

The Environment in Rural Development: responding to UK environmental priorities through rural development measures

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The establishment of the Rural Development Regulation (RDR) in 1999 was a significant step in the evolution of the Common Agricultural Policy (CAP). The RDR brought a range of existing rural development instruments together under one umbrella with a view to creating a more coherent policy package. It is seen by many as an important policy tool for meeting environmental objectives - as well as economic and social ones - at EU and national level. However, recent evaluations and studies suggest much could be done to improve both the RDR and Rural Development Plan (RDP) implementation in relation to the environment. Proposals for a new European Agricultural Fund for Rural Development (EAFRD) – the successor to the RDR – were published by the European Commission in July 2004. It is critical that the past three years experience of the RDR and RDP implementation are used to inform both these processes and that key lessons about past successes and failures are learned and applied to policy development and implementation in the future.

Project aims and objectives

In June 2004, the Land Use Policy Group (LUPG) of the GB statutory conservation, countryside and environment agencies¹ contracted the Institute for European Environmental Policy (IEEP) to undertake a UK study on environment priorities in rural development programmes.

This UK study was one of a number of national studies being undertaken in seven EU Member States. Together, these studies provide information for a larger LUPG study, funded and carried out in partnership with WWF and Stichting Natuur en Milieu, entitled 'Europe's Living Countryside' (ELCo).

The objectives of the UK environment in rural development study were as follows:

- To identify priority environmental issues related to rural development in the UK that could be addressed through Pillar II of the Common Agricultural Policy (CAP) and develop proposals for addressing them.
- To feed into the ELCo study, recommendations for changes to the Rural Development Regulation (through the proposed European Agricultural Fund for Rural Development (EAFRD)), its implementation and funding, which would be needed to deliver environmental objectives in the UK.

Research methods

The research was undertaken primarily as a desk-based study with particular attention given to consultation with UK researchers, policy makers and stakeholders. Four stakeholder workshops – held in England, Scotland, Wales and Northern Ireland - were organised to gather information and elicit the views of stakeholders.

EU drivers of environmental change

A wide range of EU environmental legislation exists and acts as a driver of UK environmental priorities. Key legislation includes the Nitrates, Water Framework, Bird and Habitats

¹ The GB statutory conservation, countryside and environment agencies comprise the Countryside Agency, Countryside Council for Wales, English Nature, Environment Agency, Joint Nature Conservation Committee and Scottish Natural Heritage.

Directives. International commitments such as those in relation to the Kyoto Protocol on climate change and the Convention on Biological Diversity (to which the EU and UK are both signatories) also determine UK policy and priorities.

The CAP is a major driver of farm management decisions that in turn impact on the environment. Following the 2003 CAP reform agreement, many farmers are likely to change their farming practices, particularly in response to measures such as decoupling. The environmental impacts of these changes in farming practice will be variable, with positive impacts in relation to some issues and in some areas and negative in other cases. In other words, environmental issues and priorities are likely to change in future as changes in farming practice exacerbate some existing environmental problems, create new problems or bring about environmental improvements.

Country reports

In the UK, rural development programming takes place at country level – England, Scotland, Wales and Northern Ireland. For each country, the research: assessed the state of the environment; set out environmental issues and priorities in relation to land use; assessed the effectiveness of current rural development funding, measures and delivery; and, summarised lessons learned from current approaches to rural development.

A comparative analysis of the four countries identified overarching environmental priorities and common issues and gaps in current rural development plans.

UK environmental priorities in rural areas

The research explored which environmental issues have the highest priority in each of the four UK countries based on existing data and trends, on stakeholder comments and the presence or absence of Government statements or targets. The assessment of priority was necessarily qualitative in nature. Environmental issues were given a high score where they were raised most frequently by stakeholders and where concern was expressed (but there was uneven representation at the stakeholder workshops) and where clear Government statements or targets were found. Conversely, issues raised infrequently and where no or limited formal statements or targets were found were given a low score.

Similar issues were raised across the UK but, as might be expected, with different degrees of emphasis in each country. They focussed on soil, air, water (especially diffuse water pollution), biodiversity, landscape, the historic environment and public access. Overall, based on the above analysis, the key environmental priorities that should be being addressed in the UK are:

- Resource protection, with a particular emphasis on soil management and combating diffuse water pollution
- Halting biodiversity and landscape decline/degradation
- Promoting responsible access to land/enjoyment of the natural heritage

Common issues and gaps in current rural development plans

The main issues highlighted by the research are grouped below in relation to: *strategic issues; funding; schemes and measures; eligibility and recipients; administration and delivery; and, monitoring and evaluation*. These issues are presented in the context of a UK overview but considerable differences do occur between the four UK countries. For a more complete understanding of the strengths and weaknesses of country RDPs in addressing environmental priorities, the reader is referred to the country chapters of the main report for this study.

Strategic issues

- The rationale (strategies and priorities) for public expenditure is poorly articulated in RDPs, especially in relation to the environment generally and specifically in relation to the priorities identified by this study.
- Environmental needs in RDPs are poorly described and few clear environmental objectives and targets have been set. Where addressed, issues relating to biodiversity are more clearly articulated than those for resource protection, landscapes and access.
- Cross programme integration of the environment is poor, especially in England, and there is a lack of means to encourage synergies between measures.
- More integrated approaches to land-use planning and the use of policy instruments need to be found at national, regional and local level and greater effort be made by relevant agencies and organisations to identify common goals and objectives.
- The approach to rural development is very centralised and top-down in England and Scotland but less so in Wales and Northern Ireland.

Funding

- The basis on which funds are allocated between the four UK countries is not transparent. The allocation appears to be a political decision and based on past spending plans rather than on identifiable and costed rural development and environmental needs.
- Agri-environment and LFA measures attract the lion's share of the funding in all four countries but particularly LFA in Scotland and Wales.
- Public value for money for RD funds is not always demonstrated with insufficient evidence of environmental outcomes. There is also evidence of 'deadweight' in a number of schemes (especially investment measures and processing and marketing grants) with activities being funded that would have been undertaken in any case.

Schemes and measures

- There is strong emphasis on agri-environment and LFA measures and limited use made of other RDR measures even though these have the potential to benefit the environment.
- There is some evidence of the biodiversity and landscape benefits of agri-environment schemes but monitoring is often limited to outputs e.g. area of land enrolled in schemes rather than environmental outcomes.
- LFA schemes attract large amounts of funding but this is weakly linked to the purchase of public goods and its objectives are not always clear. In many cases, it is seen as a social measure with some incidental environmental benefits. Even in England where most use is made of environmental 'top ups' these are judged to be delivering little additional environmental benefit.
- Little emphasis is generally given to training measures, capacity building and awareness raising, especially in relation to environmental issues, although the need for such measures appears to be high. Farmers need help to understand and access rural development funding/schemes, to improve their knowledge of the environment and to prevent the loss of traditional skills from the countryside. The benefits of

actions that protect the environment but also make good business sense e.g. reducing soil erosion, are generally not sufficiently promoted.

Eligibility and recipients

- Land based schemes tend to target agricultural businesses but changing land ownership patterns and new non-farming land owners mean conventional agricultural approaches may not work. There is a need to use Article 33 and 9 to foster learning among a wider range of rural resource managers.
- A number of schemes could benefit non-farming recipients but these are poorly targeted and awareness of eligibility is often low e.g. among voluntary and community groups. Northern Ireland is the only country to give significant emphasis to capacity building and community action with some apparently positive environmental results.

Delivery

- There is generally a lack of good farm advice and support that considers not only business development in the traditional sense but also how to improve on-farm environmental management and develop environmentally-related business opportunities. Farming Connect in Wales has gone further in this respect than most other delivery mechanisms but could be strengthened.
- Application procedures for schemes are often complex and confusing.
- Administrative processes, such as determining which applications get funded, can lack transparency and there can be lack of clarity where scoring systems are applied. This makes it difficult for potential partners to get involved.
- In the RDPs, in contrast to the Structural Funds programmes, no partnership funding is involved in any of the measures supported with EAGGF funds.
- Scheme delivery is not sufficiently 'customer' focused.
- Awareness of some schemes is low in some places. There is especially low awareness of the environmental potential of non-AES schemes among environmental groups in most countries.
- There is a lack of focus on helping farm businesses become more sustainable – economically, environmentally and socially – and using different measures in integrated, complementary and enhancing ways to achieve this e.g. combining investment and agri-environment aids.
- There is some evidence of funding being given to businesses that results in displacement of other businesses and saturation of the market. In allocating funding, funders need to be more attuned to business activity at local and regional level and encourage broader diversification and market innovation.
- Land management schemes, in particular, are frequently inflexible to local circumstances and conditions – 'one size fits all' approach – and this can result in uniform outputs
- Different organisations involved in delivery need to work in a much more co-ordinated and complementary way to deliver environmental objectives
- Mechanisms are lacking to encourage/achieve collaborative action among farmers e.g. co-ops for food processing and marketing, landscape scale habitat restoration, landscape restoration, managing features running across several farms etc.
- There is a need for area based strategies and visions and local involvement/ownership to help realise them.

Monitoring and evaluation

- The environmental performance of rural development measures is difficult to assess due to over-emphasis on outputs as opposed to outcomes and targets focused too narrowly eg on jobs created or retained, for business-related funds. It is also virtually impossible to examine the extent to which funds support integrated sustainable

outcomes (synergy between economic, social and environmental goals); anecdotal evidence suggests that some good examples of this exist *despite difficulties* in using the funds in this way. Improved collection of data on outcomes is needed at different spatial levels to enable more effective evaluation.

Developments in EU rural development policy and financing

On July 14 2004, the European Commission published a proposal for a European Agricultural Fund for Rural Development (EAFRD), essentially a new Rural Development Regulation. The proposal is currently under negotiation and is not expected to be finalised until mid to late 2005. Some potential revisions to the original proposal were published on 13 January 2005 but these did not change the overall thrust of the EAFRD proposal. The proposal has significant implications for the environment at EU and Member State level. While it contains a number of measures likely to have a positive impact on the environment, several aspects of the proposals have raised concerns among environmental stakeholders.

A Communication on the Financial Perspectives 2007-2013 was published on 14 July 2004 alongside EAFRD, and draft Regulations covering the Structural Funds, Fisheries and a paper on financing Natura 2000. The Financial Perspectives paper presented an argument for a budget based on 1.14% of Gross Domestic Product and made the case that a budget of this size is needed to maintain progress on current EU commitments. In the ensuing discussions, a number of key Member States - Germany, Austria, Denmark, France, Netherlands, Sweden and the UK- have pressed the case for a budget based on 1% GDP (the so-called 1% club).

Until the final budget is agreed, it is impossible to determine what will be the allocation of rural development funding both at EU and Member State level. Depending on the criteria used to allocate funding to Member States, there are likely to be some winners and losers. Taking into account the proposed composition of the EAFRD and the significant needs of the New Member States, as well as the introduction of new measures, it seems that the funding offered will be insufficient to meet needs, specifically in the UK, if not universally.

The findings of this research lead to a number of conclusions regarding EAFRD and the need for adequate future funding.

Case studies

Four case studies were prepared to illustrate how rural development approaches could be used to respond to the environmental priorities identified by this report. Taking each environmental priority in turn, a geographic area was identified where that priority was a particular problem. The environmental needs within the area were assessed and current responses to the problem considered where they exist. Future policy options for responding to the problem were then considered.

The case studies are as follows:

- Addressing diffuse pollution issues in the River Tweed catchment, North Northumberland
- Responding to biodiversity declines in relation to species rich grasslands in the Wye Valley
- Responding to landscape change in the Margam Mountains, Wales
- Promoting access and enjoyment of the countryside in Fife, lowland Scotland.

A summary of the case studies can be found at the end of this research note.

Project Recommendations

This research project has shown there are significant opportunities to improve future rural development policy, programming and implementation in order to respond better to UK environmental priorities. The following recommendations are based on conclusions drawn from Sections 3-8.3 of the main report.

Recommendations for improving EAFRD

This project has highlighted a number of rural development problems that could be addressed through the new EAFRD but are not, as the proposal is currently written. With this in mind, the following recommendations are made:

EAFRD and the EU strategy

1. Both EAFRD and the accompanying EU strategy should emphasise the important role of rural development funding and programmes in meeting environmental priorities. They should refer explicitly and in detail to international environmental commitments and EU environmental legislation and highlight the need for rural development programming to respond to these.

EAFRD and environmental conditionality

2. All three axes and LEADER should be subject to appropriate environmental conditionality, not just Axis II.

Axis 1

3. Axis 1 of EAFRD should be renamed 'Improving the competitiveness and environmental performance of the agriculture and forestry sector.'
4. Axis 1 should give much greater emphasis to time-limited and 'soft support' such as advice, training and support for innovative approaches as well as supporting capital investment. The latter should be more targeted to investments that will enhance environmental performance.

Axis 2

5. Articles 35 and 47 (Axis II) of EAFRD should place much greater emphasis on supporting high nature value farming areas and less emphasis on supporting areas that are considered agriculturally disadvantaged.
6. Specific and appropriate environmental conditions should be attached to all the forestry measures contained within Axis 2 of EAFRD, not just the measures listed at Articles 34 (b) (i), (iv) and (v). See also Recommendation 2.
7. The UK should press for EAFRD to make it explicit that support for access management /maintenance and related measures is allowed.
8. The UK Government should press for clarification on calculating payments in relation to agri-environment and LFA measures reflecting changes that may arise as a result of decoupling. Clarification should also be sought on what costs can be included as transaction costs.

Axis 3

9. The wording of Axis III should give greater emphasis to supporting only *sustainable* rural development and focusing on non-market social and environmental goods.

Integration and Delivery

10. The UK Government should seek changes to Article 71 of EAFRD and the Implementing Regulation to ensure that measures from different Axes can be used together to achieve positive integration without placing further or complicated accounting or administrative requirements on Member States.

11. EAFRD should be amended to ensure that Member States can make specific incentive payments to encourage and facilitate collaborative projects and achieve greater synergy between productive investments and environmental measures.
12. Axis 2 should make specific provision for training and advice in the same way that these issues are covered in Axes 1 and 3.

Monitoring and evaluation

13. Indicators selected for evaluation purposes must include those which measure the environmental impacts of all programme expenditure as well as some measure of integration between goals, in delivery and outcomes.

Recommendations for EU and UK rural development funding

Funding is critical to the future success of rural development policy and programmes. Concerns about a possible lack of funding for the 2007-2013 programming period lead to the following recommendations.

14. If the EU, and its constituent Member State, are to meet environmental priorities in future, rural development funding must be protected.
15. The UK Government should continue to press for an increased share of EU rural development funds and the right to apply on-going voluntary modulation in addition to the compulsory modulation required of all Member States.

Recommendations for UK rural development policy

EU policy provides the framework for rural development policy and practice at Member State level. Within this framework, the UK has considerable scope and discretion to implement effective rural development policy. Based on the problems identified by this project, the following recommendations are made:

The UK national strategy

16. The UK national strategy should be underpinned by a robust rationale for public expenditure and be clearly focused on the environmental priorities identified by this study. It should include specific objectives and targets that relate to the environmental impacts of all measures under the programme, not just those in Axis 2.

Pillar I impacts and Pillar II responses

17. The CAP as a whole has a major impact on rural areas. Monitoring programmes should be put in place now in the UK constituent countries to enable proper evaluation and assessment of the environmental impacts of the Pillar I 2003 CAP reforms, specifically in relation to decoupling and compulsory cross compliance. Early assessments of Pillar I impacts in 2005 and 2006 should be used to inform the development of rural development policy and plans for the 2007-2013 programming period and later assessments used to inform subsequent revisions.

Recommendations for UK rural development programming

Sections 3.4, 4.4, 5.4 and 6.4 of this report draw conclusions and make recommendations in relation to future rural development programming for England, Scotland, Wales and Northern Ireland respectively. Some key conclusions and recommendations emerge from these sections.

Allocation of funding per Axis

18. The UK Government and the devolved administrations should consider the implications of the proposed obligatory minimum allocations of funding by axes and LEADER on their ability to address the environmental priorities identified by this study. Arguing the case for lower minimums for Axes 1 and 3 may be appropriate.

Supporting collective action and achieving large scale effects

19. The UK administrations should pay much greater attention to achieving natural area, landscape and catchment scale effects when designing and implementing future rural development programmes. Collective action by landowners should be encouraged.

20. ***The UK devolved administrations should undertake fundamental reviews of LFA support.*** One option may be to relaunch the schemes as broad and shallow agri-environment schemes for upland areas, with particular emphasis on achieving landscape scale management. All LFA farmers would receive payments unless they chose to opt out unlike other agri-environment schemes where farmers opt in.

Addressing diffuse pollution and soil problems

21. More effort is needed to address diffuse pollution and soil management issues effectively by the balance of conditions and payments and scheme delivery systems in place in each of the UK countries.

Enhancing public access

22. Greater support is needed for access-orientated capacity building among the private landholding community to make them more cognisant of the potential benefits of providing access and more willing to deal with the perceived risks of inviting people onto their land.

Supporting the wider rural community

23. Greater attention should be focused on using Axis III measures to benefit the environment in the UK. Greater support needs to be offered to rural communities beyond the farming community and new approaches and methods of dealing with non-farming land owners need to be considered.

LEADER

24. The potential of LEADER to deliver environmental benefits through small-scale, community based projects should be explored by the UK devolved administrations, particularly in England and Scotland.

Improving delivery mechanisms

25. Greater attention should be given to building partnership-based delivery systems in the UK with greater devolution of delivery in England and Scotland and stronger sub-regional agreement in all countries on rural development strategies.
26. Renewed consideration should be given to the concept of 'one-stop shop' delivery services for rural development support. The various agencies involved in delivery need to work in much more co-ordinated ways to provide joined-up delivery at local level.

Next steps

At the time of going to print, negotiations on EAFRD and the EU budget and the development of the EU Strategy were on-going. Once concluded, Member States will be required to develop their own national strategies and rural development plans for the 2007-2013 programming period. This study makes a case for much greater attention to be focused in future on using rural development policy to address environmental priorities such as diffuse water pollution and declines in biodiversity.

The study shows how current rural development policy and plans in the UK are failing to meet their full potential in terms of delivering environmental benefits and makes concrete recommendations for improving this situation under EAFRD and the next programming period. The case studies, in particular, offer some practical examples of how rural development funding could be used more effectively to achieve environmental goals.

The next 18 months, during which UK strategies and plans will be developed and approved, provide a real opportunity for the four UK devolved administrations to put the environment at the heart of rural development policy.

Box 1: Summary of case studies	
Diffuse pollution	Biodiversity
<p>The area for this case study is the English part of the river Tweed catchment in North Northumberland. The key environmental problems relate to water pollution by sediment, fertilisers, and pyrethroid sheep dip and the impacts of water abstraction for irrigation. Regulation and cross compliance can go some way to meeting targets for improving river quality but voluntary resource conservation action is also needed across the catchment.</p> <p>In an area such as this rural development funds could be used most effectively for soil and water conservation by:</p> <ul style="list-style-type: none"> • encouraging farmers to comply with regulatory requirements, then to use their own resources to implement environmentally sustainable management beyond the regulatory/ cross-compliance baseline; • supporting co-operative action by a group of farmers where this will achieve greater environmental benefit for the catchment as a whole than separate activities; • making it possible for existing local groups such as the Tweed Forum to build up packages of government funding from the separate streams of the EAFRD and from other sources to target local problems. 	<p>The area for this case study is the lower Wye Valley. The main problem is the decline in quality and extent of semi-natural grasslands due to changes in land management, especially agricultural improvement, disuse and residential development. The decline in cattle grazing and reduction in hay making are of particular concern.</p> <p>Some use is already made of rural development measures e.g. agri-environment schemes to help maintain grazing. Other initiatives in the area are helping landowners and graziers to work together to meet conservation objectives.</p> <p>The main areas where rural development measures could be used more effectively are:</p> <ul style="list-style-type: none"> • targeted payments to help maintain grazing on semi-natural grasslands and encourage machinery rings for haymaking equipment • developing skills and know-how for habitat restoration and maintenance of boundary features • encouraging and supporting collaborative action • providing advice and training for farmers and non-farming landowners • marketing of local produce
Landscape	Access
<p>The study area (Margam Mountain) is a small but distinctive block of hill land rising steeply from the narrow industrialised coastal plain of South Wales. The main environmental problems include lack of agricultural management, recreational use and urban fringe problems and the impacts of afforestation.</p> <p>Rural development funds could be used most effectively for landscape improvements as follows:</p> <ul style="list-style-type: none"> • improving the management of farmland through agri-environment measures but also encouraging group applications and ensuring capital investment to overcome years of neglect • funding a 'community caretaker' to undertake duties such as footpath maintenance and liaise with landowners • payments for conversion of forestry to broadleaved woodland and for sensitive landscape management plus removing woodland from archaeological sites. 	<p>The study area is the countryside, mainly prime agricultural land, surrounding the town of Cupar in Fife. The main problem is poor access provision and maintenance and conflicts between land owners and those who desire access to land for recreational purposes</p> <p>Rural development funds could be used for:</p> <ul style="list-style-type: none"> • Paying for lowland path management in Land Management Contracts and for new paths in the Rural Stewardship scheme. Major funding for paths should be on condition of producing a farm access management plan. • Providing incentives for landowners to make collaborative applications to install new path networks • Supporting syndicates of farmers to appoint path maintenance wardens • Providing payments for new paths close to housing, as well as information and interpretation provision • Encouraging farm visits and engagement of communities in the siting of access facilities.