



Rural Development funding in Wales

This paper shows arrangements for EU rural development funding for 2000-06 and 2007-2013 and progress with the next Rural Development Plan for Wales. Links with the Structural Fund programmes are highlighted.

The 2000-06 programmes

The Common Agricultural Policy (CAP) is funded by the EAGGF¹ and costs the EU around €50bn per year (approximately 50% of the EU's total budget). The CAP directs funding through two 'pillars': Pillar 1 (market support for direct production), and Pillar 2 (rural development). Funds can be shifted between the two 'pillars' by **modulation** up to limits set by the EU (a further *Quick Guide* is in preparation on this).

Funding for EU rural development is dealt with under the CAP, plus the EAGGF and FIFG² elements of the Objective 1 programme for West Wales and the Valleys.

Rural Development Plan 2000-06

The UK has a Rural Development Plan (RDP) in place for 2000-06 which includes the RDPs of the devolved administrations. The RDP for Wales (RDPW) applies to the whole of Wales, except "those parts which are clearly urban and developed"³, and focuses on:

- Creating stronger agriculture and forestry sectors;
- Maintaining and protecting the environment and rural heritage; and
- Improving the economic competitiveness of rural communities and areas.

The 2000-06 RDPW funds, for example, elements of Tir Mynydd and Tir Gofal, plus the Farm Improvement Schemes and the Processing and Marketing and the Woodland Grant Schemes. Around €150m is available to Wales from the EU (from the CAP), which, when added to funds from the Welsh Assembly Government, gives a total RDP budget in Wales of €534m for 2000-06.

Rural development 2007-2013

For the 2007-2013 programmes:

 A new European Agricultural Fund for Rural Development (EAFRD) will provide a single source of funding for all EU rural development activities in

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¹ European Agricultural Guidance and Guarantee Fund

² Financial Instrument for Fisheries Guidance

³ Rural Development Plan for Wales 2000-06 http://new.wales.gov.uk/docrepos/40382/4038231121/403822/rdp_2-e.pdf?lang=en



Wales, combining the EAGGF elements of the 2000-06 Objective 1 programme with the funding available under the 2000-06 RDPW.

- Funding for rural development will no longer be available through the 'Objective 1' (Convergence) programme.
- The 2007-2013 policy will focus on three areas in line with the axes laid down in the Rural Development Regulation, with a fourth axis for local approaches to rural development (see below for more details).
- The axes contain 34 'measures' which broadly outline the types of activity that can be funded under the RDP.
- The Financial Instrument for Fisheries (FIFG) will be replaced by the European Fisheries Fund (EFF); the amount available under the EFF has not yet been decided.

The Assembly Government is currently preparing the 2007-2013 RDPW. The consultation on the draft Rural Development Plan for Wales 2007-2013 closed on 21 July⁴. The RDPW is due to be submitted to the Commission in December with approval expected in March 2007, and it is then likely to be published in mid-2007.

The Plan fulfils a requirement of *Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)* and must be prepared in line with the EU Strategic Guidelines for Rural Development⁵. The Regulation outlines four axes under which money can be spent:

Axis 1 → Improving competitiveness of farming and forestry

Axis 2 → Environment and countryside

Axis 3 → Improving quality of life and diversification of the rural economy

Axis 4 → Each programme must have a 'Leader' element for implementation of bottom-up local development initiatives (this will be delivered through the other three axes)

Each Member State must put in place a National Strategy Plan (NSP) for rural development. Within the UK, Wales, England, Northern Ireland and Scotland are preparing individual strategies which will be combined to form the UK NSP. The consultation on Wales' contribution (the 'Strategic Approach') closed on 8 March 2006⁶.

How much is available?

Current discussions in the Commission suggest that RDP funding for 2007-2013 will be based on historical allocations, which would mean that the UK would receive around 3.5% of the total funds. The UK Government has expressed concern at this system as it bears no relation to the UK's proportion of the EU's rural areas or of EU agricultural output. No official figure had been released at the time of writing

⁴ Consultation on the draft Rural Development Plan for Wales

http://new.wales.gov.uk/topics/environmentcountryside/countryside_policy/rural_development/Rdpw0713?lang=en

⁵ EU Strategic Guidelines for Rural Development http://ec.europa.eu/comm/agriculture/capreform/rdguidelines/index_en.htm
⁶ Strategic Approach to the RDP



The December 2005 EU budget deal allows Member States the flexibility for **voluntary modulation**⁷ (to top slice up to 20% of Pillar 1 funding and transfer it to Pillar 2).

How much is available for Wales?

The amount available under the new RDP is likely to increase, as it will now contain the EAGGF and FIFG elements currently available through Objectives 1 and 2, and Leader+. In addition to the amount generated through voluntary modulation, a figure of 5% for compulsory modulation was also agreed in 2004.

Although nothing has yet been confirmed at EU level, a projected funding assessment from the Assembly Government states:

"... the initial estimate is that the total funding available under the successor Plan would be some €1.1bn. This includes amounts from the European Agriculture Fund for Rural Development (EAFRD) including amounts available to convergence regions, the proceeds of compulsory modulation and Welsh Assembly Government own resources."⁸

The consultation on the RDP suggested that funding could be targeted towards Axes 2, 1, 3 and 4 in priority order as shown below.

	Amount (€m)	% of total spend
Axis 1	158	14
Axis 2	825	75
Axis 3	83	8
Axis 4	34	3
Total	1,100	100

Source: Assembly Government consultation on RDP 2007-2013

The Assembly's Environment, Planning and Countryside Committee undertook a review of the RDP in November 2005⁹.

Rural development and the Structural Funds

Each Member State is currently drawing up a National Strategic Reference Framework (NSRF) setting out its priorities for the 2007-2013 Structural Funds. The DTI-led consultation on the UK NSRF closed on 22 May 2006¹⁰ and the Operational Programmes for Wales (for West Wales and the Valleys, East Wales and European Co-operation) are due to be issued for public consultation in summer 2006.

Paragraph 202 of the UK's NSRF outlines the Assembly Government's plans to integrate the two streams, saying, for example, that "in the agricultural and environmental sectors, it intends to focus Rural Development support on local community development, while concentrating the Structural Funds more closely on the Lisbon Agenda for growth and jobs".

Enquiry no: 06/1247/BW

3

Date: 24 July 2006

⁷ QuickGuide in preparation on this

⁸ Extract from draft RDP for Wales 2007-2013

http://new.wales.gov.uk/topics/environmentcountryside/countryside_policy/rural_development/Rdpw0713?lang=en

¹⁰ The consultation document for the UK National Strategic Reference Framework can be found at: http://www.dti.gov.uk/consultations/page28796.html





Further Information:

For further information on the topics below, double click on the links.

Assembly Government Welsh European Funding Office

Assembly Government Rural Development

Assembly's Environment, Planning and Countryside Committee

European Commission Agriculture Directorate General

Assembly Government Access to Information document: <u>European Funding – how it works</u>

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Glossary of terms

Glossary of Public Finance Terms