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Welsh Government  
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CF10 3NQ

19 April 2013

Dear Sir/Madam

**Common Agricultural Policy Reform  
Rural Development Plan 2014-2020: Next Steps.**

Thank you for consulting Natural Resources Wales (NRW) on the Rural Development Plan for 2014-2020. Our response to the consultation questions is provided in Annex 1 of this letter.

Natural Resources Wales works as a regulator, partner and advisor to businesses, non-governmental organisations, Local Authorities and communities to help deliver Welsh Government and European Union policies and priorities. We take an ecosystem approach to promoting sustainable development that delivers social, economic and environmental benefits to the people of Wales.

**Role of the RDP**

Sustainable land management is one of the biggest challenges facing Wales. The Rural Development Plan (RDP) will play a central role in supporting land management practices that deliver environmental, social and economic benefits to the rural economy and the people of Wales. To realise this the RDP will need to support land management practices focused not only on the production of food and fibre, but on delivering the full suite of ecosystem services that are essential to securing a safe, prosperous and healthy future for all Welsh citizens.

Using the new RDP to support an ecosystem approach to sustainable land management will benefit Welsh citizens and deliver a range of complementary national and EU priorities. These include economic growth, social cohesion, reducing greenhouse gas emissions and flood risk, climate change resilience, and meeting the requirements of the Habitats, Water Framework, Bathing Water, Drinking Water and Nitrates Directives.

### Sustainable Development and Ecosystem Services

In addition to specific interventions identified in our consultation response, we believe the contribution of the RDP will be enhanced through alignment with complementary funding sources. Other EU programmes and the private sector can help support ecosystem based sustainable development projects as envisaged in Sustaining a Living Wales. There are many such projects in Wales that will benefit from RDP and complementary funding.

Woodland creation is a Welsh Government and NRW priority that should play a central role in the new RDP. Plantings can provide multi-functional benefits. In particular, woodlands have the potential to contribute to improvements in landscape quality, biodiversity, water quality and recreational provision as well as reducing flood risks and promoting carbon sequestration,

### An Integrated Approach

The forthcoming change to an area-based direct payment regime will affect many farm businesses. Reduced income support may drive local agricultural intensification, whilst production may decline in other areas. The RDP should ensure these transitions result in net benefits to Welsh society through the delivery of ecosystem services. An integrated approach to payment re-structuring, embedding the new greening element, and aligning RDP measures with EU Structural funds will help deliver the full range of environmental objectives already identified by the Welsh Government and the EU.

Natural Resources Wales believes that an allocation of at least 75% for agri-environment and associated forestry activity across the period 2013-20 is appropriate. Further evidence to support our position is provided in the main body of our response. Such a figure would be in line with previous Rural Development Plans and assumes that the full cost of Glastir Entry continues to be met from the agri-environment budget. Less resource would be required if many of the environmental outcomes currently derived from the Glastir Entry scheme could be delivered as part of the proposed greening element within the new system of direct payments.

### Areas of Natural Constraint (ANC)

An ANC scheme based solely on income support would divert substantial resources away from other parts of the RDP, with adverse consequences for overarching social, economic and environmental objectives across Wales. The development of an “upland strand” within Glastir would be one alternative, whilst the simplest solution in administrative terms might be to establish a four rate model for direct payments (i.e. Moorland, SDA, DA and Lowland). Within such a system, the moorland and/or the SDA rates could be set at levels which precluded the need for a separate ANC scheme providing additional income support as part of the RDP.

### Transfers between Pillar 1 & Pillar 2

The current proposal to allow up to 10% of the direct payments budget to be transferred into the RDP is similar to the modulation provisions that exist within the current EC Regulations. Existing transfers within Wales are made up of 5% Compulsory Modulation (CM) and 4% Voluntary Modulation (VM) with all receipts used to underpin participation in existing WRDP schemes.

The advantage of increasing the reach of the RDP is that this is the only part of the land management budget that emphasises knowledge transfer, co-operation, investment,

innovation and a broader approach to integrated land management including forestry. Continuing to prioritise income support under the direct payments regime will result in a much more uneven trajectory of development, with some farmers using the payments in order to improve their competitive position through a more sustainable approach that reduces costs and improves market access, whilst others use them simply in order to underpin current practices, regardless of whether or not these are sustainable in the long term.

#### RDP Design & Implementation

A smaller number of well designed schemes focussed on achieving multiple outcomes may help to streamline the appearance of the new RDP, but the corresponding administrative systems/delivery mechanisms may be more resource intensive than those used within current schemes.

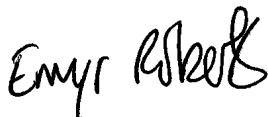
Natural Resources Wales is keen to work with Welsh Government and other partners on the development of new WRDP measures as well as assisting with delivery wherever possible. Please do not hesitate to contact the following NRW staff if you would like to discuss any aspect of our response in more detail:

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Yours sincerely,



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## **Annex 1**

### **Common Agricultural Policy Reform – Rural Development Plan 2014-2020: Next Steps.**

#### **Response by Cyfoeth Naturiol Cymru/Natural Resources Wales**

##### ***1. Do you agree that the key issues for rural Wales have been identified in the SWOT and the Situational Analysis?***

We believe the SWOT analysis should consider several additional issues.

The forthcoming shift from historic payments to area payments under the Single Payment Scheme (SPS) in combination with the decrease in the CAP budget is likely have a direct economic impact on many agricultural businesses. There may also be negative environmental impacts if farmers seek to recoup lost income through increasing production in an unsustainable way. In addition, whilst the proposed intervention logic builds upon linkages between WG strategies and opportunities identified in the SWOT, the links between the consequences for certain sectors (whether within the uplands or the more intensively farmed lowlands) and how these consequences might be addressed by the RDP need to be clarified.

The threat posed by climate change induced increases in the frequency and severity of floods and droughts provides a compelling framework around which to align interventions under the RDP. The critical link between land use, the hydrological/ecological integrity of catchments and the resilience of the rural economy could be emphasised more clearly. In addition, the desirability of increasing water use efficiency could be highlighted under priority 5.

The SWOT identifies as a strength “*large areas under designation providing a good background level of environmental protection*”. Framing this strength in a broader landscape context will highlight how the ecosystem approach guides sustainable development in Wales, the conservation value of protected areas depending in part on the condition of the wider landscape. Designation is however only the first step on the way to achieving conservation targets. For example, only 53% of the terrestrial SSSI land in Wales is currently under “appropriate conservation management” (either SSSI management agreements or Tir Gofal). In addition, some of the land currently covered by Tir Gofal agreements (c.70,000ha) may not be brought into Glastir Advanced until well after the new WRDP begins.

We suggest placing more emphasis on recreational opportunities, rural tourism, public health and quality of life across Wales. It is important to highlight the contribution to the rural economy of access land (385,000 ha), Public Rights of Way (33,000 kms), designated National Trails, the Wales Coast Path, and the broader network of recreational routes. The SWOT can also describe how the contribution of angling to the rural economy depends on interactions between rural land use and the water environment.

It might be helpful to organise the SWOT within each Priority according to importance and/or overarching themes. For example, the opportunity for “*Developing a financially and environmentally sustainable farming model for the future*” might figure more prominently under Priority 2. It will also help to highlight opportunities where the RDP can deliver targets of complementary EU legislation and national priorities (e.g. Nitrates and Bathing Water Directives).

Precise and explicit language could clarify various parts of the SWOT. For instance, references to opportunities presented by “marginal/low quality land” under Priorities 2 and 4, can be clearly linked to HNV farming, biodiversity and other ecosystems services. It may also be worth noting that some marginal land provide ecosystem services that would be compromised by woodland creation.

***2. Do you agree that the whole of Wales should be defined as eligible for EAFRD support? To what extent should we target EAFRD resources on particular geographical areas?***

Whilst a geographically flexible approach to EAFRD funding has potential benefits, such an approach should account for anticipated reductions in rural development funding, and prioritise investment to ensure resources are not spread too thinly to be effective. This issue might be better addressed once EU and national contributions to the WRDP are established. It will also be important to clarify the issue of transfers from the direct payments budget (as takes place under the current WRDP).

We suggest the next WRDP should prioritise the overarching challenges outlined in the current draft of EC Rural Development Regulation. All RDP’s are expected to address climate change, biodiversity and water management in line with the EU Biodiversity Strategy and the Water Framework Directive. At least 20% of all EU funding should target climate change related activities<sup>1</sup>. The next WRDP will need to ensure investment in climate change resilience also delivers for complementary EU Directives and national priorities.

Any expansion in the geographic scope of EAFRD support should proceed using a clear methodology to ensure “*benefits to rural Wales*” also deliver overarching EU and WG objectives. This approach should target WRDP investment to maximum social, economic and ecological effect.

**Programme Intervention Logic**

***3. Do you agree with the proposed alignment of opportunities to each of the European Commission’s Priorities for rural Development?***

We suggest the Intervention Logic more clearly integrate the anticipated challenges of reduced CAP funding and the shift to area payments. This integration will benefit from highlighting the economic contribution of tourism, public access, and bringing designated sites into favourable conservation status.

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<sup>1</sup> European Council (2013). Conclusions on the Multi-annual Financial Framework (paragraph 10). EU CO 37/13, 8 February 2013, Brussels. Accessible at: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/135344.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf)

The underlying rationale for the next WRDP might be clarified if the opportunities for integrating the key principles were identified and summarised in diagrammatic form. This will help demonstrate linkages between the Commission's six priorities and eighteen focus areas and demonstrate the integrated nature of the new plan. In particular, it will clarify how the ecosystem approach will be implemented through engaging communities and environmental organisations to support sustainable rural development, deliver ecosystem services, build resilience to climate change, and meet the targets of EU legislation.

### Proposed Interventions

#### **4. Do you agree with the proposed areas of support under the Competitiveness heading?**

One of the weaknesses identified in the SWOT analysis is the “*Lack of communication between the different farming sectors and technology transfer providers and the fact that the environment is not cross cutting in these activities*”. This same weakness was highlighted during the first WRDP period in 2004<sup>2</sup>. It remains unclear how current proposals under the headings of Farm Advisory Service and Farming Connect will address this lack of integration. Environmental advice provided under the auspices of FAS, may well further accentuate the divide between “business” and “environment”, especially as most farmers appear more willing to engage with Farming Connect than with FAS.

There is a risk that environmental advice is perceived by larger more commercial farm businesses as irrelevant rather than as a mechanism to embed innovative and profitable business practice<sup>3</sup>. Both FAS and Farming Connect should therefore focus on helping farmers to make the link between improved competitiveness and the delivery of ecosystem services. There are already effective integrated advice packages suitable for a range of farming sectors<sup>4,5</sup>. The new WRDP can support enhanced dissemination of such advice and support interventions that make such ‘win-win’ approaches financially tenable.

It will be important to improve advice and support for woodland creation and management to ensure sustainable agriculture delivers the full range of desired ecosystem services. Recent FCW research revealed farmers consider woodland

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<sup>2</sup> An Environmental Strategy for Farming Connect. Welsh Government, November 2003.

<sup>3</sup> Exploring the Concept of Sustainable Intensification. Report for the UK Land Use Policy Group by ADAS and Les Firbank Ecosystems. January 2013. Accessible at: <http://aplus.adas.co.uk/Services/sustainability/Exploring-the-Concept-of-Sustainable-Intensification.aspx>

<sup>4</sup> Environmental Cost Benefits Datasheets for Farming Connect. Report to Countryside Council for Wales and Welsh Government by Cumulus Consultants and FWAG Cymru. <http://www.cumulus-consultants.co.uk/portfolio-training.html>

<sup>5</sup> Integrated Advice Pilot Project. Defra funded project FF0204. <http://www.adas.co.uk/Home/Projects/IAP/tabid/349/Default.aspx>

elements important in motivating applications for agri- environment -forestry schemes, and also central to the successful implementation of schemes once a contract has been signed<sup>6</sup>.

To ensure support delivers sustainable development, NRW suggests Business Development Plans include environmental assessments that require compliance with minimum environmental standards and no net loss of ecosystem services.

The proposals under the farm and forestry investment measures cite the need for a skills analysis. The mechanism through which skill training will be delivered can be clarified. This clarification will benefit from incorporating the European Innovation Partnership, since many of the proposed measures will deliver EC objectives in this area.

The impact of atmospheric nitrogen deposition has had a profound impact on terrestrial biodiversity, leading to a reduction in a number of plant species in a range of protected habitats across the UK<sup>7</sup>. Ammonia is a major component of nitrogen pollution with agriculture responsible for 90% of ammonia emissions throughout Europe and the UK<sup>8</sup>. Ammonia impacts can have a profound localised effect on habitats close to intensive pig, poultry and beef units. Defra have recently concluded that "the reduction of ammonia emissions from agriculture is a priority"<sup>9</sup>. The UK conservation agencies, under the auspices of JNCC and in close collaboration with Defra and the Devolved Administrations are currently undertaking a programme of work to address nitrogen impacts on biodiversity. The results of this work will have implications for the sorts of projects supported under the farm investment measures.

### ***5. Do you agree with the proposed areas of support under the Environment heading?***

We welcome confirmation that Glastir will feature prominently under priorities 4 and 5. A period of programme stability should help increase participation. There are demanding European and national targets for biodiversity, the water environment and climate change. Whilst all Glastir elements can potentially contribute to these targets, many key benefits are currently limited to the Advanced part of the scheme. Glastir Contract Managers must be flexible in helping all participants deliver broad benefits.

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<sup>6</sup> A survey of farmers with woodland on their land. Report to Forestry Commission Wales by Wavehill Consulting. November 2009.

<sup>7</sup> Collation of evidence of nitrogen impacts on vegetation in relation to biodiversity objectives. (2011) Stevens et al. JNCC Report 447.

<sup>8</sup> Ammonia and Nature Conservation Factsheet. (2011) Environment Agency.

<sup>9</sup> Review of Transboundary Air Pollution: Acidification, Eutrophication, Ground Level Ozone and Heavy metals in the UK (RoTAP 2012). Contract report to the Department for Environment, Food and Rural Affairs. Centre for Ecology and Hydrology.

NRW also supports the proposal to “*Develop opportunities for support for activities that complement Glastir and which target specific outcomes either geographically, thematically or co-operatively*”. In particular, we would like to see the WRDP support community based projects focused on economic development through the delivery of ecosystem services.

In the context of the Red Meat and Dairy Roadmaps, we support the goal of improving profitability and sustainability. The references to FAS and Farming Connect are appropriate. The integrated approach discussed above will ensure environmental enhancements and improved competitiveness are delivered as outlined in recent CCW/Welsh Government work on sustainable intensification<sup>10</sup>.

The proposal for “targeted hedge and/or shelterbelt creation” is appropriate. We identify stream side woodland creation as another critical intervention in need of broad and flexible support. Strategic woodland creation will benefit landscape quality and biodiversity, sequester carbon, improve water quality and reduce flood risk. Linear woodlands will provide connectivity and enhance the functional resilience of isolated habitat patches and protected areas. Where delivered through part-farm schemes, cross compliance should ensure a basic level of environmental conditionality on the rest of the farm.

The reference to a “watercourse-focused scheme targeting Water Framework Directive requirements” could be expanded to include “catchment-focussed delivery” to highlight the connection between terrestrial and aquatic environments and integrate the ecosystem approach into the delivery of complementary EU Directives.

“Specific actions in relation to species and habitats” can complement Glastir where target species and habitats have restricted distributions. Protecting wide ranging species (such as many farmland birds and butterflies) will require broad application of suitable Glastir measures. For example, many of the prescriptions applying to arable land need to be applied at the landscape scale.

## **6. Do you agree with the proposed areas of support under the Community heading?**

Building socially inclusive sustainable rural economies will require supporting bottom-up initiatives that deliver complementary benefits. NRW supports the proposed approach of focusing on a limited number of key interventions and allowing flexibility around prioritisation and delivery methods.

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<sup>10</sup> Exploring the concept of Sustainable Intensification. LUPG (2013). *Op cit*

## Community and voluntary transport initiatives

Such initiatives have the potential to be linked to countryside access programmes and the health agenda. These issues could be more clearly addressed in the SWOT analysis.

## Strategic Spaces

The proposals could more explicitly incorporate participatory approaches and community engagement; the current text suggests the approach will be 'top-down' rather than 'bottom-up'. In addition there could be more emphasis on green infrastructure. Community focus can be generated through the development of multifunctional green spaces that provide opportunities for locally grown food; the development of local produce networks; community energy schemes; improved community participation and the acquisition of new skills. Such projects can improve social cohesion and provide mental and physical health benefits whilst delivering a range of ecosystem services.

## Tourism

The proposals could more clearly link ecosystem services to "place-based" economic development. Examples include developing trails linking villages with the Wales Coastal Path to benefit the accommodation and service sectors, an approach applied successfully elsewhere Europe<sup>11</sup>. A national initiative to place bilingual signs on bridges and catchment boundaries would enhance the visitor experience and increase "sense of place". Care must be taken to ensure visitor numbers do not threaten sensitive locations.

## Other possible areas for intervention

It is unclear whether the new RDP can be used to provide opportunities for the learning of traditional skills. Opportunities exist for establishing new rural businesses based on these skills<sup>12</sup>, contributing to the green economy and sustainable land management. Such activity may well be covered under the 'Competitiveness' priority, but if so, this could be made more explicit.

## ***7. What do you think are the appropriate circumstances for the use of repayable loans grant funding?***

Replacing grants with low (or zero interest) loans could help to achieve more with limited RDP resources and encourage innovation and enterprise. Care will be required to avoid increasing the administrative costs. High default rates could limit

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<sup>11</sup> Mantino, F. (2011). "Developing a Territorial Approach for the CAP". Accessible at <http://www.ieep.eu/work-areas/agriculture-and-land-management/future-of-the-cap/2011/07/developing-a-territorial-approach-for-the-cap>

<sup>12</sup> The role of Tir Gofal in stimulating work for land-based contractors in Wales. Final report for Countryside Council for Wales, Fforum Tir Lun and the Welsh Development Agency. Submitted by Agra-CEAS Consulting. May 2006.

the benefits from moving away from a grant-based system. Loans could be structured with ‘financial’ rewards to encourage repayments on schedule.

Many rural businesses regularly borrow and will be comfortable applying for loans under the RDP. Businesses seeking support for major capital projects should be required to demonstrate that they have robust business plans. Small loans could support the production of these plans.

Loan schemes should be introduced on a trial basis alongside the existing grant systems. The Welsh Government should consider developing a clear rationale for the use of loans with contingency for defaults. Such an approach will be particularly relevant in those situations where the applicant has been unable to obtain commercial funding because of the innovative nature of the project and/or the significant risks involved. The terms and conditions of all loans should require compliance with best environmental standards with support focused on those projects delivering smart, sustainable and inclusive development.

#### ***8. What percentage of the EAFRD investment should be targeted at agri-environment activities and why?***

We recommend allocating at least 75% for agri-environment activities. This percentage is consistent with previous RDPs and assumes Glastir Entry will be fully funded by the agri-environment budget rather than the greening component of the new Direct Payments system.

This allocation is justified for the following reasons:

- Alongside LEADER, establishing an agri-environment programme is mandatory under the draft Rural Development Regulation (RDR). Such schemes are a proven way of meeting the requirements of the EC Biodiversity Strategy and the Water Framework Directive, reducing infraction risk, as well as contributing to the economy of rural areas<sup>13,14</sup>.
- The scale of interventions needed to meet the Welsh Government’s objectives for biodiversity, cultural landscapes, climate change mitigation, flood risk management, soil health, and water quality has been estimated at £165M per annum<sup>15</sup>. Despite not having been adjusted for inflation since 2009, this figure is still almost twice the amount allocated to the current agri-environment programme.

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<sup>13</sup> “A review of environmental benefits supplied by agri-environment schemes”. Boatman, N., Ramwell, R., Parry, H., Jones, N., Bishop, J., Gaskell, P., Short, C., Mills, J., & Dwyer, J. Report to Land Use Policy Group by Central Science Laboratory & Countryside and Community Research Unit. August 2008.

<sup>14</sup> “Socio-Economic Evaluation of Tir Gofal”. Report to Countryside Council for Wales by Agra-CEAS Consulting. January 2005.

<sup>15</sup> “Estimating the Scale of Future Environmental land Management Requirements for the UK”. Cao, Y., Elliott, J., McCracken, D., Rowe, K., Whitehead, J. and Wilson L. Report to Land Use Policy Group by ADAS & Scottish Agricultural College. December 2009.

- The draft Rural Development Regulation now refers to the “agri-environment **and** climate” measure to underscore the European Council’s proposal that 20% all EU funding to be dedicated to tackling climate change<sup>16</sup>. For example, Glastir efficiency grants are helping reduce GHG emissions whilst other direct payment interventions enhance climate change resilience (e.g. riparian zone woodlands reduce water temperatures and flood risk).
- The Glastir scheme is gaining acceptance amongst farmers and a reduction in funding may limit progress. Demand for Glastir may increase following the latest round of CAP reform, especially if agri-environment scheme membership is deemed to provide the necessary “equivalence” in terms of any new Pillar 1 greening requirements.
- Not all future agri-environment spending will be restricted to Glastir. As described on pages 34 & 35 of the consultation document, there are opportunities to adopt a variety of new approaches including community based projects within the non-agricultural environment: pilots on the ecosystems goods and services theme; targeted hedge, shelterbelt and riparian woodland creation; catchment focussed schemes and specific action on species and habitats. Taking into account the range of part farm and co-operative schemes that could be developed to complement Glastir, it seems likely that even more funding will be required in future than is currently available.
- Although the termination of some 7000 Tir Gofal and Tir Cynnal whole farm agreements on 31<sup>st</sup> December 2013 may reduce demand on agri-environment funds during the early years of the new WRDP, many of these farms provide significant quantities of public goods in terms of water quality, carbon management, landscape management and biodiversity. Supporting the fast-tracking of important farms into Glastir Advanced will compliment Welsh Government’s approach to delivering ecosystem services<sup>17</sup>.

## LEADER

### ***9. Do you agree that LEADER should be brought back to its original concept with the focus of support centred on innovation, piloting of new approaches, networking and bottom-up community working?***

LEADER builds on the experience of existing local community groups to support innovation and the development of pilot projects, though the strict audit requirements may discourage high risk projects. LEADER is now established and can be deployed more widely to support integrated approaches to cross-measure working. In particular, the community-led “bottom-up” approach used within LEADER contrasts strongly with the largely “top-down” approach deployed under the current Axis 1 & 2 schemes.

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<sup>16</sup> European Council (2013). Conclusions on the Multi-annual Financial Framework (paragraph 10). EU CO 37/13, 8 February 2013, Brussels. Accessible at:

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/135344.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf)

<sup>17</sup> “Sustaining a Living Wales”. A Green Paper on a new approach to natural resource management in Wales. January 2012.

It is not clear how returning to the original LEADER concept will accommodate the possibility of using Community Led Local Development Funds to support wider agri-environment activities. The use of Common Land Development Officers to assist Grazing Associations with Glastir applications has been very successful, and this approach to the promotion of co-operative sustainable land management schemes should be included in the new RDP. Support should be made available to sustain successful projects beyond their RDP funded stage of development.

Whilst welcoming the proposal to place a strong emphasis on co-operation and local resources, we suggest that it would be more appropriate to talk about the promotion of “sustainable use” or “sustainable management” rather than sustainable exploitation.

***10. With regard to the geographical application of LEADER for the 2014-20 period, which of the options presented would you support?***

It has taken time for Local Action Groups (LAG's) to develop a truly “bottom up” approach to their work. Structural change could compromise some projects during the early years of the new programme. Thus, the gradual evolution of administrative structures under option 1 (in particular, option 1b) seems appropriate.

Experience suggests existing LAG's have not always developed the co-operative structures necessary to deliver larger projects across LAG boundaries. In particular, neither option 1(a) nor 1(b) will address the difficulties encountered in trying to co-ordinate work within defined geographical regions covered by more than one LAG (e.g. the Cambrian Mountains or the Dyfi Biosphere).

Options 2 and 3 have clear disadvantages. The former will reduce the ability of LAG's to strengthen the link between rural and urban communities (in line with the health and social inclusion agenda), whilst the latter could compromise the ability of LEADER to deliver bottom-up, community-based projects sensitive to local needs. Under option 3 LAGs may lack focus, especially if they include more than one Local Authority area and a divergent range of local needs.

Finally, an approach based on fewer, larger projects may reduce the risk of failure, but would run counter to the experience of the many successful community projects (and businesses) which began life as small enterprises.

**Sub-themes**

***11. Do you think that there are good grounds for an Uplands sub-theme? What economic arguments are there? What sort of interventions would be valuable?***

An uplands sub-theme is appropriate and can combine WRDP support measures to address economic, social and environmental problems. Potential ways of improving agricultural profitability, sustainable land management, local service provision and

business performance are highlighted in the recent report by the Wales Upland Forum<sup>18</sup>, and will need to be delivered in a mutually supportive and synergistic way.

The Welsh uplands are culturally important. They reflect the national character and are home to a high proportion of Welsh speakers. The upland areas are important for landscape and biodiversity values and support farming, forestry and tourism industries. These areas also help control flood risk, provide water resources, sequester carbon, and offer opportunities for renewable energy generation. They support recreation, contribute to the rural economy, enhancing the health and well-being of residents and tourists.

Communities in the uplands share the same aspirations as those in the rest of Wales: a prosperous local economy, good public services and a high quality local environment. Satisfying these aspirations is challenging. The combination of remote locations, dispersed and aging populations and communication difficulties heighten economic and social uncertainty.

Recent research demonstrates a “territorial approach” to RDP delivery can improve local governance and build project design and development capacity<sup>19</sup>. Examples demonstrate how the approach can deliver added value agriculture, expand tourism revenues and increase support for protected areas.

Defining the geographical extent of the Welsh uplands will require care. The current SDA boundary parallels the mountainous areas of Wales, but given the interconnected nature of the upland economy, adjacent market towns and service centres may warrant inclusion<sup>20</sup>. An upland sub-theme may apply to well over half the country, and thus be a major component of the RDP. An alternative approach would be to develop a set of integrated territorial strategies covering the whole of rural Wales, with each strategy focussed on delivering RDP measures within a given area. River catchments provide natural units for such an approach.

Within this “place-based” approach, a subset of measures, including any new Area of Natural Constraint (ANC) scheme, could target the uplands. Income support for agriculture could be provided through Direct Payments to allow farmers to derive an economic benefit from delivering ecosystem services such as carbon sequestration, flood alleviation, water resources and biodiversity.

An ANC scheme based solely on income support could divert resources away from other parts of the RDP, affecting social, economic and environmental objectives across Wales. The development of an “upland strand” within Glastir represents one solution, whilst the simplest solution in administrative terms might be to establish a four rate model for Direct Payments (e.g. Moorland, SDA, DA and Lowland). The

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<sup>18</sup> Unlocking the Potential of the Uplands: A Report by the Wales Upland Forum. December 2012.

<sup>19</sup> Mantino, F. (2011). “Developing a Territorial Approach for the CAP”. Accessible at <http://www.ieep.eu/work-areas/agriculture-and-land-management/future-of-the-cap/2011/07/developing-a-territorial-approach-for-the-cap>

<sup>20</sup> Unlocking the Potential of the Uplands. *Op cit*

moorland and/or the SDA rate could be set to preclude the need for a separate Pillar 2 scheme.

***12. Do you think that there are good grounds for a Young People or a Young Farmer sub-theme? Should the focus be on Young People in general or Young Farmers, and why? What sort of intervention would be valuable?***

Support for young people should continue under the next RDP. All rural businesses can benefit from young entrants with new ideas, energy and enthusiasm. This is especially true of farming. The Single Payment Scheme has given farmers more flexibility in determining the direction of their businesses. Younger people tend to be more innovative and would help rural economies adjust to society's changing priorities and expectations.

Appropriate interventions for a new version of the Young Entrants Support Scheme should be based on evaluations of the current scheme. In particular, the provision of training, advice and financial support to young entrants must be underpinned by a commitment to sustainable land management practice.

Any additional support measures directed at young entrants to farming should use the 'up to 40' criterion. Many of these people are just as likely to promote innovation as would be the case with young entrants per se, especially if the qualifying threshold were to be set at 'up to 25'.

Encouraging young entrants to farming also contributes to rural communities more generally, but there would seem to be merit in extending the YESS approach to cover a wider range of industries including contracting, forestry, conservation, restoration, recreation and tourism. As with the proposed uplands sub-theme, it will be necessary to package the various WRDP support measures as part of an integrated support programme that can add value to each of the interventions proposed under individual schemes.

**Equality**

***13. Do you think that treating equality as a cross-cutting theme is adequate, or are there grounds for specific intervention? What sort of intervention would be valuable, and why?***

No comment.

**Delivery Framework**

***14. Do you agree with the proposed delivery framework proposed by the Welsh Government in the implementation of the next RDP?***

The proposed WRDP strategy places a strong emphasis on 'business competitiveness' in a narrow, traditional sense. Whilst enhanced competitiveness is one of the three EU objectives identified within the draft Rural Development Regulation, the Regulation clearly requires that EAFRD funding must contribute to the Europe 2020 Strategy priority of sustainable rural development. Together with the Welsh Government's recent consultation on "Sustaining a Living Wales", we suggest the conception of 'rural economic competitiveness' be built around the

need for the RDP to support interventions that deliver to Welsh society the full range of natural services through an ecosystem approach to sustainable development.

The relative contributions of tourism/recreation and unsubsidised agricultural production to the Welsh economy underscore the need to consider the competitiveness from a broader perspective. In particular, the economic contribution of sustainable land management includes all of the goods and services encompassed by the ecosystem approach, not just traditionally recognised provisioning services.

### ***15. How can we improve the alignment of the RDP with other funding sources and get maximum benefit?***

The requirement in the draft Common Rules Regulation for “Partnership Contracts” is designed to ensure the integration of all EU funding streams within a Member State. It provides an opportunity to improve the alignment of EU funding streams, but such contracts appear to be primarily focussed on demonstrating the necessary degree of coherence at Member State level.

In responding to the Welsh Government’s parallel consultation on the use of EU Structural Funds, we have proposed that the concept of ‘Green Infrastructure’ inform all major investments under EU funded programmes. The concept supports the creation of a strategically planned network of high quality green spaces and other environmental features. Such a network should be designed and managed as a multifunctional resource capable of delivering a wide range of environmental, economic and social benefits for local communities. Such spaces can deliver flood alleviation, recreation, environmental education, local food production, community cohesion, and improve health and well-being. Many elements within the new RDP can complement green infrastructure development across Wales, particularly through the environmental and community measures.

Funding sources such as the LIFE programme can support specific projects (e.g. restoration of blanket bog in Berwyn and fenland on Anglesey that deliver immediate conservation and ecosystem service gains. The agri-environment programme can help sustain and extend these benefits through long term funding. Maximising the benefits of such projects is important as they provide the evidence base to convince land managers that delivering ecosystem services is compatible with traditional economic activity.

Encouraging greater participation by the private sector is another approach. For example, several water companies in England have invested in projects to reduce carbon losses and improve water quality through land management<sup>21</sup>. Recent work by the Upland Forum has highlighted the cost effectiveness of such approaches<sup>22</sup>. This type of private-sector involvement is still in its infancy, but similar approaches seem appropriate across Wales and must not be restricted to the uplands alone. Future RDP funding can compliment corporate investment in land management

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<sup>21</sup>

<sup>22</sup> Unlocking the Potential of the Uplands. Op cit. pages 34-35

interventions that improve water quality and benefit all Welsh citizens. Such projects can also deliver benefits for biodiversity, flood risk and sequester carbon.

Finally, domestic funding has always played major role in previous RDP's. The RDP working group on forestry is currently considering the use of domestic funding for starter schemes. This model has been used successfully in the past, especially when EU funding was not appropriate. For example, the previous 'first steps' forestry starter scheme encouraged woodland owners to join more comprehensive schemes.

#### ***16. How might implementation of the future RDP programme be simplified and streamlined?***

RDP implementation will benefit from focusing on a set of streamlined interventions that are strategically targeted and operationally flexible. Attempting to deploy all of the new measures (such as the Risk management toolkit) in the draft RDR would compromise the simplification agenda. Focussing on the measures most relevant to the needs of rural Wales and the objectives of other EU Directives can inform prioritisation. It will be important to ensure that the principles of targeting and flexibility extend to the 'delivery end' of interventions supported by the RDP.

The key issue is whether the new RDP can deliver improved environmental, social and economic outcomes. The recent Working Smarter Report makes recommendations to improve delivery from the perception of individual participants. Some of these proposals are relatively simple and involve relatively small changes in the style of the written information provided. The proposed RDP sub-themes may also improve the perception of the RDP throughout rural Wales.

An integrated approach to the use of both Pillars of the CAP will assist with the simplification process. For example, the Direct Payments regime within Pillar 1 could be structured in such a way as to avoid the need for an ANC scheme under Pillar 2. Ensuring that the proposed greening payments under Pillar 1 are deployed in such a way as to reduce the need for an Entry Level Glastir scheme would also aid in simplifying the RDP.

#### ***17. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this opportunity to raise them.***

##### **Transfer between Pillar 1 & Pillar 2**

The proposal to allow up to 10% of the Direct Payments budget to be transferred into the RDP is similar to the modulation provisions within the current EC Regulations. The current rate within Wales is made up of 5% Compulsory Modulation (CM) and 4% Voluntary Modulation (VM), with all receipts used to underpin participation in existing WRDP schemes.

The advantage of increasing the scale of the RDP allocation is that this is only part of the agricultural budget devoted to promoting a more sustainable industry via knowledge transfer, co-operation, investment and innovation. Continuing to prioritise income support may result in an uneven trajectory of development, with

some farmers using payments to improve their competitive position through a more sustainable approach that reduces costs and improves market share, whilst others use payments to expand current practices, disregarding sustainability criteria.

Tackling climate change, water management and declines in biodiversity during the next WRDP will reduce the need to deliver more expensive solutions in the future. For instance, the Stern Review<sup>23</sup> found that investing 1% of GDP in dealing with climate change now will help avoid a threefold increase in expenditure. Similar points have been made by the House of Lords regarding the need for an increased emphasis on research and development and a well supported Rural Business Advisory Service capable of providing practical advice to land managers<sup>24</sup>.

Spending under the RDP also contributes to the wider rural economy. For example, between 2000 and 2003, capital payments plus farmer contributions under Tir Gofal totalled £14.25M, 94% of which remained within the Welsh economy, with c.40% of spending taking place within ten miles of the farm concerned. Accounting for indirect effects, the overall impact of this spending on the Welsh economy was over £21M, supporting in turn some 385 Full Time Job Equivalents (FTE)<sup>25</sup>. Many of these jobs were created in remote areas where traditional job creation schemes have struggled to make an impact.

### Risk management

We note that the possible implementation of the “risk management toolkit” is still under consideration and that further information on the Welsh Government’s approach will be available in due course. Increased market volatility is an inevitable consequence of the decoupling of subsidies from production and is most appropriately addressed using the income support mechanism in Pillar 1. Using RDP funds for this purpose will have an adverse effect on progress towards the environmental targets set out under the Water Framework and Habitats Directives as well as on the EU Council’s proposal to allocate 20% of all future spending to climate change related activities.

### **Natural Resources Wales**

**April 2013**

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<sup>23</sup> The Stern Review on the Economics of Climate Change, 30<sup>th</sup> October 2006: [http://www.hm-treasury.gov.uk/stern\\_review\\_report.htm](http://www.hm-treasury.gov.uk/stern_review_report.htm)

<sup>24</sup> House of Lords European Union Committee. Adapting to climate Change: EU Agriculture and Forestry. 8th Report of Session 2009-10

<sup>25</sup> Agra-CEAS Consulting (2005). Socio Economic Analysis of Tir Gofal. Report to CCW & Welsh Government.