

Quick guide

Rural Development Funding in Wales

April 2007

1. Introduction

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

2. Rural development 2007-2013

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, the single farm payment), and Pillar 2 (rural development). Funds can be shifted between the two 'pillars' by **modulation** up to limits set by the EU.

The EU sets the rules for how rural development spending may be spent in the rural development regulation² and in the **EU Strategic Guidelines for Rural Development**³. 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 Rural Development Plans (RDPs) which combine to form the UK NSP as was the case for the 2000-06 programmes.

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, combining what used to be funded by EAGGF elements of the 2000-06 Objective 1 programme with those under the 2000-06 RDP (which applied outside Objective 1 areas).
- 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.

¹ European Agricultural Guidance and Guarantee Fund

² Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:277:0001:0040:EN:PDF>

³ EU Strategic Guidelines for Rural Development http://ec.europa.eu/comm/agriculture/capreform/rdguidelines/index_en.htm

- The Financial Instrument for Fisheries (FIFG) will be replaced by the European Fisheries Fund (EFF).

The EAFRD Regulation outlines four axes under which money can be spent and minimum amounts for each:

- Axis 1** → Improving competitiveness of farming and forestry (10%)
- Axis 2** → Environment and countryside (25%)
- Axis 3** → Improving quality of life and diversification of the rural economy (10%)
- 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)

3. Rural Development Plan for Wales 2007-2013

The Assembly Government's consultation on the draft RDP for Wales (RDPW) 2007-2013 closed on 21 July 2006. The RDPW was due to be submitted to the Commission at the end of 2006 but it has been delayed due to a disagreement between the European Parliament and the Agriculture Council on the proposal to allow Member States to voluntarily increase the rate of modulation up to 20% from Pillar 1 to Pillar 2. The European Parliament is against voluntary modulation as it effectively "re-nationalises" decisions about the level of support to farmers via Pillar 1 (see its opinion of 13 February 2007⁴).

The regulation on voluntary modulation was finally adopted at the EU Agriculture and Fisheries Council on 19 March 2007⁵. The key points are that voluntary modulation will only apply to the UK and Portugal and that the decision on the rate to be deployed for each year between 2007 and 2013 can be made at a regional level.

The Welsh Assembly Government of the Second Assembly announced that the Rural Development Plan will be submitted in July for formal approval by the Commission. On-going negotiations continue with the Commission. This means that following the National Assembly elections in May, the new Government will make the final decisions on the Plan.

⁴ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2007-0009+0+DOC+PDF+V0//EN&language=EN>

⁵ COUNCIL REGULATION laying down rules for voluntary modulation of direct payments provided for in Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, and amending Regulation (EC) No 1290/2005 <http://register.consilium.europa.eu/pdf/en/07/st07/st07060.en07.pdf>

This includes the detail of the measures, the level of financial support available and the rate of voluntary modulation which will apply to Wales. The receipts from voluntary modulation will focus on supporting agri-environment activity under Axis 2.

Pending approval of the Plan, the Assembly Government of the Second Assembly had discussed with the Commission how to take forward RDP activities and related payments from 1 January 2007.

A Programme Monitoring Committee (PMC) is required for the RDPW. Its members are appointed by the Assembly Government from a range of public, social, and economic partners.

4. What will it fund?

The RDPW will be delivered via the four axes as set by the EU (see above).

- Axis 1 will fund a Process and Marketing Grant Scheme; Quality Food Scheme; Farming Connect and Farming Advisory Service; supply chain efficiency.
- For Axis 2, the intention is that the current suite of agri-environmental measures funded by the RDPW 2000-2006 will continue through to 2008 such as Tir Gofal and the Less Favoured Areas scheme Tir Mynydd. A stakeholder group will review all of the measures available by the end of 2007 and the conclusions will be implemented from 2009.
- Axis 3 and 4 which focus on bottom up local rural development will be delivered via Local Partnerships and Groups selected via competition. Applications to the Assembly Government should have been submitted by the end of March 2007.

5. How much is available?

The UK's rural development allocation for 2007-2013 is €1.9bn (approximately £1.3bn). Details of the Commission's decision on allocations are available [here](#). Wales' total allocation for this period is around £195m, which consists of:

- £70m from the EAFRD;
- £57m of Compulsory Modulation (5% of Pillar 1 support); and
- £68m from the Convergence Fund.

These figures do not include the Assembly Government's own resources, which will be used to match fund the European money, nor amounts to be raised by voluntary modulation which will be agreed by the new Assembly Government. The Welsh Assembly Government of the Second Assembly anticipated that the total expenditure on the Rural Development Plan 2007 - 13 will be in the order of £770m.

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

	<i>Amount (€m)</i>	<i>% of total spend</i>
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 2005⁶.

6. The 2000-06 programmes

The 2000-06 RDP for Wales applied to the whole of Wales, except “those parts which are clearly urban and developed”⁷, and focused 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 funded, for example, elements of Tir Mynydd and Tir Gofal, plus the Farm Improvement Schemes and the Processing and Marketing and the Woodland Grant Schemes. The EU funded the RDPW to the tune of €150m (from EAGGF), which, with the funds from the Welsh Assembly Government, amounted to a total RDP budget of €534m for 2000-06. For West Wales and the Valleys, the funding was managed through the EAGGF and FIFG elements of the Objective 1 programme.

7. Links with the Structural Funds

The RDPW 2007-2013 is being developed in parallel with the Convergence (West Wales and the Valleys), Competitiveness (East Wales) and Co-operation (Ireland-Wales) programmes. The UK's National Strategic Reference Framework (NSRF) outlines the Assembly Government's plans to integrate the two streams, saying 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”.

The draft Operational Programme for Convergence states that “scale will be a major factor in determining whether projects would qualify for RDP or Structural Fund support with Convergence funding primarily being within the framework of the *Wales Spatial Plan* and

⁶ Transcript of EPC Committee discussion on the RDP [EPC131105](#)

⁷ Rural Development Plan for Wales 2000-06 http://new.wales.gov.uk/docrepos/40382/4038231121/403822/rdp_2-e.pdf?lang=en

RDP activities normally being restricted to individual Local Action Group (LAG)/local authority areas”.

8. Further information

For further information on aspects of Rural Development funding in Wales, please contact **Nia Seaton** (Nia.Seaton@wales.gsi.gov.uk), Members’ Research Service.

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

- Assembly Government pages on [Countryside Policy and Rural Payments](#)
- Assembly Government [Welsh European Funding Office](#)
- The Second Assembly’s [Environment, Planning and Countryside Committee](#)
- European Commission [Agriculture Directorate General](#)
- Assembly Government Access to Information document: [European Funding – how it works \(July 2003\)](#)

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