



## Finance Committee: Welsh Government Draft Budget proposals for 2021-22 Consultation Response

### 1. What, in your opinion, has been the impact of the Welsh Government's 2020-21 budget including recent funding related to COVID-19?

WWF-Cymru worked closely with Welsh Government in advance of the 2020-21 Budget and welcomed the positive step towards making biodiversity a cross-cutting budget theme. We also welcomed the additional £140m of capital spending the budget committed towards new projects – including £15m towards restoration of the Natura 2000 network; £4.5m for the development of a National Forest, and £1m for peatland restoration.

Obviously these amounts are far below what is required to address the combined climate and nature emergency we face, and which both the Welsh Government and the Senedd has declared – with [NRW estimating](#) that the Natura 2000 network alone requires in excess of £120m to address all pressures and threats affecting the achievement of favourable condition. But nonetheless, this investment was seen as a welcome first step, which the First Minister has described as a “down payment” on what is to come.

Given the arrival of COVID-19 shortly after the Budget's publication, it remains unclear precisely how much of these commitments have been delivered upon and therefore what impact they have had. It appears that delivery has been understandably limited given that a number of those commitments appear to have been repackaged into the Government's recent '[Coronavirus Reconstruction: challenges and priorities](#)' report. We and other environmental NGOs have struggled to understand the relationship between the budget and the allocations in Coronavirus Reconstruction. **We urge the Committee to scrutinise Government on this point to establish what of these budgetary commitments has been delivered; what has been lost; and what has been repacked into future commitments.**

As a result of COVID-19 we note that the Government published its second 2020-21 supplementary budget in October. It was disappointing, given the weight Government communications placed on fostering a green and just recovery from the pandemic, that

Environment, Energy and Rural Affairs allocation was the [only part of the budget to see an allocation reduction](#) (a loss of £11m or 1.9%) in the wake of the substantial increases elsewhere.

In making this observation we recognise that the Environment, Energy and Rural Affairs allocation delta does not tell the whole story of Welsh Government nature & climate action, especially in the context of where it is seeking the mainstreaming of spend given that biodiversity is a cross-cutting theme. It is nonetheless an important public signal of prioritisation given the lack of clear evidence in the budget narrative over what mainstreaming and cross-cutting themes mean in practice. **We recommend that the Committee explores this issue further with Government to identify the extent of mainstreaming of nature and climate spend throughout government, and how this can be better evidenced in the next budget.**

Given these points, it remains our view that if the Welsh Government intends to deliver a green and just recovery from COVID then it will be vital that more resources are dedicated to nature and climate. In [previous reports WWF has called for 5% of the Welsh Budget](#) to be allocated towards this cause and we have since recommend that this is best achieved through [integrated budgeting to ensure at least 1% of each departmental budget](#) is dedicated to climate and nature spend.

For this to be successful it needs to be accompanied by wider reform and investment that can fundamentally reform our economy, so it works for people and nature alike. WWF Cymru continues to [put forward ideas for how this can be achieved](#) and remain committed to working with Welsh Government on future budgets to deliver change.

We are also conscious of the affect changes to the present budget have had on eNGO colleagues and endorse comments in the Wales Environment Link response.

## **2.How do you think Welsh Government priorities for 2021-22 should change to respond to COVID-19?**

Welsh Government remains committed to a green and just recovery from the COVID-19 pandemic. WWF Cymru strongly supports this ambition and has put forward [a number of recommendations](#) on how it could be delivered.

Our challenge to the government is to respond to the challenge by maximising the opportunities that lay ahead. This can be achieved by:

- Delivering a green and just economy by putting nature at the heart of every decision and creating a national jobs programme which is fit for the future.
- Reforming the food system so it delivers for nature and people by embedding nature and climate friendly farming practices and protecting nature abroad by making us the first deforestation free nation.
- Putting nature on the path to recovery by protecting our rivers, seas and land for current and future generations by dedicating 1% of all departmental budgets to restoring nature and combating climate change.

These asks are expanded upon in [WWF Cymru's manifesto for the 2021 Senedd Elections](#), however, for the purposes of this response the below outlines relative points for each of these three asks.

### Delivering a Green and Just Economy

With regards to COVID reprioritisation, a key question for the Committee's scrutiny will naturally be to establish how actions across government are being taken and what the financial implications of them are. **In this regard we recommend that the Committee asks Welsh Government how they intend to look at each departmental budget and assess it contributing to Green and Just recovery?**

To support efforts, we have worked with Wales Environment link to establish a set of principles for the recovery. These include:

1. address the nature and climate emergency, prioritising nature restoration as well as decarbonisation measures within the fiscal stimulus package;
2. be based on sound evidence, with collaboration to design solutions and support prioritisation;
3. move Wales towards a Well-being Economy – an economic model that includes the value of, and invests in, nature and also includes circular economy principles;
4. ensure that social justice and equality is embedded in recovery to ensure discrimination is not built into the structural changes made, there is equality of opportunities for those currently disadvantaged, and the most vulnerable are protected; and
5. address intergenerational justice by putting young people's employment at the forefront of plans, as they are likely to suffer significant impacts throughout their life from early unemployment and also carry the cost of the Covid-19 recovery.

Analysis of the '[Coronavirus Reconstruction: challenges and priorities](#)' report raises questions about how these principles can be mainstreamed. We note that the report makes only limited reference to some of these areas and we are concerned that efforts to create jobs may in practice repeat past mistakes of focusing on the quantity of jobs, rather than their quality or long-term stability. To achieve the latter, significant sectorial work has been undertaken to identify what is meant by a national jobs programme which is fit for the future.

To WWF Cymru, this means creating a green jobs and skills programme which helps tackle the climate and nature emergencies, by supporting a transition of our economy to be less at risk from shocks and more resilient for future generations.

We argue that this is best achieved through a bespoke job investment programme, rather than something which is a small subsidiary of a wider jobs programme which does not have a sustainable transition at its core. Examples of such jobs include:

Jobs that protect, restore and enhance the environment:

- Marine and terrestrial nature conservation jobs, such as nature reserve/designated site officers, ecologists, community woodland management, habitat creation project staff, ecological and environmental monitoring and research jobs;
- Environmental policy and advocacy work;
- Environmental education and community engagement work;

- Environmental protection jobs (e.g. Natural Resources Wales, local authority ecologists, certain water company jobs or environmental lawyers);
- Jobs provided by a wide range of NGOs, including traditional environmental NGO staff and other third sector organisations that have a role in protecting the environment. These roles are many and varied, from those that work in fundraising, comms or campaigning, to practical regeneration and community project staff, to support staff such as IT, finance or cleaners.

Jobs that rely on sustainable use/management of natural resources:

- Sustainable land management jobs (e.g. organic or nature friendly farming, sustainable forestry undertaken to UK Woodland Assurance Scheme standard, agro-ecology and sustainable land management advisers);
- Sustainable fishing and fisheries management jobs;
- Well-designed sustainable renewable energy developments, particularly community-owned generation;
- Sustainable tourism operators, such as environmentally friendly outdoor activity centres, visitor centres, accommodation or wildlife tours.

Jobs that focus on making traditional services and operations more sustainable:

- Energy efficiency jobs – across domestic and business sectors;
- Development of closed loop systems in manufacturing/industry;
- Recycling/composting/upcycling operations;

But for the transition to a sustainable economy to be a just, as well as a green transition, it needs to leave no one behind. This includes those currently discriminated against and those parts of the economy disproportionately impacted by Covid-19, such as young people, people of colour, women, and disabled people.

It also means when seeking a transition from sectors which are significant polluters or are showing themselves to lack resilient in a future economy, the Welsh Government must ensure communities and employees are supported. This includes design of new economy and skills for their area / region and the retraining does not result in people taking up jobs at a significantly lower skill or salary level. To address this, the list above represents a wide range of different skill and salary levels.

Where significantly polluting sectors are deemed to be essential, the Welsh Government must also support the greening of existing industries where possible and the appropriate changes to the jobs and skills within these sectors.

### Reforming the Food System

The food system in Wales is broken, we need a food system for future generations [as outlined in this recent WWF report](#). We believe there are number of key areas that Welsh Government should now be focusing attention on given the fact that the COVID-19 pandemic has reinforced the vulnerabilities that exist in our current food system.

There are lessons for food supply chains from COVID-19, particularly the need to have resilient strategies that reduce food waste. For example, as a result of the pandemic, we have seen farmers pouring milk down the drain as they have become victims of the coronavirus crisis –

some farmers would usually sell milk to the hospitality industry for example, sectors which ultimately shut down during COVID-19. Enabling better, sustainable local supply chains and infrastructure, to use local food in such circumstances could form a key part of our circular and foundational economies. Many 'green' jobs can form part of this circular and foundational economy, particularly in food. Rebuilding food infrastructures i.e. food markets, community retailers, food processors, food cooperatives and a network of food hubs that aggregate and distribute local food, will help in providing more jobs to diversify and strengthen local economies. Funding could be allocated to help rebuild these local food infrastructures.

Adapting existing delivery programmes, such as public procurement and the Economic Contract, could further help maximise value by linking production and consumption in Wales, and embed criteria that demands food produced to high environmental standards. Connecting sustainable production to the rest of the supply chain could help restore environmental, social and human capital and capture value locally. We need more investment in the food circular and foundational economies, to help build the programmes, skills and capacity to enable this approach.

If we are, however, moving towards a more localised food system, we must ensure that our food production is environmentally friendly. Currently, in Wales, unsustainable agricultural management is the single largest driver of [biodiversity decline](#), while agriculture accounts for [12% of Welsh greenhouse gas emissions](#). Supporting climate and nature-friendly farming (using agroecological principles) can not only contribute to ensuring sustainable and resilient agricultural and food systems, but also systems that are [can create more jobs locally](#). Farming using agroecological principles will require a comprehensive package of training and skills, and committing funding to support this package would be hugely beneficial. This would also extend to the need for additional money for environmental monitoring and enforcement services (such as those provided by NRW) and advice services provided by Farming Connect and others. Welsh Government could support the setup of regional training centres to drive collaboration and knowledge exchange around agroecological farming principles.

The above approach would also help Wales to work towards meeting its goal of a 'Globally Responsible Nation'. Promoting sustainable agricultural practices and developing markets for local produce, could help Wales tackle the climate and nature crises by preventing the import of commodities to Wales that are driving deforestation abroad, such as soy for livestock feed which is driving deforestation in the Amazon. The alternative is replacing unsustainable commodities with sustainable import options as well as local nature friendly agroecological approaches. It is important to note that as we further degrade our natural habitats and forests, deforestation increases the risk of further zoonotic pathogens like Covid-19 emerging, as these viruses have more opportunity to jump the species gap into the human population. As long as we keep using products that drive deforestation, [we risk more global pandemics](#). Therefore, Wales needs to stop our contribution to future pandemic outbreaks. Welsh Government's Economic Contract should be strengthened immediately so that beneficiaries of Welsh Government funding in 2021/22 commit to deforestation free supply chains.

### Putting Nature on the path to Recovery

In response to Question 1 we reiterated our point that more money needs to be dedicated to the nature and climate emergency. In the sections above we have identified areas which should be prioritized outside of direct landscape investment. In this section we wish to stress that massive investment is still needed in what we term carbon-rich habitats (such as Peatland; Saltmarsh; Seagrass; and Woodland) to both improve the condition of existing sites, and to restore and increase coverage at sites which have been destroyed by human action over the past decades. We also stress the importance of investing in connectivity between such sites. In

all cases this is best achieved through the deployment of Nature-Based Solutions (NBS) which can manifest themselves in terms of Green Infrastructure, and the removal of disused Grey Infrastructure.

It is difficult to estimate, in monetary terms, the total annual costs of investment in all of these habitat types in the years ahead that would be sufficient bring them back into both a good condition, and then improve the extent of some habitat types so all of Wales was sufficiently climate resilient and able to enjoy health and diverse ecosystems. Nonetheless, we do still have the general figure of around £900m a year in Wales which we argue to be a realistic level of investment for the next Welsh Government to commit to.

A more accurate cost could be achieved through an extensive audit of site conditions and investment opportunities on a local and national scale, and it is possible that NRW's ongoing work on Area Statements may improve that knowledge in the years ahead. WWF is also considering further research in this area which we will expand upon with Senedd Members in due course. In lieu of that it would be useful to identify where costs have been identified and for what purpose:

- The [LIFE Natura 2000 Programme](#) (NRW) looked at 92 Special Areas of Conservation and 20 Special Protection Areas in Wales (8.5% of Welsh land area and 35% of territorial waters). It estimated that total cost £120,029,000 would be required to address all pressures and threats affecting the achievement of favourable condition. Extrapolate this to the full network of designated sites including Sites of Special Scientific Interest and the figure will be in the order of £180m.
- The [Wildlife Trusts have identified](#) that the overall cost of meeting environmental land management priorities in Wales (including additional elements such as securing advice and supporting long term land use changes) would be in the region of £270m per year.

Looking at a specific habitat Seagrass has been identified in NRW's [Blue Carbon report](#) as having particular potential to store and sequester carbon in a way that could contribute to significant increases in blue carbon.

To support these nature-based solutions to climate change, it is vital that investment in them is a core part of Wales transition to net zero. To achieve this Wales needs to develop a clear analysis of the potential nature-based solutions have to protect, restore, manage, and create key ecosystems across Wales. To that end **we recommend that the development of this analysis is a core part Wales' Second Carbon Budget development and that it should form part of the 'Wales offer' in the run-up to COP26.**

We also endorse comments made by Wales Environment Link to improve the resilience of the environmental sector in Wales.

### **3.How financially prepared is your organisation for the 2021-22 financial year, and how can the budget give you more more certainty in planning and managing budgets given the ongoing volatility and uncertainty?**

WWF Cymru is part of WWF-UK and we are privileged to be primarily funded by individual public contributions. While we are in receipt of funds from other sources, we do not currently receive funds from Welsh Government.



As such, while we are confident of our financial security for the 2021-22 period, we are not in a position to respond on how the Welsh Government's budget would affect other charities. Given this we refer you to the Wales Environment Link response.

We work in partnership and collaborate often with other environmental organisations in Wales and have seen the reduction in their capacity to undertake their vital work at this critical time for tackling the nature and climate emergency and supporting access to green space.

**4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?**

WWF Cymru has worked with the Finance Committee (and other Senedd Committees) on the scrutiny of Welsh Government budgets over several years. Each year we have called for better more timely involvement of third sector in the process of setting the budget; for more climate and nature budget from both the environment department and across other departments and for Welsh Government to more clearly demonstrate the impact of the Well-being of Future Generations Act.

Last year we worked closely with officials in the environment department to support the development of programmes and budget allocations to support the identified needs for environmental challenges in Wales and delivery of government commitments. This was excellent practice and would recommend this relationship and process is regular and could be formalised for climate and nature via a group like the Budget Advisory Group for Equality (BAGE) group.

When substantial financial decisions and allocations are made in future budgets it is essential that their relationship with previous prioritisation is more clearly explained. For example, as we stated earlier, it is difficult to understand what the relationship is between the 'Reconstructing' financial allocations to nature and past and future budgets.

In this budget especially, Ministers should be demonstrating how spending decisions and programmes are meeting a Green and Just recovery. As referred to above, this should be well beyond the environment portfolio as it is essential that each department is investing in nature and climate. If not, 'reconstructing' or building Wales into a low carbon, nature restorative and circular economy will simply not happen at the necessary scale and pace to tackle the climate and nature emergency. If we instead build back the same economy, rather than use this moment to transform economy, then this pivotal moment will be lost.

**5. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits to current Welsh Government borrowing within this Framework.**

The agreed Fiscal Framework has been a matter of substantial debate since long before the COVID-19 pandemic. We are aware of Welsh Government calls for greater high level flexibility, especially around borrowing and capital to revenue transfers, which it argues will enable it to more adequately respond to the issues it faces.

While we see some merits in the calls for more flexibility, a key issue going forward will be for Welsh Government to retain at least the same level of control over any funding received by that framework and any additional funding pots - such as the anticipated UK Prosperity Fund (which will either partially or fully replace the loss of EU funding) – which are yet to be developed. We are also concerned that direct EU funding pots (such as LIFE funding) is being missed out in the calculations for future investment as it sits outside of both CAP and Structural Funding pots allocated to Member States.

To increase financial stability and bolster confidence we should move away from a single year budgeting exercise, however, we recognise that such a change requires a significant shift from Westminster.

**6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2021-22 budget?**

- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.
- To what extent alleviating climate change should be prioritised in supporting economic recovery.
- Welsh Government policies to reduce poverty and gender inequality.
- Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)
- Sustainability of public services, innovation and service transformation
- How evidence is driving Welsh Government priority setting and budget allocations
- How the Welsh Government should use taxation powers and borrowing
- Support for businesses. economic growth and agriculture after EU transition ends.
- What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)

The above areas of scrutiny are a useful starting point but currently omit climate change and biodiversity. To reiterate the points made throughout this response, WWF Cymru continues to stress the importance of tackling the climate and nature emergency and that it should take place in connection with climate action. These points have been expressed extensively at both the national and international level from the State of Nature report though to the Intergovernmental Panel on Climate Change.



As we enter the year of COP26, it is vital that Welsh Government transitions beyond warm words and framework legislation and into the delivery of nature-based solutions to the climate and nature crisis before it is too late. For this to be done money is required, and it is the role of this Committee to scrutinise that.

This is because, whilst we are pleased that the Welsh Government are committed to fostering a green and just recovery from COVID-19, it remains unclear at this stage how this will be implemented or financed. In addition, we recognise that the scale of change required, while acknowledged, has not been met with resources.

For example, we have recently been made aware of a newly allocated £920k support NGOs as part of a Green Recovery Fund. While this is welcome, it is a comparatively small amount of money, when compared with England who has put in the region of £80 million into a similar scheme – in making this point we further recognise that wider UK figures compare poorly to efforts elsewhere, such as Germany's ~£115bn post-COVID green recovery fund.

We have also seen little reference or acknowledgment generally from Welsh Government civil servants as to how the green recovery will extend to the 'blue', to support management of the coast and seas surrounding Wales. The Welsh sea area managed by the Welsh Government is a third bigger than the land area that it manages and has huge potential for socio-economic and environmental recovery. We hope that the Welsh Government's draft budget, when published in December, will reflect the financial and social importance of our seas and coasts and budget accordingly for a green and blue recovery.

*I gael mwy o wybodaeth, cysylltwch â / For more information, please contact:*  
Alexander Phillips, e-bost/email: [aphillips@wwf.org.uk](mailto:aphillips@wwf.org.uk)