

# Rural Development Sub-Committee

## Inquiry into the Review of Axis 2 of the Wales Rural Development Plan 2007 - 2013

### Background

1. At its meeting on 2 October, Members of the Rural Development Sub-Committee agreed to undertake an inquiry into the Welsh Assembly Government's review of Axis 2 of the Rural Development Plan.
2. Axis 2 of the *Rural Development Plan for Wales 2007-13*<sup>1</sup> is the strand under which agri-environment and land management schemes are funded. The Welsh Assembly Government defines agri-environment schemes as<sup>2</sup>:

The state (in this case the Welsh Assembly Government) buying environmental goods and services (public goods) from farmers who would otherwise not supply them.
3. The schemes in operation at present are known as Tir Mynydd, Tir Cynnal, Tir Gofal, the Organic Farming Scheme and Better Woodlands for Wales. Approximately 20 per cent of agricultural land in Wales is covered by the Tir Gofal scheme<sup>3</sup>. A consultation document<sup>4</sup> was published at the end of September 2008 examining the strengths and weaknesses of these schemes and exploring a series of options that may be implemented following the review.
4. There is some recognition that these schemes have not been successful in delivering the environmental outputs of the Welsh Assembly Government's *Wales Environment Strategy*. The Welsh Assembly Government's review identifies these failings. For example, Tir Gofal makes no contribution to flood risk management, improving water quality and reducing diffuse pollution, See Table 1.
5. However, the Welsh Assembly Government acknowledges that the schemes were not designed for this purpose. For example, these schemes were designed prior to the development of the *Wales Environment Strategy*; therefore their objectives are not aligned. For this reason, there is also insufficient monitoring in place to assess the performance of the schemes against the Welsh Assembly Government's key policy for the environment in Wales.

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<sup>1</sup> Welsh Assembly Government, [The Rural Development Plan for Wales 2007 – 2013](#), February 2008

<sup>2</sup> Welsh Assembly Government Consultation [Sustaining the Land: A review of land management actions under Axis 2 of the RDP for Wales 2007-13](#), September 2008

<sup>3</sup> Welsh Assembly Government Statistics for Wales, [State of the Environment 2008](#), July 2008

<sup>4</sup> Welsh Assembly Government Consultation [Sustaining the Land: A review of land management actions under Axis 2 of the RDP for Wales 2007-13](#), September 2008

**Table 1: Delivery of Wales Environment Strategy Outcomes: Performance of Current Schemes<sup>5</sup>**

Wales Environment Strategy Outcomes	Tir Cynnal	Tir Gofal	Organic Farming Scheme	Tir Mynydd	Better Woodlands for Wales
Resilience to Climate Change	No	No	Some	No	Yes
Water resources managed sustainably	No	No	No	No	No
Soil managed to retain carbon store	No	No	No	No	No
Flood risk managed	No	No	No	No	No
Water quality improved	No	No	No	No	Yes
Diffuse pollution reduced	No	No	Yes	No	No
Landscape/catchment scale	No	No	No	No	No
Biodiversity recovery	Yes	Yes	No	No	Yes
Wider environment more favourable	Yes	Yes	Some	No	Yes
Sites favourable	No	Yes	No	No	Yes
Landscape maintained	No	Yes	Yes	No	Yes
Access improved	No	Yes	No	No	Yes
Historic building stock maintained	Yes	Yes	No	No	No

6. Following the publication of the consultation document, the Committee agreed to undertake a short inquiry to:

- Gain the views of key stakeholders on the options proposed in the Welsh Assembly Government
- Asses the potential impact of these options
- Scrutinise the Welsh Assembly Government's approach in this area

7. The Committee took oral evidence from 7 organisations:

- NFU Cymru
- Farmers Union Wales
- Countryside Council for Wales
- Environment Agency
- Organic Centre Wales
- National Trust
- Royal Society for the Protection of Birds

<sup>5</sup> Welsh Assembly Government Consultation [Sustaining the Land: A review of land management actions under Axis 2 of the RDP for Wales 2007-13](#), Page 18, October 2008

8. The Committee was keen for its inquiry to correspond with the timescale of the Welsh Assembly Government's consultation on the review. The Committee wishes to thank those who prepared written and oral evidence, particularly given that this was done within a relatively short timescale.

## **Summary of the Main Issues**

### ***Urgency of the review***

9. The agricultural industry in Wales has had a significant role to play in creating the mosaic that is the Welsh landscape which supports a wide range of habitats, species and ecosystems and will continue to be central to maintaining this landscape.

10. Increases in productivity as a result of changes in agricultural practice following the Second World War have had an impact on the environment, such as a reduction in the numbers and diversity of species living in the Welsh countryside. According to the Welsh Assembly Government:

This increase in productivity has come at an environmental cost<sup>6</sup>

11. Initiatives such as agri environment schemes have played an important part in helping the agricultural industry to alter certain practices, reduce their environmental impact and provide a public good. Evidence submitted to the Committee stated that<sup>7</sup>:

Many of the land management schemes included in the current Wales Rural Development Plan (2007-2013) originated in the late 1990's. Whilst they have been modified more recently, they are not particularly well aligned with new and emerging challenges such as climate change and the Water Framework Directive, nor do they take account of the major CAP reforms predicted for 2013.

12. Against this backdrop, witnesses welcomed the Welsh Assembly Government's review and felt that it was an opportunity to look at land management schemes in the context of the environmental challenges we face. Some witnesses were pleased that the review recognised the scale and nature of these challenges.

13. The RSPB believed that the review was timely, particularly in the context of the urgent issue of biodiversity decline:

This Axis 2 review represents the best, if not last, realistic chance to save these species on Wales' farmland and the Welsh Assembly Government's only hope of making progress towards arresting declines in biodiversity<sup>8</sup>.

14. Despite this urgency, the Committee was encouraged to hear that achieving the change required to tackle declines in biodiversity is not in any

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<sup>6</sup> Welsh Assembly Government Consultation [Sustaining the Land: A review of land management actions under Axis 2 of the RDP for Wales 2007-13](#), October 2008, Page 4

<sup>7</sup> Countryside Council for Wales [Written evidence](#)

<sup>8</sup> Royal Society for the Protection of Birds [Written evidence](#)

way insurmountable, and that to date farmers in Wales are able to demonstrate examples of excellent work.

15. The Committee welcomes the review and believes it is timely, not only in terms of the environmental challenges that face the Welsh countryside but also with regards to future reforms of the Common Agricultural Policy. The Committee hopes that the review will be thorough and will form the basis for an on-going dialogue with stakeholders, and a public debate on the future of the schemes and the public value they generate.

### ***Impact on farm incomes***

16. The Committee recognises that should any changes to Axis 2 schemes emerge from the review, they may have a significant impact on farmers' incomes in Wales.

17. In 2006, 20 per cent of Wales' agricultural land area was within Tir Gofal agreements<sup>9</sup>. 76 per cent of Wales' land area qualifies for Tir Mynydd support. In 2006, 10,400 Tir Mynydd Claims were approved, amounting to £34.8 million. In 2006-07, £18.2 million was paid in Tir Gofal grants, with £6.2 million paid in Tir Cynnal grants. For both schemes, this equalled approximately 7,600 agreements<sup>10</sup>.

18. The farming unions were concerned that any changes would result in a redistribution of resources and were eager to highlight the importance of Axis 2 payments in providing stability and a diverse income source to many farmers.

19. NFU Cymru raised concerns regarding the impact of any significant changes on farm incomes; they quoted figures demonstrating that Axis 2 contributed some 27 per cent to farm incomes across all those in receipt of Axis 2 grants. For those in receipt of Tir Mynydd, this contribution is closer to 47 per cent<sup>11</sup>. The FUW said that Options 2 and 3 would result in a seismic shift in resources around Wales; and that there will be winners and losers<sup>12</sup>.

20. However, the National Trust, who also acknowledged that there would be a redistribution of funds, felt that:

... Any change in scheme structure will have repercussions. This is acceptable in order to achieve a more sustainable system, providing sufficient support is in place during the transitional period<sup>13</sup>.

21. The Welsh countryside is a landscape in which communities live and work and schemes such as Tir Mynydd have been important in maintaining the structure of the agricultural industry in the Welsh uplands. However, the Committee acknowledges the role that agri-environment schemes must play in delivering public goods and this must be the end goal for the schemes in the medium term. Therefore, it is essential that the Welsh Assembly Government

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<sup>9</sup> Welsh Assembly Government [Welsh Agricultural Statistics 2007](#) page 75

<sup>10</sup> Ibid. pages 68 & 75

<sup>11</sup> National Farmers' Union Cymru [Written evidence](#)

<sup>12</sup> Farmers' Union of Wales [Written evidence](#)

<sup>13</sup> The National Trust Wales [Written evidence](#)

develops appropriate transitional arrangements covering a timescale that will enable the industry to adjust to the changes required.

### ***Changing cultures***

22. A theme that emerged throughout the inquiry was the need to change cultures within the agricultural industry to ensure environmental outcomes are achieved.

23. Agri-environment schemes are voluntary, therefore gaining the support and understanding of the agricultural industry is essential to ensuring the success and uptake of the schemes. NFU Cymru told the Committee that understanding what the Welsh Assembly Government aims to achieve is key to ensuring industry buy-in.

24. When questioned on this issue, the FUW was concerned that the Welsh Assembly Government's own timetable for the review did not give sufficient time to win the support of the industry<sup>14</sup>. Furthermore, they felt that there was insufficient detail in the consultation document upon which the industry could consider all the options<sup>15</sup>.

25. The Committee also heard that the wider benefits including socio-economic benefits and the re-introduction of many traditional skills that have been boosted by schemes such as Tir Gofal have also been central in gaining support from the industry. A report into Tir Gofal published by the Wales Audit Office in 2007<sup>16</sup> stated:

An independent review in 2005 estimated that the £11.2 million paid to Tir Gofal agreement holders in 2003 had created additional spending in the economy of £4.2 million and 112 jobs. Most of the financial benefit had been retained by farmers, although local contractors also gained significant benefits.

Participants in our focus groups valued the local economic benefits generated by Tir Gofal, especially for traditional occupations like hedging and walling, and in North Wales they believed that this was important in sustaining small, Welsh-speaking communities.

26. The Committee believes that the Welsh Assembly Government has a crucial role to play in leading the cultural change required from the agricultural industry to deliver environmental outcomes, and Axis 2 schemes are a central part of this programme. The Committee was encouraged to hear from witnesses that schemes to date have helped to change cultures, as have the wider benefits delivered by schemes such as Tir Gofal. We are concerned that failure to encourage greater change within the sector will leave the industry ill-prepared for the expected CAP reforms from 2013. The Committee believes that well-thought out transitional arrangements will, therefore be essential (see below).

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<sup>14</sup> Farmers' Union of Wales [Oral evidence](#)

<sup>15</sup> Farmers' Union of Wales [Oral evidence](#)

<sup>16</sup> Wales Audit Office [Tir Gofal](#) 2007, page 6

## ***Timescales and transitional arrangements***

27. The Committee notes that several witnesses had concerns regarding the process and timescale for the review. Some witnesses were particularly concerned that the Welsh Assembly Government's own deadline of 2010 for the implementation of any changes not achievable.

28. NFU Cymru highlighted the fact that:

It has taken two years to get a consultation document out and we are at the beginning of a process and not at the end<sup>17</sup>.

29. The FUW suggested that there may be merit in not making any amendments during the current Rural Development Plan, with the aim of implementing any changes at the beginning of the next Rural Development Plan in 2013; they believe this would provide a greater opportunity to engage the industry and 'hit the ground running'<sup>18</sup> with the next Plan.

30. Based on their experience of both designing and delivering agri-environment schemes, CCW were also concerned that implementing a new system would be challenging within the timescale. A significant investment of time and expertise from a wide range of organisations would be required to successfully implement any new schemes<sup>19</sup>.

31. Witnesses felt that transitional arrangements, training, guidance and advice would all be crucial in order to gain the support of the industry and minimise disruption to existing agreements:

We need an end point for each stage, and that needs to be explicitly spelt out to the farming community so that it understands the direction in which we are going<sup>20</sup>

32. According to the RSPB these arrangements would need to be carefully thought out and managed to ensure continuity of the existing Tir Gofal agreements and to allow swift entry into the new scheme for all those who wish to enter<sup>21</sup>.

## ***Lack of Information***

33. The Committee heard that, in general, witnesses were concerned that beyond Options 1a and 1b, there was very little information upon which they could adequately assess the impact of the proposals on both farmers and the environment. The FUW stated:

Because of the lack of detail on options 2 and 3, it is very difficult to see how we will engage farmers to look beyond option 1<sup>22</sup>

And

You will need far more than a few paragraphs in a consultation paper<sup>23</sup>

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<sup>17</sup> National Farmers' Union Cymru [Oral evidence](#)

<sup>18</sup> Farmers' Union of Wales [Oral evidence](#)

<sup>19</sup> Countryside Council for Wales [Written evidence](#)

<sup>20</sup> Royal Society for the Protection of Birds [Oral evidence](#)

<sup>21</sup> Royal Society for the Protection of Birds [Written evidence](#)

<sup>22</sup> Farmers' Union of Wales [Oral evidence](#)

34. NFU Cymru agreed with this view, stating:

We have some difficulty in envisaging what the proposed schemes under options 2 and 3 might look like<sup>24</sup>

35. The Committee believes that, in providing insufficient detail the Welsh Assembly Government has not allowed for a full exploration of each Option and this has limited the debate. The Committee therefore recommends that the Welsh Assembly Government provide far greater levels of detailed information to enable an informed debate to take place.

### ***Existing schemes***

#### *Delivery of environmental outputs*

36. There was agreement over the inability of existing schemes to assist the Welsh Assembly Government to meet its targets in the *Wales Environment Strategy*. It is essential to emphasise the fact that, as stated in the Assembly Government's own consultation, the schemes were **not** intended to deliver against *Wales Environment Strategy* outcomes when they were originally designed and that this is the context for the review (see Table 1). There was considerable discussion surrounding one of the key *Wales Environment Strategy* outcomes, namely 'Biodiversity Recovery'. The RSPB told the Committee that this was an urgent situation:

The Government's own biodiversity indicator [which] showed that we had lost 5 per cent of species at the 2005 record<sup>25</sup>

37. The RSPB also presented the Committee with data relating to farmland birds. Lapwing numbers, which had a population of over 15,000 pairs in the 1970s, fell to 7,500 pairs in 1987 and 1,700 in 1998. The RSPB estimates that by today the population is well below 1,000. Other bird declines they quoted from the Breeding Bird Survey 2007 included a 47 per cent decline in yellowhammer numbers between 1994 and 2007, a 33 per cent decline in curlew numbers and a 53 per cent decline in starling numbers during the same period<sup>26</sup>.

38. The FUW, on the other hand were concerned that this issue was being misrepresented:

... Sometimes the picture of the acceleration of the loss [of biodiversity] is promoted when that is not what is happening on the ground".<sup>27</sup>

39. They also said that these losses were "*historic*".

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<sup>23</sup> Farmers' Union of Wales [Oral evidence](#)

<sup>24</sup> National Farmers' Union Cymru [Oral evidence](#)

<sup>25</sup> Royal Society for the Protection of Birds [Oral evidence](#)

<sup>26</sup> Royal Society for the Protection of Birds [Written evidence](#)

<sup>27</sup> Farmers' Union of Wales [Oral evidence](#)

40. Alongside this evidence the Committee heard from other witnesses that agri-environment schemes **had** provided some benefits to farmland environments.

41. According to the National Trust, multiple benefits had been achieved in some areas, particularly in relation to farm biodiversity and the conservation of historic features<sup>28</sup>.

42. Agri-environment schemes have been successful in delivering biodiversity and other significant environmental benefits in some areas. Nonetheless, we received evidence that, overall, biodiversity decline is continuing at an alarming rate. The Committee believes that the issue of biodiversity loss is critical and that land managers have a crucial role to play in trying to minimise the decline of species and condition of habitats in Wales. Agri-environment schemes must deliver against biodiversity targets, which is a key outcome of the *Wales Environment Strategy*.

43. The Committee is seriously concerned that the objectives of these schemes are not properly aligned to the *Wales Environment Strategy*. The Committee believes that the *Wales Environment Strategy* provides the overall framework for the Welsh Assembly Government's environmental policies. In future all agri-environmental schemes should have clear objectives and should be clearly aligned to the achievement of those objectives.

#### *Inadequate monitoring*

44. The Committee was very concerned to hear that measuring the achievements of existing schemes is difficult due to inadequate monitoring mechanisms, or a lack of monitoring overall.

45. According to the Wales Audit Office report<sup>29</sup>:

There is some evidence to suggest that the activities funded by the scheme should benefit habitats. However, there is only limited evidence about the extent to which beneficial changes to habitats can be attributed to Tir Gofal rather than other factors. Also, there is a lack of comprehensive data on Welsh habitats and how they are changing over time. This makes it difficult to put the achievements of Tir Gofal into context.

46. CCW made the point that<sup>30</sup>:

Monitoring programmes may not have been sufficiently comprehensive, or may have been put in place at a relatively late stage; monitoring programmes may have been inadequately resourced or may have operated at too detailed a scale; schemes may have been designed for purposes other than the ones we now want them to fulfil or it may simply be that the results of monitoring projects take rather longer to emerge than we would wish.

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<sup>28</sup> The National Trust Wales [Written evidence](#)

<sup>29</sup> Wales Audit Office [Tir Gofal](#) 2007, page 6

<sup>30</sup> Countryside Council for Wales [Written evidence](#)

47. A similar issue was referred to by the National Trust, who felt that inadequate monitoring of existing schemes meant that they had to rely largely on anecdotal evidence to confirm<sup>31</sup> the delivery of environmental benefits.

48. At present, Tir Gofal and Tir Cynnal both include objectives for landscape protection and the conservation of historic features.

Our experience and anecdotal evidence convinces us that the schemes are delivering improvements to the historic environment. This has not been monitored and no data on the impact is available. There is an urgent need for historic environment indicators and outcome monitoring<sup>32</sup>.

49. The Organic Centre Wales also made this point, noting that little hard research has been done<sup>33</sup> into the success of organic farming schemes in Wales in delivering environmental objectives.

50. In the context of further reforms of the Common Agricultural Policy from 2013, the RSPB told the Committee that it was essential that schemes were put in place in Wales that had clear objectives which could be monitored. By 2013 and 2015, Wales must be in a position to demonstrate to the EU that rural development measures are delivering clear outputs for the public money spent.

51. The Committee believes that adequate monitoring programmes must be put in place as soon as possible to help understand the impact of the schemes, measure their success and assess their contribution to environmental aims in Wales. Furthermore, it is essential that these schemes can demonstrate tangible outputs and the provision of public goods as a return for the funds invested. The Committee believes that this should be an immediate priority for the Welsh Assembly Government.

### *Tir Mynydd*

52. The FUW were concerned that the environmental benefits provided by existing schemes had been overlooked by the Welsh Assembly Government's assessment, in particular Tir Mynydd. On the same issue, CCW saw the review as an opportunity to re-align Tir Mynydd to deliver the improved management of soil carbon, water resources and biodiversity. They stated:

The issue is not that Tir Mynydd does not deliver public goods – I concur with the points that FUW and NFU made, that these schemes often deliver environmental benefits – but whether the design of the scheme is the best way of doing that. We are not convinced that it is<sup>34</sup>.

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<sup>31</sup> The National Trust Wales [Oral evidence](#)

<sup>32</sup> The National Trust Wales [Written evidence](#)

<sup>33</sup> Organic Centre Wales [Oral Evidence](#)

<sup>34</sup> Countryside Council for Wales [Oral Evidence](#)

### *Tir Gofal*

53. There was general agreement that existing agri-environment schemes were well-received by the industry, that they had in part changed cultures within agriculture as well as providing wider socio-economic benefits. The momentum that has been gathered under Tir Gofal should be maintained. According to the Environment Agency<sup>35</sup>:

The broad range of agri-environment and land management schemes that have been in operation in Wales have been developed over a number of years. Many of the schemes have excellent attributes. When you talk to farmers, you will find that these schemes are popular with the farming community.

54. According to the National Trust and the RSPB, one of the main benefits of Tir Gofal was the 'whole farm' approach, which takes a holistic view of the farm holding and provides scope to develop prescriptions or actions to address biodiversity issues at species level. It was also felt that the fact that the scheme is multi-objective and covers a range of issues is advantageous. The National Trust thought that Tir Gofal had delivered significant benefits for the historic environment.

55. However, examples were given of areas where there had been a lack of flexibility under Tir Gofal agreements which had resulted in a decline in the environmental condition of particular sites. The 'prescriptions' under the Tir Gofal scheme were cited as being problematic, and witnesses believed that an 'outcome based' approach would better enable the farmer to deliver the desired outcomes with the assistance of a project officer.

### *Tir Cynnal*

56. Those witnesses who commented on Tir Cynnal felt that it was not sufficiently output focused and that the complexity of the application process did not provide enough of an environmental benefit. Representatives from the National Trust were concerned that the scheme did not deliver additional benefits, but they stated:

The most significant benefit is that it encourages farmers to think about going further<sup>36</sup>

57. The RSPB raised concerns about Tir Cynnal not having achieved what had been hoped because it became an "*administrative tick-box exercise*"<sup>37</sup>.

58. We do not believe that 'encouraging farmers to think about going further' is enough – more needs to be done to ensure that there are tangible and positive outputs. Any monies that might become available in the future should be targeted towards realising actual improvements under the Tir Gofal scheme or the exploration of pilot schemes, and increased funding should be limited to recognisable outcomes that provide measurable public goods.

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<sup>35</sup> Environment Agency Wales [Oral evidence](#)

<sup>36</sup> The National Trust Wales [Oral evidence](#)

<sup>37</sup> Royal Society for the Protection of Birds [Oral evidence](#)

## *Organic Farming Scheme*

59. The Committee heard from the Organic Centre Wales that there was substantial research that demonstrated the biodiversity benefits of the organic system. The benefits of organic farming in relation to soil carbon and the management of water were also discussed. Nonetheless, the Committee were told that little research had been undertaken to assess the success of the Organic Farming Scheme in **Wales** in delivering environmental outcomes.

## *Better Woodlands for Wales*

60. The Committee did not receive any specific evidence on the *Better Woodlands for Wales* scheme.

## **Preferred Options**

61. There was no agreed view regarding the preferred options. Many witnesses felt that no option was ideal, and all witnesses were concerned that there was very little detail in the consultation upon which they could base their judgments. The Committee agrees with this view and would like to see greater discussion between the Welsh Assembly Government and key stakeholders so that the impact of any changes that may emerge from the review can be assessed.

62. NFU Cymru preferred Options 1(a) or 1(b), and felt that choosing these would enable the Welsh Assembly Government to use the period up to 2013 to develop a new scheme. The FUW agreed with this view, and raised concerns regarding the impact of a seismic shift in the way payments are made to farmers in Wales<sup>38</sup> (as associated with Options 2 and 3) on both farming businesses and the environment<sup>39</sup>.

63. CCW did not favour a particular option given the lack of detail. However, they suggested:

That it would be possible to modify Tir Mynydd along the lines suggested in option 1(b), whilst amending Tir Gofal and keeping it open for new applicants. At the same time, money saved by discontinuing Tir Cynnal could be used to pilot some of the key elements of the highly targeted approach described in the third option of the consultation document (piloting would be advisable regardless of which option was chosen)<sup>40</sup>

64. They did not feel that it was necessary to increase the budget for Tir Mynydd, which is suggested in the consultation document. In the meantime, they would like to see an exploration of Option 2 based on the lessons learned from the pilot above, with a view to implementing this at the start of the next RDP in 2014. They stated:

We still feel that it would be better to move, by around 2013, towards something like one of the Option 2 measures<sup>41</sup>.

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<sup>38</sup> Farmers' Union of Wales [Written evidence](#)

<sup>39</sup> Farmers' Union of Wales [Oral evidence](#)

<sup>40</sup> Countryside Council for Wales [Written evidence](#)

<sup>41</sup> Countryside Council for Wales [Oral Evidence](#)

65. The Environment Agency felt that Option 3 provided the greatest potential to deliver against Wales Environment Strategy outcomes and meet the EU priorities for rural development.

66. According to the National Trust, each option had its merits, but none was ideal. Their preferred option was Option 2, due to its relative simplicity and similarity with the current agri-environment pyramid. It also offers the ability to address a wide range of environmental issues and to target priorities in particular locations. However, they believed that more work needed to be done on this Option, particularly with regards to the fact that the basic element would be developed from Tir Mynydd which was not designed as an agri-environment scheme and the fact that the basic level does not mention action on soil or water.

67. According to the RSPB, maintaining the status quo was not an option, not only from an environmental point of view, but also as this was not in line with the direction of travel being signalled by the European Commission. They too preferred Option 2, suggesting that putting all of the Axis 2 money into one budget could potentially result in more environmental outputs for that money.

68. In response to the evidence received, and given the lack of detail available, our preferred option in the short-term is Option 1b. We believe that any major change to existing arrangements would cause severe disruption the agricultural industry, particularly in the uplands, and there should be a significant lead-in time to such changes. We would like to see the Welsh Assembly Government put some measures in place to improve the ability of the Tir Mynydd scheme to deliver against environmental outcomes. Some amendments should be made to Tir Gofal to ensure that this scheme is also delivering against key Welsh Assembly Government targets. Any monies that might become available in the future from the discontinuation of Tir Cynnal should be targeted towards realising improvements under the Tir Gofal scheme or the exploration of pilot schemes. Schemes should aim to provide recognisable outcomes that provide measurable public goods.

69. However, this type of arrangement is not satisfactory in the medium to long term and the Committee feels that it is essential to prepare farmers for future reform of the Common Agricultural Policy. We would like to see the Welsh Assembly Government aim towards an Option 2 model from 2013. Robust transitional arrangements will need to be established, along with strong monitoring mechanisms that demonstrate the outputs provided by Axis 2 schemes.

## **Requirements of future schemes**

### *Outputs*

70. An output based approach was supported by several witnesses. The FUW were keen to see an exploration of this idea, which they felt gives farmers a greater opportunity to deliver on environmental issues.<sup>42</sup>

An output-based approach is also a system worthy of further examination as this would allow more flexibility and provide an opportunity to utilise a farmer's historic knowledge of his farm, rather than opt for a prescriptive approach that may not provide the desired outcomes<sup>43</sup>.

71. CCW also discussed the idea of payments by outputs and said they would like to see this idea explored. The RSPB stated:

We want to see outcome-focused prescriptions ... and we would like to see more outcome-focused monitoring<sup>44</sup>

### *Tiered approach*

72. The Environment Agency highlighted the importance of a tiered approach: It is important to have a tiered approach in future land management schemes because it makes options available to farmers to participate<sup>45</sup>.

73. The RSPB agreed with this, and felt that this meant that there was a lower tier that all farmers could access if they so wished whilst a higher tier could be more focused and in-depth.

### *National element*

74. Ensuring that there is a national element to future schemes alongside any spatial or geographic targeting will enable environmental challenges to be addressed across the whole of Wales.

75. According to the RSPB, the key to the success of agri-environment schemes was to ensure that there were enough farms in the schemes to make a difference. Not only does this relate to the amount of money available for agri-environment schemes, it also applies to the provision of a national element. They highlighted that biodiversity declines are widespread across the whole of Wales.

Some species are very restricted, and we could tackle those declines through more targeted and focused programmes in those areas, but if we only did that we would not be solving the whole problem<sup>46</sup>.

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<sup>42</sup> Farmers' Union of Wales [Oral evidence](#)

<sup>43</sup> Farmers' Union of Wales [Written evidence](#)

<sup>44</sup> Royal Society for the Protection of Birds [Oral evidence](#)

<sup>45</sup> Environment Agency Wales [Oral evidence](#)

<sup>46</sup> Royal Society for the Protection of Birds [Oral evidence](#)

### *Collaborative action*

76. The Committee received substantial evidence regarding the need for collaborative action to tackle certain environmental challenges. According to the Environment Agency:

It is important with regards to meeting water framework directive obligations and tackling issues of climate change that farmers co-operate to deliver the public goods required.

77. The RSPB agreed with this view on the benefits of collaborative action at landscape or catchment scale. They said:

... Water and biodiversity management in particular are issues that cross farm boundaries ... so, a co-operative approach would be appropriate<sup>47</sup>.

78. Collaborative approaches were also discussed by the National Trust, who gave the example of achieving biodiversity benefits across common land, which can only be achieved if all commoners participate.

79. It was felt that collaborative working can provide added value to the land management activities by bringing economic benefits to the farmers, for example through joint marketing initiatives.

If you can get a group of farmers to work together on environmental benefits, you can encourage them to move on to looking at the marketing and economic benefits of working together<sup>48</sup>

80. CCW discussed the Cambrian mountain project, which is in its infancy, but is aiming to encourage collaborative working to combine marketing and environmental activities “*thus strengthening the rural economy and the social good to people living there*”<sup>49</sup>.

### *Targeted approach*

81. Several witnesses were concerned that a spatially targeted approach would exclude many land managers. According to NFU Cymru:

You would end up with positive benefits in the targeted areas, but there could actually be an undermining of the environment in those areas outside of the targeted areas<sup>50</sup>

82. The FUW agreed with this view<sup>51</sup>.

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<sup>47</sup> Royal Society for the Protection of Birds [Oral evidence](#)

<sup>48</sup> The National Trust Wales [Oral evidence](#)

<sup>49</sup> Countryside Council for Wales [Oral Evidence](#)

<sup>50</sup> The National Trust Wales [Oral evidence](#)

<sup>51</sup> Farmers' Union of Wales [Oral evidence](#)

83. The Environment Agency, however, were strongly supportive of a targeted approach, which they said was needed to resolve certain issues such as water quality or flood risk management.

84. According to the RSPB, this type of approach, which they referred to as 'focusing' was about putting the right prescriptions in the right places, whilst 'targeting' implied there would be a geographical reduction of the spread of where the money is spent.

85. Whilst being supportive of a targeted approach, the RSPB were concerned that this should not be geographically targeted:

... but that we look at the priorities and let them guide us to the places where we need interventions

### *Integration*

86. CCW welcomed the focus in the consultation on developing an integrated approach – this would be an effective way of getting more outputs for the investment and would provide multiple benefits. The Environment Agency also referred to maximising “*current resources to deliver the multiple goods required and make best use of the available resources*”<sup>52</sup>

### *Flexibility*

87. The lack of flexibility within current agri-environment schemes was considered a problem and witnesses felt that it was important to ensure that this would be resolved as part of the review.

88. The RSPB were keen to stress the need for the right prescriptions in the right locations, which do not exist at present, particularly in the areas where declining species can be found.

The Tir Gofal agreements that are delivering at the moment often use the special projects option, which allows flexibility. Most of the Tir Gofal agreements that are delivering on biodiversity have been done through special projects, not through the mandatory prescriptions. The new scheme should have less mandatory options and a more menu-based series that the project officer could create in dialogue with the farmer, fitting the farmer's economic enterprise and also meeting some of the other biological and environmental objectives<sup>53</sup>.

89. Project officers were believed to be crucial to developing successful agri-environment schemes. Their expertise and the investment of time they gave to work with farmers was considered invaluable in not only gaining the buy-in of the landowner, but also developing actions that are appropriate to the location. Nonetheless, there was recognition that this is likely to result in increased administrative costs. The National Trust in particular believed that this additional cost was a worthy investment, particularly if the schemes were to be outcome driven.

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<sup>52</sup> Environment Agency Wales [Oral evidence](#)

<sup>53</sup> Royal Society for the Protection of Birds [Oral evidence](#)

90. NFU Cymru, however, were concerned that this cost implication would divert resources away from practical works. CCW also made reference to increased project officer involvement resulting in higher costs, but that project officer involvement is an important “*guide to what is happening*”<sup>54</sup>.

### *Resources*

91. Witnesses told the Committee that the best way of ensuring that the desired outcomes were achieved would be to ensure that there is sufficient funding for Axis 2 schemes. The popularity of Tir Gofal as a scheme was discussed by the RSPB, in the context of the number of farms waiting to participate in the scheme and the limited funding available. Along with the National Trust and the farming unions, they highlighted the security that signing up to such a scheme provides in terms of income streams.

## **Conclusions and Recommendations**

### *Conclusions*

1. The Committee welcomes the Welsh Assembly Government’s review of Axis 2 schemes and believes it is timely not only in terms of the environmental challenges that face then Welsh countryside but also with regards to future reforms of the Common Agricultural Policy. The Committee is pleased to see the emphasis on the environmental challenges which face the Welsh countryside. We feel that this emphasis will help to bring the priorities of agri-environment schemes in Wales closer to the priorities of the European Commission and welcome the opportunity that the review has provided to debate such issues.

2. The Committee notes that existing schemes have been successful in a number of ways, including providing some biodiversity benefits, encouraging some cultural change in the agricultural industry and providing socio-economic benefits. However, the Committee is extremely concerned that there is no alignment between existing Axis 2 schemes and the Welsh Assembly Government’s targets in the *Wales Environment Strategy*, many of which relate to wider targets set at EU level. The Committee is also concerned that monitoring mechanisms have been inadequate and are unable to provide an evidence base to assess the progress of the schemes.

3. The Committee believes that the issue of biodiversity loss is critical and that land managers have a crucial role to play in trying to minimise the decline of species and condition of habitats in Wales. Agri-environment schemes must deliver against biodiversity targets, which is a key outcome of the *Wales Environment Strategy*.

The Committee believes that adequate monitoring programmes must be put in place as soon as possible to understand the impact of the schemes, measure their success and assess their contribution to environmental aims in Wales.

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<sup>54</sup> Countryside Council for Wales [Oral Evidence](#)

Furthermore, it is essential that these schemes can demonstrate tangible outputs and the provision of public goods as a return for the funds invested.

### *Recommendations*

1. The Committee recommends that the Minister puts in place adequate monitoring and reporting processes as a matter of urgency to measure the progress of any future schemes against *Wales Environment Strategy* and wider EU targets. Schemes must be able to demonstrate tangible outputs and the provision of public goods.

2. The Committee believes that clear, understandable and measurable targets and objectives must be put in place for future schemes.

3. The Committee is concerned that the review process has lost momentum since it was initially discussed, with little progress having been made. We also feel that there had not been sufficient stakeholder involvement and that this made their assessment of the options available extremely difficult. The Committee recommends that the Minister establishes a regular dialogue with the stakeholders involved in this process to ensure there is agreement and buy-in to the review process from the key players.

4. In response to the evidence received, and given the lack of detail available our preferred option in the short-term is Option 1b. We believe that any major change to existing arrangements would cause severe disruption the agricultural industry, particularly in the uplands, and there should be a significant lead-in time to such changes. We would like to see the Welsh Assembly Government put some measures in place to improve the ability of the Tir Mynydd scheme to deliver against environmental outcomes. Some amendments should be made to Tir Gofal to ensure that this scheme is also delivering against key Welsh Assembly Government targets. Any monies that might become available in the future from the discontinuation of Tir Cynnal should be targeted towards realising improvements under the Tir Gofal scheme or the exploration of pilot schemes. Schemes should aim to provide recognisable outcomes that provide measurable public goods.

However, this type of arrangement is not satisfactory in the medium to long term and the Committee believes that the Welsh Assembly Government must help prepare farmers for future CAP reform.

5. The Committee recommends that the Welsh Assembly Government pursues Option 1b in the immediate term, with a view to implementing the Option 2 model from 2013.

6. The Committee recommends that the Welsh Assembly Government develops appropriate transitional arrangements covering a timescale that will enable the industry to adjust to the changes emerging from the review and to embed the cultural change that will be required within the industry; these arrangements should include substantial training and guidance. Transitional arrangements should also be carefully managed to ensure the continuity of existing agreements.

7. The Committee recommends that the Welsh Assembly Government initiates in-depth debate on the future shape of agri-environment schemes and the projects that the Welsh Assembly Government will support post-2013. The Committee believes that there is an urgent need for this debate to lead both cultural change within the industry and also changes to agricultural methods and the attitude of the industry to the maintenance of a diverse and rich Welsh environment.

8. The Committee would also like to see the following elements incorporated into any future schemes:

- An **output based approach** with associated monitoring to ensure that the most appropriate actions can be applied to the right places, species and habitats. In the same context schemes should be **flexible**.
- A **tiered approach**, enabling all land managers to participate in a lower tier element, with more in-depth and focused interventions at the level of the higher tier.
- A national **element**; whilst the Committee agrees with a **certain amount of targeting** to address particular environmental challenges, such as water quality or biodiversity on common land, we feel that providing a national framework will ensure that challenges across the whole of Wales can be addressed.
- Additional incentives for **collaborative actions** should be a key element of any revised schemes, with a view to tackling particular landscape or catchment scale problems. We would also like to see better integration with other Axes of the RDP to enable those farmers participating in collaborative actions to add value to their products through joint marketing initiatives or economic activities.
- **Integration** should be a central part of any future scheme, to ensure that multiple benefits can be achieved, for example by encouraging activities that provide benefits for biodiversity, soil carbon and water quality.
- **Project officers** should be seen as a central part of the delivery of the scheme and we believe that an investment should be made in project officer time to ensure that farmers arrive at the right actions and outcomes for their farm.