as well as on the reduction of the levels of harmful active substances, in particular through replacing the most dangerous ones with safer (including non-chemical) alternatives and in encouraging the use of low-input crop farming. In addition, MS are required to establish a transparent system for reporting and monitoring progress, including the development of appropriate indicators. The Thematic Strategy on Sustainable Use of Pesticides, namely the “PPP Directive” should be revised in 2006.

GENETICALLY MODIFIED ORGANISMS (GMOS)

Despite modern plant protection practices, it is estimated that around 40% of the world’s harvest is still jeopardized by pests, weeds and diseases. With the world’s population expected to increase to 8 billion by 2025, the rural world will be put under huge

pressure to increase productivity. At the same time consumers are demanding higher and higher food quality. In addition, given the foreseeable exhaustion of fossil fuels and the resulting increase in demand for biofuels, a new generation of farmers in Europe is facing numerous challenges within the framework of a rapidly changing market. **ELO believes that within the context of a balanced approach, biotechnologies, and especially GMOs, are a powerful tool that can be used to help meet these needs.**

The EU Commission defines GMOs as « *organisms in which the genetic material (DNA) has been altered in a way that does not occur naturally by mating or natural recombination* ». The most common types of GMOs that have been developed and commercialised are genetically modified crop plant species, such as genetically modified maize, soybean, oilseed rape and cotton varieties.

ELO promotes sustainable use of GMOs

GMOs can provide clear benefits for agriculture and the society as a whole. They include economic benefits for farmers (in preventing insect feeding damage, improving weed control programs, preventing crop loss to plant disease), environmental advantages (mitigating loss of soil organic matter, sparing water), as well as direct benefits for consumers (improving the quality and nutritional benefits of food crops, i.e. « Golden Rice »). In addition, they allow a much more efficient production of “green fuel.” It has been proven that transferring genes to a target crop plant can improve plant characteristics and help solve difficult agricultural problems.



ELO is in favour of research which would produce genetically enhanced plants able to increase yields, make industrial processes more efficient and cleaner, while providing safer, healthier and

better-tasting food for consumers. In addition, this new generation of « biotech products » could also be used to develop pharmaceutical products for human health or proteins for life-saving drugs.

The European Commission has developed a legislative framework based on the **precautionary principle** to ensure that GMOs that are grown, marketed and imported meet the highest standards of safety for the environment, and for human and animal health.

Basic legislation:

- Directive 90/219/EC on contained use activities with GMOs
- Directive 2001/18/EC on the deliberate release of GMOs into the environment
- Regulation 1829/2003 on GM food/feed
- Regulation 1946/2003 on the transboundary movement of GMOs
- Regulation 1830/2003 traceability and labelling of GMOs

In 2006, the Austrian Presidency organised 2 topical Conferences on GMOs, in which ELO actively took part, one on the so called « **precautionary principle** » and the other one on « **co-existence** ».

Directive 2001/18/EC covering the deliberate release into the environment of GMOs allows Member States (MS)

to establish co-existence measures. The concept of “co-existence” addresses the ability of farmers to choose between conventional, organic or GM-based crop production, in compliance with the relevant EU legislation on **traceability, labelling and/or purity standards**. EU regulations have introduced a 0.9% labelling threshold for the “adventitious” presence of GM material in non-GM products. The Commission is however considering proposing new, lower thresholds.

Co-existence measures should indeed make it possible for farmers growing non-GM crops to keep the adventitious presence of GM material in their harvest below the labelling thresholds established by EC law. Farming does not take place in a closed environment and perfect segregation of the different agricultural production types is not possible in practice, thus meaning that suitable technical and organisational measures during cultivation, harvest, transport and storage might be necessary to ensure coexistence. **ELO strongly believes that the coexistence of the 3 types of crops should be left open to the choice of producers and pave the way for more research.**

Directive 2001/18 & Regulation 1829/2003 on GM food/feed also provide for environmental risk assessment. Specific principles are to be followed when conducting risk assessment, in order to ensure that all types of potential risks are addressed. The authorisation procedure ensures that only GMOs which are safe for human and animal consumption and for release into the environment can be placed on the European market.

Moreover, on 24 September 2004, the Scientific Panel on Genetically Modified



Organisms (GMO Panel) of the European Food Safety Agency (EFSA) adopted its **guidance document** for the risk assessment of genetically modified (GM) plants and derived food and feed. This document has been updated in 2005 modifying the chapter on “General Surveillance of unanticipated adverse effects of the GM Plant ».

The risk assessment methodology (Annex II to Directive 2001/18/EC):

- identification of any characteristics of the GMO(s) which may cause adverse effects
- evaluation of the potential consequences of each adverse effect
- evaluation of the likelihood of the occurrence of each identified potential adverse effect
- estimation of the risk posed by each identified characteristic of the GMO(s)
- application of management strategies for risks resulting from the deliberate release or placing on the market of GMO(s)
- determination of the overall risk of the GMO(s)

ELO welcomes the EU Commission’s decision to improve, within the existing legal framework and in compliance with EC and WTO law, the scientific consistency and transparency of decisions on GMOs through developing consensus between all interested parties and avoiding undue delays in authorisation procedures. Meanwhile, the organisation underlines that it is important that EFSA’s scientific safety assessment process doesn’t become too politicised and calls for more transparency when applicants and EFSA are addressing potential long-term effects and bio-diversity issues in their risk assessments for the placing of GMOs on the market.

AWARDS FOR ENVIRONMENT

ELO, its sister organisation Friends of the Countryside, and its partners have created a series of European Awards in order to promote sustainable development in rural areas. They aim at rewarding innovative, environmentally friendly and entrepreneurial achievements in the European countryside.

Anders WALL Award

Since 2002, the Anders WALL Foundation (Sweden), Friends of the Countryside, DG Environment and the Royal Agriculture Academy of Stockholm give an award each year to encourage and promote efforts made by creative entrepreneurs who have contributed to the creating a “positive rural environment”: landscape preservation, biodiversity enhancement, cultural heritage conservation and contribution to the rural economy. The 2004 Anders WALL Award was given to SALINS Group for protecting the natural environment, including almost 30,000 hectares of salt marshes along the Mediterranean coastline.

<http://www.friendsofthecountryside.net/award.htm>

Belleuropa Award



The Belleuropa project was created in Italy in the late 1990’s in cooperation with ELO, thanks to the initiative of Ing. Giuseppe NATTA, a



leading environmental figure. It is based on the principle that in Europe many rural territories are highly degraded, and a quality environment is thus a scarce good upon which much value is being placed today. The Belleuropa Award is given to rural properties, which have utilized agri-environmental measures to achieve significant results from an environmental point of view. These properties have thus become important examples of 3rd generation agriculture. In 2005, the Belleuropa Award was given to Bentivoglio and San Pietro in Casale ex-Rice Fields, for an environmental project jointly developed by the local administration, a cooperative organization and a private entrepreneur.

ELO Wetlands and Water Award

Previously known as Euroducks International, the ELO Water and Habitat Fund created an award dedicated to the development of initiatives by private land managers, companies or institutions for the protection, conservation and sustainable management of water resources and water shaped habitats. The 2004 Award was given by MEP Michl EBNER to Grupo Empresarial ARICAM (Spain) for the elaboration of a water-saving industrial process and the sustainable management of a quarry in a sensitive environmental area.

<http://www.elo.org/index.php?page=pages/awards.php>

Environment and Soil Management Award

Created by ELO, under the patronage of Commissioner DIMAS, with the cooperation of DG Environment, the Universities of Vienna and Ljubljana, the EU Joint Research Centre of Ispra and Syngenta International, the Environment and Soil Management

Award recognizes outstanding management achievements contributing to the improvement of environmental quality and to the protection of soil and land. The first award will be given in 2006. <http://www.elo.org/index.php?page=pages/soil.php>

III. PROMOTING SUSTAINABLE & ECONOMICALLY VIABLE RURAL AREAS

AGRICULTURE

The Common Agricultural Policy (CAP) has been facing several reforms which were initiated as a result of internal pressures, for example budgetary concerns and changing public preferences, as well as external pressures, such as multinational WTO-commitments which prohibit unfair barriers to trade. As a result, 2005 saw a continuation in a general trend, which has been characterised by a reduction of the traditional price support schemes (intervention prices) within the framework of the CAP.

While on the one hand ELO has been supportive of an overall paradigm shift that supports rural areas, including agriculture, for the full range of products and services they provide, as these services are not limited to the production of cash crops, ELO maintained its stance in 2005 that the CAP must be adequately funded, both within the framework of Pillar 1, funding for the agricultural market, and Pillar 2, rural development.

Supporting Pillar 1

In 2005, ELO maintained its support for newly established measures under Pillar 1,



i.e. direct payments aimed at decoupling payments from production and compensating farmers for income losses. ELO continued to support the idea of linking payments to land when they are linked to the good land stewardship and management practices by its legal user.

ELO has supported the reform but stresses the crucial importance of providing adequate economic support to rural areas to compensate for economic and financial losses. In the absence of supportive political and economic frameworks, EU rural areas will not be able to develop competitive and innovative sectors that provide employment and increase environmental services and goods to the European population.

Policy group and Advisory Committee

During 2005, ELO continued to participate in numerous Advisory Groups and Working Groups of the European Commission and the European Parliament, pro-actively defending and promoting its members' interest at the Community level. Particularly within the framework of the Advisory Group on Agriculture and Rural Development of the Commission as well as through dialogue and action fostered within the framework of



ELO's Policy Group, ELO ensured that the landowners' interests were always represented. Beyond articulating its concerns and making recommendation as regards the current and future financial perspectives and content of agricultural policy, it has been looking above and beyond 2005, into the future.

In particular, ELO has been busy giving due consideration to the full range of issues affecting landowners and prioritising the main issues of concern. For example, it was agreed in 2005 that until the first hurdle of resisting the overall 1% budget ceiling and any attempt to re-open the Brussels 2002 Council agreement on the continuity of Pillar 1 payments was overcome, ELO would not indicate its preferences on the balance between Pillars 1 and 2. Now that the financial perspectives have been agreed upon for 2007-2013, it has become clear

that issues such as modulation and capping need to be more closely considered. These issues were discussed and considered in depth during 2005 and formal positions are likely to be adopted in the near future.

In addition to other efforts aimed at establishing a viable plan of action for agriculture and rural areas in the future, ELO assisted the development of on-going prospective studies for the development of the agricultural sector in the period 2005-2020. The project, SCENAR 2020, is funded by DG Agriculture of the European Commission. ELO's participation ensures that rural stakeholders, landowners, managers and resource holders are represented as the key actors in developing and maintaining a dynamic and prosperous countryside and that future policy development takes this essential fact into consideration.



EU Sugar Reform

In 2005, the radical reform of the EU sugar sector, which will begin to take place in July of 2006, was discussed in depth. The reform will follow the same principles that have been used for the reform of other agricultural sectors in recent years. The sugar reform (Council Regulation (EC) No 318/2006 of 20 February 2006 on the common organisation of the markets in the sugar sector) will include a 36% cut in the guaranteed minimum price of sugar and compensation for farmers for the loss of income resulting from the reform. Additional measures will be aimed at supporting affected areas. Direct payments will be incorporated in the Single Farm Payment and linked to the fulfilment of strict environmental and land management criteria (cross compliance measures).



Although ELO accepts that sugar policy reform is inevitable to ensure a long-term sustainable future for sugar production in the EU, enhance the competitiveness and market-orientation of the sector and strengthen the EU's position in the current round of world trade talks, during 2005.

ELO continued to acknowledge that there are jobs, investments, supply chain commitments, crop husbandry and rotation considerations, environmental and social consequences of over-rapid adjustment of sugar production in any region. It maintained its stance that these factors should be carefully considered when deciding the nature and pace of any reform and that there should be adequate compensation and adjustment assistance given to all those affected as well as parallel actions to develop the European bio-fuels industry.

ELO wanted:

- To ensure reasonable extent and speed of price cuts, with compensation (preferably postponing the launch of the new system until 2007).
- A restructuring package for those regions losing sugar factories.
- A programme of assistance to develop and disseminate alternative break crops for sugar.
- A new broad programme to develop a land based renewable energy programme for the EU.
- To safeguard the interests of the ACP countries.

Although a Restructuring Fund has been created to act as a financial incentive to encourage the development of alternative economic activities via various support measures (e.g. training), it remains to be seen if farmers will be given the necessary means to diversify their range of agricultural products and wider socio-economic and environmental services. A stronger commitment to integrate the sugar reform with the development of bioenergies as a renewable source of energy is necessary.



Rural Development:

EU rural development policy is undergoing substantial changes both in terms of funding and the specific formulation of objectives. These changes present numerous opportunities and challenges for landowners and land managers. During 2005, ELO actively engaged in efforts to support a rural development policy which would better enable landowners and managers to manage their lands sustainably and profitably. Through participating in the European Commission Rural Development Advisory Committee as well as attending several meetings in the Parliament and elsewhere, ELO was able to track developments and submit its opinions and recommendations where appropriate, at times with the support of other stakeholder groups.

The most important developments and related discussions in 2005 concerned:

1. Financial Perspectives for 2007-2013 as they relate specifically to CAP, including rural development;
2. The new Rural Development Regulation for 2007-2013;
3. Improving the competitiveness of under-developed regions.

Financial Perspectives for Rural Development:

In 2005, ELO's biggest concern with regard to rural development was, and remains, the overall level of available funding. ELO believes that land managers can and should show that the distribution of rural development funds (such as for agri-environment schemes) to landowners and managers constitutes a legitimate payment for public environmental and cultural services often not recognised by

market conditions. Thus, ELO maintained its stance in 2005 that Rural Development should be adequately funded and be targeted towards supporting economically viable properties that provide a variety of sustainable services.



During 2005, ELO supported increases in the Commission proposal for the new budget heading 2 of the 2007-2013 financial perspectives "preservation and management of natural resources" – which in addition to other environmental funds such as LIFE, includes the CAP Pillars 1 and 2, rural development. Considering increasing pressure and necessity to fund the management of NATURA 2000 sites (i.e. the Habitats and Birds Directives), ELO regarded this as a perfectly rational approach necessary to ensure that sufficient funding would be available to support rural development.

Unfortunately, the overall funding of heading 2 (including pillar 2) became under significant threat in 2005, as a result of the debate on the overall financing of the EU budget for the 2007-2013 period. In 2005, ELO thus urged its Member Organisations in the group of



countries that were in favour of budget cuts (net contributors, such as De, Fr, UK, Ne, Sw, Au), to explain to their governments that their overall budgetary stance would penalise their rural areas.

Faced with the prospect of budget cuts versus increases, ELO then 'lobbied' in 2005 to ensure the smallest cuts possible in the total funds available for budget heading 2. The end result has been a decrease from Pillar 2 funding from the proposed roughly 90 billion to 70 billion, and as a result, European rural areas, including agricultural, forestry and other rural activities, are continuing to come under significant pressure.

The new Rural Development Regulation

As a result of developments with regards to financial perspectives in 2007-2013, the content and specific distribution of rural development funds, which had already been extremely significant, has taken on increasing importance as more and more measures are fighting for fewer funds. In 2005, ELO followed the formulation of the new Rural Development Regulation closely and contributed to wording which will better enable landowners and managers to reach the desired targets using limited resources.

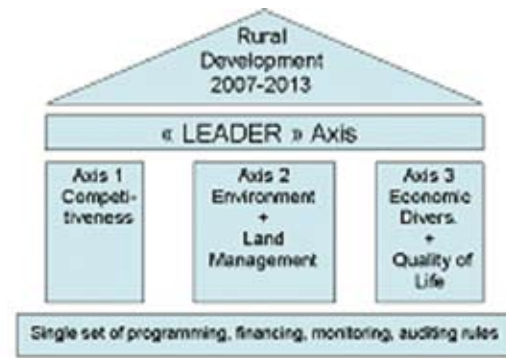
The new Rural Development Regulation for 2007-2013 gives land managers and rural regions the possibility of defining activities tailored to local needs through focusing support measures on three areas:

Axis I: improving competitiveness of farming and forestry;

Axis II: managing the environment and countryside;

Axis III: improving the quality of life and diversification of the rural economy;

A fourth axis, LEADER, should contribute to the priorities of the other three axes through supporting local capacity building for employment and diversification.



Concerned with the Commission's attempt to structure the pattern of spending in each region too tightly by proposing minimum expenditure weights of 15%:25%:15% for the three main categories of measures, in 2005 ELO suggested lower weights for axes 1 & 3 and higher weights for Axis 2.

As a result of its efforts, ELO was able to actively contribute to the elaboration of an optimum rural development funding allocation in cooperation with the Commission which will better enable landowners to adjust to a changing market.

ELO also commented on a large number of other issues, including several which are important for forestry. ELO helped, for example, to mitigate proposed reductions to financial support for first afforestation.

Also, through its support of the sustainable production of biomass and biofuel as renewable sources of energy (as one of several actions that can be taken to improve



the competitiveness of rural areas), ELO voiced its support of schemes that improve the competitiveness and sustainability of rural businesses.

Though it remains clear that that much more needs to be done to improve rural development in the future, for example as regards funding aspects and promotion of specific measures that benefit landowners and managers, some progress was made in 2005, as can be recognised by forestry's more thorough integration into the new Rural Development Regulation



Supporting less developed regions

Improving the competitiveness of underdeveloped regions in the EU also continued to be a major concern in 2005. This was particularly the case in many of the new Member States. In addition to Rural Development Funds, the Cohesion Fund provides some opportunities to co-finance relevant measures. ELO was involved in measures to support the exchange of information and experiences between rural actors in less developed MS and supported initiatives taken by landowners and managers in these areas.

FORESTRY

2005 was an important year for forestry in the EU. Following review of the 1998 EU Forestry Strategy, the Commission began preparation of a new EU Forest Action Plan, renewable energy sources, including forest biomass, gained increasing attention in EU policies, prevention measures against forest fires were discussed, and the new Rural Development Regulation for 2007-2013 was proposed (and later adopted). Through its network of experts and partners, ELO ensured that recommendations representing the forestry related interests of landowners were submitted in all these areas. Moreover, ELO became an expert for "Streamlining European Biodiversity Indicators for 2010" (SEBI) working groups. ELO has also continued to play an active role in the Pan-European and national level processes.

The Forest Action Plan:

ELO has contributed and continues to contribute to the preparation of the new EU Forest Action Plan, which the European Commission intends to launch in June 2006. Its main objectives are: improving **long-term competitiveness, improving and protecting the environment**, contributing to the **quality of life** and fostering **coordination and communication**. This Action Plan is an opportunity to enhance the contribution of land and forest owners to sustainable forest management and to develop new markets. In 2005, ELO submitted its suggestions with regard to the Forest Action Plan to the European Commission together with partner organizations.



Bio-energy:

Renewable energy produced from forest biomass has gained significance, both within the framework of the upcoming EU Forest Action Plan and the **Biomass Action Plan**. The necessity to produce and consume renewable energies is directly linked to the Kyoto Protocol. It constitutes a driving force for a sustainable rural development by being a new source of income for the rural world and so provides new market opportunities, by supplying raw material for industries and energy networks.

Within the process of formulating both Action Plans, it was highlighted in 2005 that forest area in the EU is growing, and only 60% of the annual forest growth is being harvested. The afforestation and reforestation of lands carried out within the framework of rural development is partly responsible for this expansion. ELO has been supporting efforts to facilitate the development of these markets, recognising that a huge potential exists for developing wood energy markets (e.g. for low-value timber and small-size wood) and sequestering carbon in soil and wood with positive repercussions not only for climate change mitigation and the environment but also for the rural economy, ecological stability and soil stabilization. ELO is in favour of developing local networks that can help forward these goals.



Forest Fires:

Regarding the loss of biodiversity, each year fires damage thousands of hectares of forests in southern Europe. Desiring prevention measures from the EU, in the first half of 2005 ELO submitted recommendations through the Forest Fires Prevention Expert Group to the European Commission to tackle environmental disasters caused by these fires. The principle underlined is that the protection of the environment in the EU cannot be without a policy for Forest Fire Prevention designed according to the distribution and intensity of the danger and developed in cooperation with the public and private stakeholders of the forest sector.

Rural Development post 2006:

The Commission proposal to reinforce the EU's rural development policy for the period 2007–2013 provides a basis for a fuller integration of forestry into rural development. ELO hopes that this can be achieved by enhancing the consistency between rural development and national forest programmes, exchanging information and best practices on the use of forestry measures, and improving the monitoring and evaluation of forestry measures with respect to the broader aims of the rural development policy.

NATURA 2000 and Biodiversity:

Since 1992 and the Earth Summit in Rio de Janeiro, ELO has participated in European strategies to halt the decline of biodiversity in Europe. ELO is now working on the implementation of Natura 2000 specifically as this concerns forest habitats through various actions and communication strategies. ELO became an expert for the “**Streamlining European Biodiversity Indicators for 2010**” (SEBI) working groups (biodiversity



and rural activities related to forest habitats). The SEBI aims is to develop and implement biodiversity indicators for assessing, reporting on and communicating achievement of the 2010 target to halt biodiversity loss. ELO has also assisted the Biodiversity Expert Group to underline the importance of forest management systems in accordance with biodiversity conservation.

Biodiversity enhancement, inside and outside the Natura 2000 network, is a valuable concept, but the profitability of a countryside that is managed by man must be maintained. These are issues that ELO defended. The Forest Department has been closely following Article 12 (on the strict protection of animal species of community interest provided by the Habitats Directive 92/43/EEC) and the financing of the Natura 2000 network.



ELO hopes that additional tools and financial instruments, such as LIFE +, will enable forestry related conservation measures to be better financed. LIFE +, or the financial instrument for the Environment, should adequately support the implementation of the 6th Environment Action Programme.

Pan-European & international processes:

ELO participated in the annual Expert Level Meeting (ELM) of the MCPFE (Ministerial Conference on the Protection of Forest in Europe), held the 5th and 6th of September, 2005 in Warsaw. The Liaison Unit Warsaw presented advancements in the follow-up of Vienna Conference (2003) and stated that the majority of the 30 actions included in the MCPFE Work Programme were completed. The 5th Ministerial Conference will take place in 2007.

ELO strongly supports sustainable forest management (SFM) and related efforts, including the concept of certification as a means to promote the use of wood from forests managed in a sustainable way and to improve its competitiveness on the global market. ELO attended the 8th PEFC General Assembly as an observer to follow the progress of certification in Europe. ELO is supporting the certification systems in Europe but does not support any one scheme (PEFC or FSC). Forest owners have to make their own choices and discover for themselves where market opportunities are present. ELO attended the 8th PEFC General Assembly and is following this issue closely.

ELO believes that SFM should also be supported through protecting the European wood market against illegally logged wood and hopes to support SFM in regions and countries where forest management and related laws are less developed through participating in the Forest Law Enforcement, Governance and Trade Action Plan (**FLEGT**). The European Council adopted a regulation (EC) NO 2173/2005 on the establishment of a FLEGT licensing scheme for imports of timber into the EU.



HUNTING & FISHING

Enlargement:

Throughout ELO's projects with new Member States, the Forest Department played a specific role by providing information from European level to landowners and supporting the sharing of forest related experiences.

Multifunctionality:

Through all of its activities, ELO has represented the interests of land and forest owners and contributed to the future sustainability and competitiveness of a forest sector that values the sustainable forest management of landowners and managers. ELO has strongly supported not only positive effect of forests on the quality of peoples' lives through providing products and related employment, but also the maintenance and



enhancement of environmental amenities and ecological values, the protection of soil and water resources, and tackling climate change. Enhancing the multifunctionality of forests to provide all of its many functions is thus a priority for ELO, and this can be done most effectively through supporting the entrepreneurial activities of landowners to plant trees and manage forests. ELO supported its position that land and forest owners should be remunerated for the many environmental services they provide to civil society, while maintaining the productive capacity of forests and preserving biological diversity.

ELO believes that properly managed hunting activities are compatible with

NATURA 2000 requirements when these fall within the scope of sustainable rural development and contribute to the protection of biodiversity. In 2005 ELO underlined this positive message on many occasions: sustainable hunting and appropriate management of hunting estates bring added value to the common good, not only in terms of environmental protection, but also in terms of socioeconomic aspects such as diversification of revenue sources for the rural world through the creation of an economy around wildlife products (i.e. hunting products, bird watching and gastronomy).

Pilot Wildlife Estates Initiative (PWEI)

In September 2005, ELO co-organized in Estremoz (PT) a Conference, which was aimed at supporting Sustainable Hunting in Pilot Wildlife Estates. A Working Group was giving the mandate to establish within the framework of sustainable development policy:

- Simple principles of good management and conservation of wildlife estates all over Europe which can be adapted according to the different hunting ways in the various regions of the European Union.
- A network of well-managed and outstanding estates.

Since October 2005, the Working Group, which was coordinated by ELO, has met on a regular basis in Brussels and managed to identify "outstanding" estates, which shall serve as "study fields" in order to determine



criteria and indicators. On the basis of these, it will be possible to create a “label.” Once the estates are studied, it will be possible to identify exemplary management practices in order to produce guidelines for each biogeographic area, which should be endorsed at a Conference that will take place in Copenhagen (DK) in 2006. This initiative addresses various aspects falling within the scope of DG Environment. The PWEI is in a “grey zone” stage, which will increase in importance in the near future, as it does not merely focus solely on the protection of biodiversity, but also associates economic aspects (=sustainability). This is very important given the budgetary restrictions of pillar 1 and the foreseeable development of pillar 2.

The selected estates have a considerable potential to contribute to society, namely as regards the visibility they give to the public. It will raise people’s awareness of the quality of the wildlife population, and allow them to determine which places they would like to visit. ELO advocates that hunters are above all wildlife, flora and landscape “producers.”

Sustainable Hunting Initiative (SHI):

This initiative developed in 2005 is the result of an agreement between FACE (coordinator), ELO (partner), and BirdLife International (collaborator). Its objectives aim to contribute to biodiversity conservation through:

- Improving understanding of NATURA 2000
- Promoting dialogue between hunters & other stakeholders
- Favouring users’ active participation in the management of NATURA 2000 sites

It takes the form of a European workshop composed of 5 seminars, such as the one organised in the Mediterranean region by

ELO/FCSGREA on 15th / 16th June 2006 in Madrid (Spain).

*The ELO’s PWEI and SHI are in line with the **Guidance Documents on Hunting of the EU Commission** and the **Agreement between BirdLife and the Federation of the E.U Associations for Hunting and Conservation (FACE)**. Together with FACE, ELO is running, the **Secretariat of the EU Parliament Intergroup on Sustainable Hunting, Biodiversity and Countryside activities**.*

Sustainable Hunting, Biodiversity, and Countryside Activities:

In 2005, the Intergroup on Sustainable Hunting, Biodiversity, and Countryside Activities celebrated its 20-year anniversary. It has grown into a regular and recognized forum for land-users of various kinds to share experiences and develop joint actions. As Europe’s eyes and ears in its natural habitats, land managers and users are pivotal partners for decision-makers in pursuit of a sustainable and dynamic countryside. ELO is at the heart of this partnership and the intergroup constitutes a key link towards a European rural policy that is at once environmentally sound, as well as culturally, socially and economically balanced.





Among other topics, recent meetings have addressed the follow-up to the EU Forestry Strategy, the issue of invasive alien species, avian flu and hunting of wild

birds, and the management of large carnivores. ELO, which co-manages the secretariat of the intergroup together with the Federation of European Hunters (FACE), has provided numerous experts to these meetings. They variously result in common strategies in the shape of position papers, declarations and other follow-up actions. For example, as a result of the December 2005 intergroup meeting on invasive alien species dealing with the environmental and ecological damage caused by the American grey squirrel, a joint declaration was issued urging Member States to take preventive action. Along with its partner, the European Squirrel Initiative, ELO has contently observed the media increasingly begin to raise the issue.

In the first half of 2006, ELO will co-organise three meetings, the first on country estates and wildlife management in the EU, with case studies on property restoration and hunting, the second on the socio-economic significance of hunting and angling, and the third on building stronger links between associations of rural representatives.

Recreational fishing

The European Landowners' Organization strongly supports recreational angling due to its important contribution to the rural economy and to the sustainable management of aquatic environments and their biodiversity. Recreational fishermen and other territorial managers are not only able to generate significant revenue from their activities, they are also the first ones to notice any changes in their aquatic environments.



Benefits for local economies and biodiversity

It is increasingly recognised that recreational angling has an important socio-economic contribution. This is estimated at around €25 billion per year across Europe, with over 25 million recreational practitioners. Due to the associated tourism benefit, increased rent and small-scale craft enterprises that it supports, a rod-caught fish can bring approximately twenty times greater revenue to the rural economy than one caught by net-fishing.

The contribution of angling to biodiversity is also non-negligible. Recreational fishing makes use of aquatic resources at a more sustainable rate of exploitation than commercial fishing. Unfortunately this is not reflected in the EU Common Fisheries Policy, despite some notable efforts by the Commission and Court of Justice to prevent over-fishing. ELO on the other hand fully recognises this and is thus involved in conveying this message to the wider public.

To achieve this objective, and to protect the interests of its member organisations that partly rely on the income generated directly or indirectly from sustainable angling, in 2005 ELO initiated a Europe-wide project with the objective of obtaining a better understanding



of the actions taken by territorial managers and anglers to protect the environment. The project, entitled “The contribution of land managers and anglers to the conservation of aquatic habitats in Europe,” looks in the first instance into their actions in the maintenance of banks and ponds, possible reintroduction of species, monitoring of pollution and species levels and communication activities to the wider public. Second, as fish stocks are increasingly under pressure, the project also aims to obtain a better knowledge of the conservation status of certain migratory species. It also focuses on how the actions of territorial managers contribute to their incidence and well-being. Three seminars will look into these developments, for lamprey in the Baltic Sea, Twaite Shad in the Mediterranean, and Salmon in the Atlantic. All three of them are protected under Natura 2000 (at least in fresh water), and territorial managers and anglers can play a vital role in ensuring their migratory routes.

During 2005, ELO continued its involvement in the “Stop Salmon Drift Nets Now” -

campaign. The campaign recognises that Atlantic salmon has disappeared from countries where it was formerly plentiful and that stocks are close to extinction in various others, such as France, Spain, Portugal and parts of Scandinavia. Only in Iceland, Norway, Scotland, Ireland and Russia do significant stocks remain.

A meeting at Athlone (IE) in July 2004, which was attended by observers from ELO, founded the campaign with the aim of co-ordinating the efforts of European angling club associations and of other angling interests, including tourism, to create a climate within which European governments, can act to ban salmon drift netting. Besides creating an informed body of public opinion through the media programme, the initiative applies pressure on governments through parliamentary means, supports the lobbying of members at local and European levels, and seeks to obtain manifest commitments from the major political parties.





IV. ENLARGEMENT

Since the recent enlargement of the EU, in May 2004, to 25 Member States, landownership issues have taken on a new momentum. The share of rural territories in the EU has increased to 80%, and sustainable development as well as the implementation of environmental legislation, including Natura 2000 (the Birds and Habitats Directives) is now at the top of the EU agenda to ensure a balanced development of the EU 25. Moreover the renewed focus on the Lisbon Agenda aims to foster new opportunities for the rural world, as well as to encourage new ideas for job-creation in the countryside.

For a long time ELO has been developing its network of member organisations in the New Member States (NMS) and Candidate Countries (CC) helping them to prepare for enlargement. As the EU considers further expansions, ELO continues to recruit in advance.

To strengthen and extend the synergies between rural actors of the EU 15, 10 NMS and CC, as well as to help raise awareness of European legislation in the enlarged EU, ELO organised a series of conferences in 2005, with the support of the European Commission and specifically DG Enlargement. Feedback from these programmes are widely published through printed and electronic media at local, regional, national and European levels.

More information is available on the ELO website www.elo.org under the heading “conferences”.

PHARE Small Projects Programme 2005

The PHARE project “Food and Sanitary safety: a challenge for the enlarged EU”

consisted of three conferences, which aimed to improve the competitiveness of rural businesses, share experiences and good practices on this issue at the European level, and help rural professionals from the NMS and CC to meet European requirements before and after enlargement.



26-27 April, Brussels (Belgium)

European Conference, bringing together private and public stakeholders from all over the EU states. During this event ELO attributed its Water&Wetlands award.

24-25 October, Warsaw (Poland)

NMS Conference, under the auspices of Secretary of the Committee for European Integration.

4-5 November, Sofia (Bulgaria)

CC Conference, with a field visit of to a fruit and vegetable market

PRINCE 2 Cross Border Programme 2005/2006

(Programme pour l'Information du Citoyen Européen)

Based on the ELO's experience with the realisation of PRINCE 1 in 2004, this project aimed to build on the progress that had been



made and to continue to create synergies between rural actors in the EU25. To reach its goal, ELO organised a series of 14 conferences between October 2005 and May 2006, including theory and case studies:

10 National Workshops:

4-5 October, Tartu (Estonia)

“Production of high quality products at the regional level”

13- 14 October, Cracow (Poland)

“Property law and restitution in the ex-communist countries: legal, economic and ethical aspects”.

21 November, Prague (Czech Republic)

“What is the current state of cooperation between Land Managers and the Public Administration in the implementation of Natura 2000.”

23-24 November, Bratislava (Slovakia)

“The process of Restoration of Land Ownership Rights”.

8-9 December, Vilnius (Lithuania)

“Lithuanian Forests, an economic and environmental asset: what perspectives in the EU framework?”

14-16 December, Limassol (Cyprus)

“The role of the LEADER programme and Local Actions Groups in Rural Development”.

27-28 January, Budapest (Hungary)

“New farming practices and technologies: what future for the Magyar agriculture?”

13-14 February, Ljubljana (Slovenia)

“Multifunctionality and Rural Development”.

17-18 February, Riga (Latvia)

“Useless properties for agriculture and the possibilities of managing these properties for other business purposes”.

24 March, Valetta (Malta)

“The challenges for insular agriculture after the CAP reform.”

3 Regional Conferences:

16-17 January, Lahephere Bay (Estonia)

“The role of private forests in the Baltic Sea Region” .

6-7 March, Warsaw (Poland)

“Entrepreneurship status of farms in Central Europe: how can farms comply with the new rules of the CAP”.

25 March, Valetta (Malta)

“The reform of CAP and the new Rural Development policy: impact on rural areas in Mediterranean countries” .

1 European Conference:

23-24 May, Brussels (Belgium)

“Enlargement +2: what future for the rural economy in the new Europe?”





V. STATUS OF PRIVATE PROPERTY

ELO is clearly involved in a number of activities that concern property rights, notably the Constitutional Treaty, the European Court of Human Rights (ECHR) cases and reduced VAT. Beyond the desire to ensure that basic ownership rights are respected, ELO wants to show that the proper legal framework that safeguards the principles of private ownership can assist the sustainable development of rural areas and contribute to the competitiveness of the European rural economy. In order for private owners to contribute fully to these endeavours, they must be supplied with the necessary tools, which include both the protection of fundamental rights and an economic framework that spurs, not represses, economic growth while protecting social, cultural and natural heritage.



Debate on the Constitutional Treaty

ELO actively lobbied during the period of elaboration of the Constitutional treaty and welcomed the final version of the Treaty protecting property rights. The inclusion of the European Charter of Fundamental

Rights in the Treaty was a key element of ELO's support. Ratification processes in 2005 lead to large national debates which were previously lacking at national levels. After national ratification by 13 among 25 MS (more than half of them), the process was stopped in spring 2005 due to the negative results of the French and Dutch referenda. Neither the British nor Austrian Presidencies nor European Parliament initiatives have succeeded yet in the revival process. Member States have to launch discussion processes at the national level in 2006-2007.

European Court of Human Rights (ECHR)

ELO is closely following the ECHR court cases related to property rights. In 2005 a case particularly interested ELO and its sister organization Groupement Européen des Fédérations intervenant dans l'Immobilier - GEFI, the court case Hutten-Czapska vs Poland (35014/97 - 22.2.2005), on rent blockage. Poland was condemned (violation of Article 1 of Protocol 1 – protection of property) as the rent was too low to even enable maintenance of the building by the owner. Poland appealed and the final Grand Chamber case should be published in 2006.

EU Fundamental Rights Agency

In 2004 the Commission launched the debate on the creation of an EU Fundamental Rights Agency decided by EU Heads of Governments in December 2003. On 30 June 2005, the Commission proposed the creation of the independent Agency to replace the Observatory on racism and xenophobia (COM(2005) 280 final). The Agency should gather information, issue annual reports and give advice to the EU and Member States on proposed legislation. It is designed to



complement, not to duplicate the work of the Council of Europe and to co-ordinate the activities of national human rights bodies. The agency will not, however, take up individual cases. Quick adoption of the proposal is awaited. ELO supports the creation of the Agency and wishes its competences to be broad and cover all fundamental rights, particularly property rights.

Reduced VAT

Reduced VAT was an important file for ELO during the autumn-winter 2005 period. The review of the 6th Framework Directive on VAT was particularly delicate. The transitional period of reduced VAT was to end on 31.12.2003, but finally was postponed to 31.12.2005 due to a lack of agreement of the Council on the Bolkestein proposal. ELO particular focus was put on reduced VAT for building repairs and labour intensive activities. ELO in collaboration with sister organizations (Union of European Historic Houses Associations-UEHHA, English Heritage, Groupement Européen des Fédérations intervenant dans l'Immobilier – GEFI) created a working group on VAT. This synergy improved the efficiency of lobbying during the UK Presidency. The Commission clearly stated its flexible approach, and the final decision, reached in January 2006, was to continue to allow the MS to have the option to use reduced VAT for reparation costs until 2010 for those having already used the option or requesting it before 31 March 2006. Some specific adjustments for new MS have been agreed on, specifically for Poland and also for Latvian timber. ELO welcomes this final agreement enabling not only sustainable activities which otherwise would not have taken place but also giving longer entrepreneurship visibility until 2010

than previous extensions of two years. ELO will pursue its action during the review process of the VAT Directives

Urban & Housing Intergroup

ELO, via its sister organisation GEFI (Groupement Européen des Fédérations intervenant dans l'Immobilier) actively participates in the intergroup Urban and Housing. During 2005 the intergroup firmly established itself as part of the Parliament-stakeholder scene, bringing together various associations involved in urban planning and restructuring, as well as representatives of public housing groups, service-providers and private property managers.

Four meetings of the intergroup and its subgroup on housing took place in 2005. Topics included the European housing charter, access to housing, the integrated approach for city development, and the Bristol agreement on sustainable communities. ELO has consistently emphasised the role of private owners in a sustainable and affordable property mix.

Thematic Strategy on Urban Environment (adopted on 11.01.2006)

ELO, in collaboration with Groupement Européen des Fédérations intervenant dans l'Immobilier (GEFI), participated in the consultation process of the Thematic Strategy on Urban Environment and was part of the Urban Expert Group. The theme is important for ELO, as a sustainable development of cities and the rural world is needed. Some crosscutting issues, such as urban sprawl, were dealt with both within the Urban Environment and the Soil Protection processes. ELO will follow the process up until its national application.



Historic Houses

ELO works closely with the European Historic Houses Association (UEHHA), identifying common problems and developing effective solutions to help private owners in the maintenance and preservation of houses with historic and/or architectural importance.

In 2005, in collaboration with the Danish Historic Houses Association (BYFO), the Danish Heritage Counsel (BYGNINGSKULTUTELTRAD), the Italian “Associazione Dimore Storiche Italiane” and the English “Historic Houses Association”, ELO and UEHHA launched the “Building Care Programme” (BCP) with the support of Directorate- General for Education and Culture of the European Commission, within the Framework Programme “Culture 2000.” The project has already been implemented in Denmark with great success, and therefore Copenhagen was the first location to hold the BCP Conference. The second BCP Conference took place in Brussels. The project is now being implemented in Italy, Belgium and Switzerland. All the co-organisers hope that these projects will be as successful as the Danish example.





VI. FINANCIAL PERSPECTIVES

The debate on the Financial Perspectives for the period 2007-2013 has been fraught with difficulties and particular dangers for rural development. Enlargement of the EU to include 10 new Member States from 1 May 2004, most of whom are major net recipients of EU money, inevitably means major expenditures but only minor revenues for the EU budget.

Most Member States are of course aware that substantial levels of financing for agriculture, rural development as well as regional and social support are necessary in the context of Europe's socio-economic model according to which economic growth must go hand in hand with a degree of solidarity towards those who are less able to compete.

WHAT IS THE PRICE OF THE CAP?

For more than 40 years the CAP has been considered as one of the most important European policies. During the beginning of the EC's existence, the CAP represented a large proportion of the overall budget and expenditure. A stricter budgetary discipline, the growth of EU activities in other policy areas and a series of reforms to the CAP (three times in ten years) have resulted in a reduction in the total proportion of funds allocated to agriculture.

Budgetary limits have been established to control expenditure in any one year and over periods of years. CAP expenditure has been frozen until 2013. The limits envisaged for CAP market measures and direct aids during the period 2007-2013 will not increase in real terms and will actually decrease, not only because the EU 15 will have to pay

for most of the direct payments to the EU 10, but for all such payments to Romania and Bulgaria as from next year, but also because of further reductions resulting from the Council accord on the New Financial Perspectives of December 2005.

The CAP budget accounts for about EUR 50 billion per year. If this represents nearly 50% of the total EU budget, it is because there are very few EU common policies. If one takes into account total public expenditures by the EU and its Member States, less than 1% of GDP is spent on the farming population (5.5% of the economically active population in the EU 15 before the 2004 enlargement) as well as on rural development.

Agricultural expenditure has been steadily decreasing as a share of the overall EU budget expenditure, as well as in real terms and per farm (from 0.54% of GDP in the early 1990s to 0.43% in 2005). And what this money is spent on has also been changing: less for export subsidies, less for market support (intervention stocks), more direct aid to producers (decoupled from production) and more to rural development and the countryside.

Trends in the CAP:

- A declining share in EU GDP
- A declining share in the EU budget
- A declining share in total EU public expenditure
- A significant shift in the manner of support



WHY FINANCE THE CAP?

At present, European society shows mixed feelings about the financing of the agricultural and rural development policies. Originally the aim of the CAP was to ensure the availability of food at all times, the stability of prices and fair and regular incomes for farmers. Today, European society takes the availability of supplies for granted and many people do not understand why farmers are still paid to farm.

However, there is vast public support for the objectives of the New CAP, such as healthy and safe food production, contribution to sustainable development of rural areas, protection and enhancement of the EU natural environment and its biodiversity - and all this at a minimal cost to the EU budget. So the focus has switched to include non-marketed and non-traded environmental and social services, such as those supplied as byproducts through farming and forestry.

While a majority criticizes agricultural support as excessive, many admit that small farm income is insufficient and that farmers have little support in dealing with far more powerful intermediaries, who siphon off the bulk of the final shelf price of their produce.

THE ELO THINKS THAT...

The EU budget debate will have a serious impact on rural areas. The ELO has been virtually unique among Europe's agricultural organizations in its strong support for the New CAP resulting from the Council agreements of 2003 and 2004.

The New Financial Perspectives threaten to undermine our general understanding of the last commitments made by the Council, which

slashed the resources agreed in October 2002 for the agricultural markets and decimated the financial means available for Rural Development and the rural environment.

ELO is concerned that different Single Farm Payments (based on historical production pattern) and unequal implementation of the cross-compliance provisions in the Member States may disturb the competitive conditions between farmers across the EU.

While most farmers are keen to improve the sustainability of agriculture, which they cherish as their most precious asset, oftentimes they cannot afford to do so, because the market mechanism does not provide compensation for the relevant additional costs. Younger generations thus feel discouraged from entering into the farming business. This discouragement can result in further land abandonment, degradation of the rural environment, loss of employment and even the decline of the social fabric of many of our rural areas. This risk is aggravated by a general pessimism about future support and the effects of the WTO negotiations on European agriculture.

ELO Members have been hoping for a period of stability following the latest reforms in order to plan their production and diversification and ensure the future of their activities. Farmers have the same right as any other industry not to have the economic, policy-based context subject to continuing policy uncertainty. We are a partner for a stable, sustainable and environmentally friendly CAP and a vibrant, living countryside.

VII. PERSPECTIVES

We may once again consider, in conclusion of this annual activity report, that the ELO network has succeeded in achieving its still increasing objectives.

But despite some major accomplishments achieved in 2005, it is clear that we face a number of challenges, not the least of which concern future financial perspectives for agriculture, rural development, and the environment.

In addition to increasing internal and external pressures to reform the CAP while meeting some of the highest environmental standards in the world, recent and continuing enlargement of the EU increases the pressure on regions throughout the EU to ensure a harmonious and sustainable development of rural areas. Within this context, traditional rural activities and Europe's cultural heritage face additional challenges, which may transform the countryside considerably. While on the one hand this may have negative consequences for people and the environment, on the other hand new opportunities are arising for landowners and managers to embrace change for the benefit of society and nature.

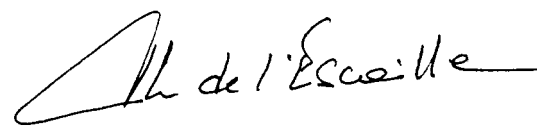
Within the context of a changing countryside, ELO has been a strong supporter of biomass, biofuels, fibre crops and even new technological crops allowing medical, alimentary or energetic improvements. The question is: are our decision makers ready and able to give us access to such progress, provided they respect our ethical criteria? Or are they just frightened by all kinds of populist opposition?

We businessmen of the countryside need a clear and coherent legal and economic framework for evolving.

Friends of the countryside such as ELO play their role when they bridge the gaps between business, environmental and social concerns. The countryside needs businessmen, regardless of what they produce. Let's be frank, the countryside's future depends on innovation, regeneration, value creation and enhancement of biodiversity.

The process of adopting an EU Constitution is still underway, but we are confident that fundamental rights now have a definitive legitimacy at EU level.

The ELO creates perfect opportunities to acquire new ideas and to exchange views, share experiences and hone opinions. The Friends of the Countryside and the European Landowners' Organization will continue to be present wherever the rural world and private entrepreneurship are under threat in the European Union.



Thierry de l'Escaille
May 2006



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