#### Annex A

#### DRAFT

Report on the evidence taken by the Committee on the successor Rural Development Plan 2007-2013

#### Introduction

- 1.1 The programme period of the current Rural Development Plan (RDP) will close in 2006. The successor plan will run from 2007-2013.
- 1.2 At its meeting on 3 November 2005, the Committee received an update from the Welsh Assembly Government on the successor RDP. The update outlined the draft proposals on the EU Strategic Guidelines for Rural Development. The first four guidelines (axes) are supported by priority areas that Member States need to address in their successor plans. They are:
  - improving the competitiveness of the agricultural and forestry sectors;
  - improving the environment and countryside;
  - improving the quality of life in rural areas;
  - building local capacity for employment and diversification.
- 1.3 The successor plan is being developed in the context of the overarching EU objectives of the Habitats and Birds Directive and the Water Framework Directive. The political driver of climate change will also be significant, as will the impact of the Welsh Assembly Government's 'Wales Spatial Plan'. The Wales Environment Strategy should incorporate the Lisbon competitiveness agenda and the Gothenburg sustainability agenda.
- 1.4 In view of the fact that there would be a consultation on the draft successor plan in spring 2006, Committee agreed to take evidence from stakeholders on the four axes to inform its view.
- 1.5 Oral evidence was taken in Committee on 17 November 2005 and 19 January 2006<sup>1</sup> from the following:

Undeb Amaethwyr Cymru/FUW Farmers Union of Wales NFU Cymru/National Farmers' Union of Wales The Countryside Council for Wales Antur Teifi Menter Môn Welsh Development Agency

<sup>&</sup>lt;sup>1</sup> Transcripts of the evidence can be found at <a href="http://assembly/rop/ROP/Committees/EPC/2005/epc051117fv7.html">http://assembly/rop/ROP/Committees/EPC/EPC060119fv7.html</a> and <a href="http://assembly/rop/ROP/Committees/EPC/EPC060119fv7.html">http://assembly/rop/ROP/Committees/EPC/EPC060119fv7.html</a>

Written evidence was also received from these organisations.<sup>2</sup> We would like to extend our thanks to them for assisting the Committee's work in this area.

1.6 The report that follows summarises the highlights of the evidence taken and makes recommendations arising from it.

# **Funding**

2.1 At the time of our first evidence session the European budget settlement was not known. Both the National Farmers' Union (NFU) and the Farmers' Union of Wales (FUW) sought assurance that the Assembly Government would negotiate as realistic a settlement as possible. We support their call for a substantial increase in funding. We recommend that the Welsh Assembly Government does all that it can to ensure a fair and adequate settlement within the UK allocation.

### **Transition**

2.2 We are in full agreement with those who called for a seamless transition from the present RDP to the successor plan. We would not wish any programmes to be lost because of a lack of sustainable funding. We recommend that the Welsh Assembly Government provide sustainable funding for both current and future programmes, thus ensuring a stable funding environment.

## **Flexibility**

2.3 Given that the full impact of CAP reform is not yet known, there was unanimity in the evidence we took on the need to ensure that the funding of the four axes would be flexible enough to deal with changing circumstances and to adapt to market forces. We recommend that the Welsh Assembly Government safeguards and promotes the flexibility within the plan, which allows schemes such as Farming Connect to be delivered across the four axes.

#### Modulation

2.4 The National Farmers' Union raised serious concern about the effects of modulation<sup>3</sup> on farming incomes, should the allocation from the EU budget not be adequate. They referred to 'pressure to raise the

<sup>&</sup>lt;sup>3</sup> Modulation is the transfer of funds from farming subsidies to agri-environment and other rural development schemes.

modulation level and all the problems that that would entail for the farmers of Wales'. We are aware that the UK has secured additional flexibility for voluntary modulation which allows for an increased commitment to agri-environment schemes, which demand high levels of funding.

2.5 While there is no change to compulsory modulation, which is set at 5 per cent in the EU over the 2007-2013 period, we share the concerns of those who feared that modulation is likely to be increased later in the programming period. We recommend that the Welsh Assembly Government does all within its powers to maintain as low a level as possible of additional national modulation.

# **Agri-environment Schemes**

- 2.6 We agree with the FUW, which, in its written evidence, suggested that the agri-environment payments should reflect the service farmers provide in terms of environmental protection.<sup>5</sup> This was also supported by the Countryside Council for Wales (CCW).
- 2.7 We welcome the success of Tir Cynnal, which, we were told, is delivering over and above the requirements of good farming practice, though CCW suggested that further adjustments may be necessary to ensure that the scheme delivers value for money.
- 2.8 The future designation of the less favoured areas (LFAs) was raised. CCW believes that, 'any LFA payment delivered as part of the new Rural Development Plan needs to be focused to a much greater extent on environmental outcomes'. We are concerned that funding of LFAs would almost certainly mean increased levels of modulation.
- 2.9 On the issue of energy crops, we were concerned that they are unlikely to be able to compete with other areas of subsidised production, given the need to find customers and to create an impetus for the private sector to invest in infrastructure.

## Targeting Funding

2.10 Our evidence sessions highlighted the divergent priorities of the different sectors, in particular the interests of farmers as primary producers within the rural economy and the need for partnership working to facilitate wider rural development. In its written evidence NFU Cymru was concerned that rural development funds will be siphoned off from agriculture.<sup>7</sup> Menter Môn noted that 'agriculture is

<sup>7</sup> http://www.wales.gov.uk/assemblydata/N000000000000000000000000037536.htm

<sup>&</sup>lt;sup>4</sup> Transcript of Committee proceedings, 17 November 2005.

http://www.wales.gov.uk/assemblydata/N0000000000000000000000000037584.html

<sup>&</sup>lt;sup>6</sup> Transcript of Committee proceedings, 17 November 2005.

no longer the sole, or perhaps even the primary, platform for economic development'. <sup>8</sup>

# **Wider Rural Development**

3.1 Some witnesses expressed the belief that the successor RDP would provide a new definition and rationale for wider rural development.

# **Building Capacity and Expertise**

- 3.2 We are in full agreement with calls for investment and training in knowledge transfer in rural Wales and were encouraged to learn that there is a huge increase in the numbers of farmers taking training courses. We believe that upskilling is essential for the future prosperity of the farming industry.
- 3.3 We note Menter Môn's comments that there is a creativity gap rather than an entrepreneurship gap in rural Wales.<sup>9</sup>

# **Partnership**

3.4 We believe that the existing network of rural development bodies should continue to be used to facilitate future developments and to underpin broader-based community-led regeneration in rural Wales.

## Identity

- 3.5 The issue, which concerns us, of outmigration of young people from rural communities was raised in discussion. We endorse those projects funded through the rural community action programmes, which seek to utilise the skills and knowledge of young people in their local areas.
- 3.6 Menter Môn raised the issue of successful areas in Europe harnessing their identities and adding value to their base resources. We strongly agree with the assertion, 'what makes us different makes us interesting, and what makes us interesting makes us marketable'.<sup>10</sup>

### **LEADER**

3.7 We were interested to learn that in Europe the LEADER network fulfils the role undertaken by the WDA in Wales. We believe this enhanced use of the LEADER network merits consideration.

<sup>10</sup> Ibid., paragraph 430.

<sup>&</sup>lt;sup>8</sup> Transcript of Committee proceedings, 19 January 2006, paragraph 424.

<sup>&</sup>lt;sup>9</sup> Ibid., paragraph 425.

## **Monitoring and Evaluation**

- 4.1 CCW stressed the difficulty of monitoring the quality of outputs and outcomes of the plan and reminded us that environmental results need to be measured over a long time scale. 11
- 4.2 CCW noted that agriculture support systems had been through radical change recently and commented on the possible positive and negative impacts of the single payment cross-compliance scheme. It could bring

...greater control over any damaging activity, the establishment of a universal standard of minimum good practice and reductions in stocking densities on upland grazing areas. It could also have damaging environmental consequences, such as the simplification of farming systems, increases in monoculture, loss of cattle grazing and arable cropping, further reductions in farm labour, ecological under-grazing, and lack of management.<sup>12</sup>

- 4.2.1 CCW are working with the Department for Environment, Planning and Countryside in the Welsh Assembly Government to monitor the environmental impacts of the recent changes
- 4.3 We believe that a more rigorous monitoring of the successor plan is required. We therefore recommend that the Welsh Assembly Government, in partnership with relevant stakeholders, develops indicators to evidence the tangible benefits of the plan.
- 4.4 The WDA reminded us that, 'it is important to learn from the delivery of the existing programmes in Wales'. 13 Antur Teifi talked of 'developing upon the work that has been undertaken to date'. 14 FUW referred in particular to the success of Farming Connect, which despite 'teething problems', was considered extremely important to Welsh agriculture. 15 We recommend that the Welsh Assembly Government uses the evidence that it will gather during its ex-ante and ex-post evaluations of the current plan to disseminate best practice throughout all of the successor plan's programmes.

## **Concluding Remarks**

5.1 Since one in three people in Wales lives in rural Wales, rural development and the rural economy concern very many people. On behalf of the groups it represented, Antur Teifi was confident

<sup>13</sup> Transcript of Committee proceedings, 19 January 2006, paragraph 416 lbid., paragraph 414

<sup>&</sup>lt;sup>11</sup> Transcript of Committee proceedings, 17 November 2005.

<sup>&</sup>lt;sup>12</sup> Ibid

<sup>&</sup>lt;sup>15</sup> Transcript of Committee proceedings, 17 November 2005.

that the proposal provided, 'a unique opportunity to make a significant difference in the future in rural Wales'. 16

We are in full agreement with Menter Môn's assertion that the future sustainability of rural economies will only be found from within. 17 5.2

Transcript of Committee evidence, 19 January 2006, paragraph 414 lbid., paragraph 437