

## AGRI-ENVIRONMENTAL SUPPORT FOR SPECIAL MEASURES

One element in Finland's agricultural aid system is agri-environmental support, which receives partial financing from the European Agricultural Guidance and Guarantee Fund (EAGGF). Nearly 300 million euros is spent on agri-environmental support yearly and this is the most important financial guidance means for environmental protection in agriculture.

Presently 93% of Finnish farmers and 98% of farmland fall within the scope of the agri-environmental support scheme's basic and additional measures. In addition to basic support farmers can apply for support for more demanding environmental management and protection measures. Spending on such special measures totalled about 37 million euros in 2004. Support for special measures involves contract-based environmental guidance, in which a farmer concludes a contract with the state and receives compensation for the measures that are implemented. There are 12 forms of support for special measures. Their purpose is to reduce the load on the water system and to preserve environmental diversity and the rural landscape. Organic farming is also supported. The Employment and Economic Development Centres' rural departments administer support for special measures. The regional environment centres also issue statements on the scientific values of applications that require a plan.

The purpose of the audit was to investigate the functioning and effectiveness of the support scheme. The audit studied the setting of objectives and evaluated the regional economic effectiveness of the support scheme. It also focused on problems in administering support.

The audit indicated that the division of the agri-environmental support scheme into basic and special measures can mainly be considered successful. Basic support has made it possible to extend

environmental protection measures to Finnish farms on a broad scale. Studies have shown that support for special measures is more effective, but their overall effectiveness is reduced by their limited scope and scattered nature.

The regional distribution of support for special measures has depended on the activeness of farmers. The scheme is thus flexible from farmers' viewpoint but it does not adequately steer support to where the environmental benefits would be greatest considering natural conditions and the structure of agriculture. In the opinion of the State Audit Office, support for special measures should be targeted better regionally. Regional effectiveness would also be improved if measures covered contiguous areas.

In earlier audits the State Audit Office has drawn attention to the slack way in which objectives have been set for environmental measures. This is also true in the case of support for special measures. The audit indicated that the setting of objectives should be sharpened. Furthermore, in administering support for special measures, regulations concerning different types of support are emphasized to the point that they obscure the ultimate aims of support. The State Audit Office has considered it important for the Ministry of Agriculture and Forestry to pay attention to the comprehensibility of support for special measures and explaining the significance of individual forms of support in sustainable farming.

Support for special measures has been quite heavily administered considering the amount of money involved. The biggest challenge for administration is the scheme's laborious nature from the viewpoint of both handling officials and applicants. Problems with application and decision timetables place a burden on the Employment and Economic Development Centres and cause uncertainty among farmers. The application handling process should be developed so that the decision-making stage and the start of measures are coordinated in a more practical way. Support models should also be developed so that projects requiring large one-time investments can be supported on other grounds besides area.

Support for special measures should help achieve the objectives of the agri-environmental support scheme. In developing the support scheme attention should be paid to the relation between basic support and support for special measures. The effectiveness of the support scheme could be improved by shifting special measures to

the basic part of the scheme. On the other hand special measures' share could be increased by making them more attractive, for example by paying larger incentives for the most effective special measures. With environmental requirements becoming more stringent in legislation, the requirements in the support scheme must also be raised to reach the minimum level required by legislation. It would be most efficient for the state economy to make the simplest measures compulsory and to compensate them automatically.