Implementation of the EU Rural Development Regulation in Scotland

A report for WWF Scotland

WWF

Neil Ward & Nicola Thompson

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Neil Ward & Nicola Thompson
School of Geography
University of Leeds
Leeds LS2 9JT
Tel: 0113-343-3350
Fax: 0113-343-3308
E-mail:
n.ward@geog.leeds.ac.uk
n.thompson@geog.leeds.ac.uk

For further information, please contact:
WWF Scotland
8 The Square, Aberfeldy
Perthshire PH15 2DD
Telephone: +44 (0)1887 820449
Fax: +44 (0)1887 829453
www.wwf.org.uk/scotland

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INTRODUCTION

This report presents the findings of a study, funded by WWF Scotland, to examine the use of the European Rural Development Regulation (RDR) — the new 'second pillar' of the Common Agricultural Policy — in Scotland. It also draws on an eight-nation European comparative study of the implementation of rural development policies and measures across Europe[i].

THE EUROPEAN RURAL DEVELOPMENT REGULATION IN SCOTLAND

The RDR has aroused a great deal of interest across Europe and in the UK and has been generally welcomed in principle. In 1999 the then UK Minister of Agriculture proclaimed the RDR to 'represent the long-term future of public support for farm businesses and the rural economy [and] a significant opportunity for improvement of the rural environment and the countryside'[ii].

The content of the RDR can be seen as essentially a continuation of schemes that existed before its introduction. These include support for Less Favoured Areas, forestry and agri-environment. However, there are some notable additions to what was formerly entirely agricultural policy. An example is the inclusion of funding for 'wider rural development' measures (Article 33) from within the CAP budget.

The RDR brings significant changes in process at the heart of the CAP. The RDR requires Member States to take a territorial approach to planning measures. It requires the integration of measures within the Regulation and in response to the environmental, social and economic needs of the Plan area. It also requires the participation of stakeholders in planning and implementing the Regulation. In Scotland these principles of territoriality, integration and participation can be seen to sit neatly within those espoused by the Executive across the 'rural affairs' sector, including those within the Forward Strategy for Scottish Agriculture.

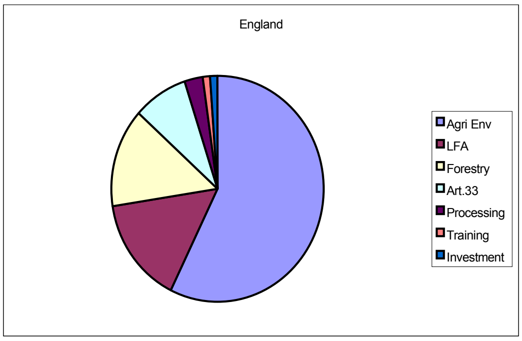
It is questionable, however, whether in using the RDR in Scotland the Executive can be said to have made the most of these principles. This has led to frustrations that the RDR has been used too narrowly as an instrument of agricultural policy rather than an opportunity to contribute to either wider rural development, the delivery of public environmental benefits or substantially strengthening the role of farming in either.

A particular handicap recognised by many interests has been the lack of financial commitment to the new Regulation. The RDR represents less than 15 per cent of spending under the CAP in Europe. Furthermore, the UK has suffered from historically low levels of spending on the RDR's preceding measures, and so received an allocation of only 3.5 per cent of total EU funds, despite having 12 per cent of the EU's agricultural land. Within the UK, Scotland receives the lowest allocation of RDR funding per farmer or per hectare farmed. The UK-wide decision to apply modulation to secure additional funding can be seen as a commitment to the new measures. However, this commitment is not evenly distributed throughout the UK. Whilst support for modulation is most concentrated in England its use to finance the RDR in Scotland has proved more contentious and has been presented by some as a 'tax' on farming[iii].

In addition to the limited funding, the inflexibility of the Regulation is widely cited as the most important factor inhibiting the success of the Rural Development Programmes in the UK. In Scotland, several environmental and rural development groups have complained about the planning process and, in particular, the limited time available and the decision by the Executive to alter the draft plan at the last moment before submitting it to Europe. There is also criticism of the limited scope for commenting on the nature of the Programme, particularly since the Plan was originally drawn up. These findings match the experience across Europe that has seen the RDR being planned by administrations responsible for agriculture with often poor and inconsistent participation from wider rural stakeholders.

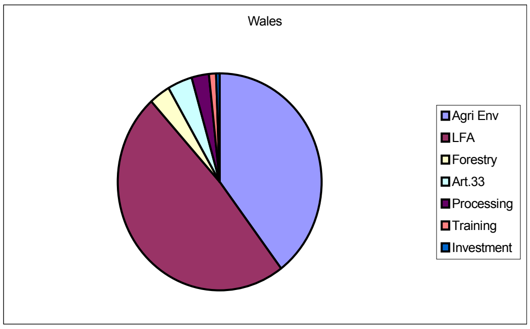
THE UK RURAL DEVELOPMENT PLANS

- There are four Rural Development Plans in the UK, covering England, Scotland Wales and Northern Ireland:

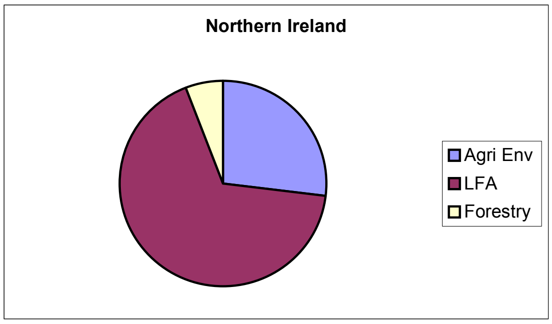


£1.7billion (€2.7billion) over 6 years, national plan with 8 regional chapters.

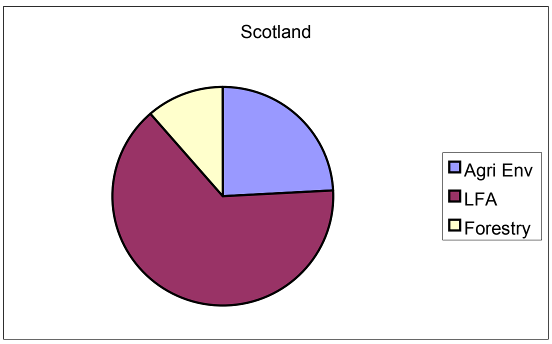
£685 million (€1 billion) over 6 years, a single national plan covering only the 'accompanying measures' of the Regulation.



£470 million (€750 million) over 6 years



£250 million (€400 million) over 6 years, a single plan covering accompanying measures within the Objective 1 area



The Mix of Measures across the UK

For the most part, the measures in the four Plans in the UK are a continuation of past schemes. In particular LFA, agri-environment and forestry measures have been rolled forward from pre-1999 schemes. Together these account for almost all of the programmes in Scotland and Northern Ireland, more than 80 per cent of the England Programme and more than 90 per cent of the Welsh Programme.

In general terms, the English Rural Development Programme is geared more towards agri-environment and broader rural development 'beyond the farm gate' than the others, while spending on LFA aid is more significant in Scotland, Wales and Northern Ireland.

The Scottish Rural Development Plan

The priorities of the Scottish Rural Development Plan (SRDP) are ‘to assist the future viability and sustainability of …farming’ and ‘to encourage farming practices which contribute to the economic, social and environmental sustainability of rural areas’. Some 65 per cent of the budget is directed at LFA support, 24 per cent to agri-environment schemes and 11 per cent to forestry measures mostly on farmland.

The most contentious issue during the planning of the SRDP was the dropping of any funding of wider rural development (Article 33) measures due to the lack of resources for the RDR and the decision by the Executive to prioritise support for farmers above that for rural development. At the time, undertakings were made to review these decisions in the light of evolving policies and priorities.

The **LFA Support Scheme** (LFASS) consists of payments for livestock farming in upland areas. The major change between this new LFASS and the former Hill Livestock Compensatory Allowance scheme has been the introduction of area rather than the headage payments. However, since the LRSDP was first written, the LFASS has been through a number of iterations including the use of safety nets and refinements to payment rates and national minimum and maximum stocking rates. Overall, the scheme is still criticised for not being regionally sensitive to the diversity of farming within LFAs and not targeting support to areas of real need.

Support to forestry within the SRDP is also characterised by the continuance of existing schemes. Since the 1980s these schemes have had a major focus on creating woodlands with combined environmental, social and economic objectives. There has recently been a review and changes to both support for woodlands in general and to woodlands on farmland in particular. These changes are increasing the emphasis on the management of existing woodlands rather than the creation of new plantings. Despite the RDR containing a number of potential measures of support for wider forest sectors, less than 6 per cent of the budget in Scotland is currently ear-marked for off-farm activities. Although there is a national set of forestry measures within the SRDP, they are ‘tailored’ to different regions of Scotland through the process of Indicative Forestry Strategies developed in partnership with local authorities and enterprise companies.

Support to agri-environment within the SRDP comes in the form of the Rural Stewardship Scheme (RSS). This is aimed largely at biodiversity and habitat enhancement. There are no schemes specifically designed for resource protection or pollution reduction. Moves have been made to make the RSS sensitive to local objectives by linking entry to the scheme to conservation priorities identified within Local Biodiversity Action Plans. However, restricted funding has created a very competitive scheme with current entry restricted to less than 1 per cent of Scottish farms.

Two measures, support to **farm diversification** and to **processing and marketing** based on Article 33 measures within the RDR, are funded within the SRDP from domestic money and not EU funds.

Rural Development Plans and the Environment

Delivering environmental benefits is mentioned as a goal of all four UK Plans, although the significance of agri-environment spending varies from country to country, ranging from 58 per cent of the budget in England to 24 per cent in Scotland. Overall, the SRDP lays less emphasis on its role in delivering environmental benefits than those elsewhere in the UK. However, in all the UK Plans expected environmental impacts are only expressed in terms of increasing the number of farmers and the land within in agri-environmental schemes, rather than in terms of environmental improvements 'on the ground'.

All Plans are required by the Regulation to explain what constitutes '*good farming practice*' (GFP) in their areas and to set out any verifiable standards. The RDR requires that all farmers entering into agri-environment schemes or receiving LFASS payments must follow GFP and if they do not, they can have support withheld. In the four Plans in the UK there is a relatively uniform approach in dealing with this requirement based on following minimum legal requirements and a minimal set of verifiable standards, although the particular statutory frameworks governing environmental regulation in different parts of the UK may vary.

The approach to GFP in the Scotland Plan is also hampered by confusion over what are legal, minimum or required standards, a lack of explanation and promotion of standards by advisers and a low level of policing by the Executive. In developing GFP, the Executive sought to devise a system that did 'not involve the generality of farmers in significant additional costs', which was 'agriculturally practicable' and yet 'should differ from a basic legislative requirement'.

All four Plans also contain various sets of environmental safeguards designed to ensure that RDR funding is not used for activities that damage the environment. Forestry measures in all four Plans are subject to a requirement that schemes and projects comply with the UK Forestry Standard. Farm improvement measures in England and Wales, as well as those funded by state-aids in Scotland, require environmental impact assessments.

All the UK Plans make reference to the requirements to implement the Habitats and Nitrates Directives, although no mention is made of the coming requirements under the Water Framework Directive.

In terms of the environment, the SRDP cannot be criticised for what is does so much as for what it does not do. The RDR could be used, and is being used across Europe, in a number of innovative ways to deliver regional, national and European environmental objectives. Examples include the designation of LFAs because of 'environmental restrictions', using RDR funds to acquire protected areas and a raft of measures aimed at capacity building for environmental management.

A similar story can be told in terms of wider rural development. The SRDP has largely failed to use the opportunity presented by the breadth of measures within the RDR to help build links between farming and wider rural development. In contrast, France has used Article 33 measures within the new system of CTEs (land management contracts) to support the marketing and promotion of high quality products and links with eco-tourism in many local areas, particularly in marginal and mountainous regions which are suffering from economic decline. In Spain, the

PRODER programme promotes bottom-up rural development using a mix of Article 33 aids in an integrated way with other funds, to address local economic needs.

IMPLEMENTATION, EVALUATION AND OUTCOMES

Implementation

Across Europe there is particular criticism of the lack of stakeholder involvement in the implementation of the RDPs. In the UK, arrangements for implementation and monitoring and evaluation are being made separately in England, Scotland, Wales and Northern Ireland.

The Scottish Executive Environment and Rural Affairs Department (SEERAD) is the competent authority for the SRDP and is almost wholly responsible for its implementation, although the Forestry Commission has lead responsibility for forestry measures. There is no overall monitoring committee for the SRDP, which is a concern for many rural development interests and is not the case in the Highlands and Islands where there is a standing rural development group that oversees the equivalent measures in Objective 1 areas.

In Scotland the use of devolved partnerships for implementing the RDR is also observed in the management of the state aided farm diversification and processing and marketing schemes that are both managed at regional levels with other rural development interests.

Monitoring and Evaluation

The mid-term evaluation of the SRDP in 2003 is seen as an administrative exercise to assess progress towards achieving targets within the Plan itself. It is not being approached as an evaluation of the impact of the Plan on the farming sector or rural development, nor as an opportunity to re-assess the Plan and its priorities.

Each individual measure has undergone change since it was published in 2000. These processes of change have been characterised by varying approaches to the involvement of stakeholders in decision-making, the extent of change possible, the issue of funding and the reasons for alterations.

The LFASS has been regularly altered, through the use of safety nets, grazing rates and site categories, as the result of consultations between the Executive and the farming industry with the aim of minimising the impacts of reforms on the receipts of individual farmers. In contrast, forestry measures have been reviewed by a broad steering group of industry, environmental and social interests, with the aim of better integrating support to forestry through the RDR with wider forest policy. The agri-environment schemes have also been reviewed, through a paper-based consultation, on a number of minor administrative changes designed to allow funds to be spread more widely.

Despite earlier undertakings to review the balance and extent of measures within the SRDP, the reviews of the RSS and forestry support have been set within the context of clear indications from the Executive that no new money would be forthcoming. In contrast, it is estimated that £24 million of extra domestic money has been found to fund the LFASS.

Outcomes
A lack of baseline data or clearly defined outcome targets for the SRDP makes it difficult to assess its impact after only two years of operation. Reporting of progress to date has focused only on the completion of activities – numbers of farmers within schemes and amount of money dispersed rather than impacts on the ground. However, qualitative assessment indicates that the focus of the programme in Scotland is on providing agricultural structures support for the farming industry. The LFASS is in the form of a 'direct payment' for sheep farming in the uplands and both the RSS and forestry measures payment rates are based on the 'income foregone' by moving land out of agricultural production. There are, however, spin-off benefits - the land area under agri-environment agreements is expanding and woodland and forestry schemes are judged to be working well. However, NGOs complain that the programme reinforces a divide between agriculture and the wider rural policy agenda. Environmental NGOs are sceptical of its value in generating significant positive environmental benefits particularly in the context of regional needs. They see it as both under-funded and lacking in meaningful targets for environmental protection and improvement, and as containing only weak guidelines on *good farming practice* that are likely to deliver few environmental benefits.

In conclusion, the use of the RDR in Scotland is largely focussed on delivering financial aid to a farming industry that is facing long-term structural pressures from declining incomes and an uncertain policy future.

PROPOSALS FOR CHANGE

It would be an oversimplification to point to Brussels, the Regulation itself, and the Commission's enforcement of the rules governing its implementation, as wholly responsible for the shortcomings of the programmes in the UK and Scotland. Likewise, it would an exaggeration to argue that the RDR represents only a common framework, drawn up under the principle of subsidiarity, and that any problems with the programmes must, therefore, be the responsibility of the Member States and other national and sub-national agencies. Rather, the task of improving the effectiveness of the RDR is the shared responsibility of all those involved in its design and implementation.

There is a general and widespread view that some of the key principles of the RDR are the right ones for the UK and that they certainly fit with the UK rhetoric on agriculture and rural development. These include the scope for Plans to be tailored to meet national and regional needs, the bringing together of measures within single integrated programmes and the wish to engage stakeholders effectively. However, within the UK there remains a gap between the rhetoric surrounding these principles and the reality of practical implementation of the programmes. There are a number of areas where change would be helpful:

Changes at the European level
European institutions have a responsibility to ensure that Member States make the best use of the RDR to deliver their own and Europe's priorities and needs. They should seek to achieve this within the context of the principles of the RDR as well as within the context of the European priorities set out in environmental and other legislation. A mixture of clear guidance and facilitation of the spread of best practice between Member States is needed. Particular issues that need to be addressed include:

- **Expanded financing for sustainable rural development in the UK**: It would be desirable to see EU allocations to Rural Development Programmes based on an objective assessment of needs and priorities set out in Plans, post-1999, rather than a simple extension of historical spending patterns under the pre-1999 measures.

- **Mid-term Review and rural development**: It should be a priority of the CAP Mid-Term Review to increase the budget for the RDR and raise EU co-financing rates.

- **Use of modulated receipts**: The current requirement that modulated receipts be used only on the accompanying measures in the RDR should be removed to allow modulation to help finance all parts of the RDR. Co-financing rates for modulated receipts should also be revised downwards to reduce the need for national match-funding.

- **Sub-National variance in modulation**: Member States should be permitted, if they so wish, to apply modulation on a regional basis, with different arrangements for modulating payments in different parts of their territories.

- **Broadening the programmes**: The thirteen indents under Article 33 should be simplified and rationalised into a smaller number of indents. Articles 4, 16 and 30-32 should be revised to make these measures more accessible to non-farming beneficiaries.

- **Good farming practice**: The definition of *good farming practice* should be clarified within a consistent European framework. The EU Regulations do not make clear what support can be given to improve environmental resource protection: i) where legislation is in force; ii) where legislation is in place but not yet implemented; and iii) where there is no legislation.

- **Improving time-scales**: The tight time-scales for the production of the RDPs, certainly in the UK, meant that stakeholder consultation and participation suffered towards the end of their preparation as deadlines approach and crucial decisions were taken by the lead bodies with little consultation. Lessons should be learned from this experience and the European Commission should seek to allow for a more considered, planned and inclusive planning process in the next round.

- **Programming, accounting and reporting**: The EAGGF Regulation should be amended to allow for multi-annual programming, accounting and reporting, more akin to the Structural Fund programmes, rather than the current requirement for annual programming and reporting of RDR expenditure.

- **Making evaluation count**: There should be a clear commitment by the European Commission and the Member States to act on the results of the Mid-Term Evaluation of the RDR. Detailed changes in the light of the evaluation should be agreed in time for the next programming period after 2006.

- **Achieving stakeholder participation:** There needs to be better involvement of a wider range of relevant stakeholders in the development of both Plans and the Regulation itself. The

Commission needs to be more proactive in developing guidance on how to achieve this and more rigorous in taking Member States to task if they do not.

UK Level Changes

The operation and evaluation of the four UK RDPs are the responsibility of the respective administrations in England, Scotland, Wales and Northern Ireland. However, the agriculture/rural affairs Ministers and their most senior officials meet each month to co-ordinate views on common issues, including the CAP, that are due for discussion at the European Council of Ministers. These meetings provide a mechanism through which some UK-wide co-ordination of common issues in the implementation of the RDR could be agreed. While acknowledging the devolved responsibilities of the different parts of the UK, the analysis contained in this study suggests the following areas in which UK-wide changes might be considered:

- **Co-ordinated lobbying**: In reaching agreement on a common UK position and pursuing a co-ordinated lobbying strategy, the four administrations should press for as many of the EU level changes and reforms set out above as is possible.

- **Environmental outcomes**: The four administrations should agree that all RDPs be required to specify anticipated environmental outcomes *(ie* environmental goods conserved or enhanced), rather than just outputs *(ie* extent of participation in agri-environment schemes). Some environmental outcomes may take time to deliver, and the better use of proxies should be explored.

- **Improve reporting and publicity**: The four administrations should agree to improve the co-ordination of reporting and publicising the RDR programmes through the establishment of a single UK RDR web-site. This site should contain standardised details of all four programmes, including the Plans themselves, monitoring and evaluation reports, annual reports to the Commission and guidance on best practice with the programmes, in order to raise the profile and understanding of the Regulation in the UK.

- **Improve stakeholder involvement**: The four administrations should agree to share good practice in the involvement of stakeholder groups in the implementation and monitoring of the programmes. This should be with a particular objective of improving the arrangements for external advice on the operation of the programme in Scotland.

- **Improve integration of measures**: The four administrations should agree to share good practice in the integration of measures and funding between RDR and other European funding programmes, such as those under the Structural Funds, as well as national programmes.

- **Good farming practice**: The four administrations should liase and enter into dialogue with wider interests in reviewing and improving the definitions of *good farming practice* in the Plans.

Scottish level changes

Unlike much else within agricultural policy, the implementation of the RDR is devolved solely to Scotland. There are therefore a number of changes that the Executive should consider making:

- **More devolved and participatory implementation**: There is a need to further devolve both implementation and programme development to the regions of Scotland, applying the principles of community planning to the future use of the RDR. This should aim to achieve greater participation in rural development and to build on existing efforts to make schemes more locally tailored. This approach would also highlight the inter-relationship between farming and the environment, and raise public awareness of the role of agriculture and forestry in the environment, society and economy.

- **Improve integration**: There is a need for greater synergy between measures within the SRDP, and between it and other areas of rural policy. The RDR measures need to be fully integrated with broader rural development aims and objectives and with the long term vision for rural Scotland set out in *Rural Scotland: A New Approac*h. Within the Programme, consideration needs to be given to the aims and objectives of the different schemes to ensure consistency with the overall aims and objectives.

- **Review and improve Good Farming Practice**: GFP as currently formulated is weak and largely unenforceable. It needs to be strengthened to address specific environmental problems facing Scottish farming. The *Custodians of Change* report recommends the development of a unified Code of Practice for the industry. GFP could form part of that if the 'verifiable standards' were reviewed and strengthened and the confusion inherent within the Scottish interpretation of GFP was cleared up.

- **Allow stakeholder guidance of the Mid-Term Evaluation**: SEERAD and the Executive should establish a broad stakeholder group with a specific remit to oversee the mid-term evaluation of the RDP and its subsequent development.

- **Make rural development the focus of the rural development programme**: The Rural Development Plan needs to be viewed as an instrument of *rural development* affecting all the residents of Scotland and not a narrow instrument of agricultural support.

1 Introduction

THE RURAL DEVELOPMENT REGULATION

A significant feature of the Agenda 2000 reforms to the Common Agricultural Policy (CAP), agreed in 1999, was the Rural Development Regulation (RDR), hailed by the European Commission as a new 'second pillar' to the CAP. The European Commission's recent Mid-Term Review, proposals argue for an expansion and reinforcement of this second pillar.[iv] The Regulation incorporates several CAP measures that existed before 1999 including support for: structural adjustment of the farming sector; farming in Less Favoured Areas; agri–environmental activities; investments in processing and marketing; and forestry measures. The one distinctly new set of measures is that for promoting 'the adaptation and development of rural areas' (under Article 33 of the Regulation). Article 33 extends both the scope of, and the eligibility for, CAP supports to make them of wider benefit in rural areas, including the prospect of non–farmers and non–agricultural activities having access to the central part of the CAP budget for the first time.

The RDR is also significant in terms of the novel procedures it introduces into the CAP. The arrangements for programming and implementation have been modelled on the operation of Structural Fund programmes, which promoted the development and diversification of fragile rural economies. Under the RDR, each Member State is required to draw up territorially–based seven year Rural Development Plans 'at the most appropriate geographical level'. The Plans are intended to deliver a range of grant schemes, part-funded by the EU, in an integrated way that is responsive to the diverse needs and circumstances of countries and regions. A broad menu of agricultural and rural development schemes is permitted, but each country is obliged to have an agri-environment programme. In drawing up the Plans, Member States are required to consider economic, environmental and social impacts and to consult with interested parties. Thus, the RDR imports into the core of the CAP a set of alternative management principles, including those of decentralisation, partnership, multi–annual programming and co–financing.

Unfortunately, expenditure on the RDR has been subject to a freeze on spending within the EU budget. This contrasts with the situation following the previous CAP reforms of 1992 when expenditure on agri–environment and the other accompanying measures was allowed to rise year on year. CAP expenditure on the rural development and accompanying measures currently accounts for less than 15 per cent of the CAP budget. However, additional resources for environmental and rural development ends are available if Member States choose to use the discretionary possibilities that Agenda 2000 leaves open to them to reorient certain production–related payments. Under the so–called horizontal regulation (1259/99), which applies to all the commodity regimes, Member States are authorised to modulate direct payments per farm (*ie* to withhold from producers a proportion of their direct compensation payments). The monies accrued from implementing modulation remain available to the particular Member State to provide additional funding for certain 'accompanying measures' under the RDR, namely agri–environmental programmes, LFA supports, early retirement and afforestation. The UK currently stands as the only Member State to be actively pursuing this discretionary option for applying modulation. (France had introduced but subsequently abandoned the measure). However, the

European Commission's Mid-Term Review paper proposes a system of what it calls 'dynamic modulation' (*ie* rising over time) to be applied across the EU.

ABOUT THE STUDY

This report presents the findings from a study, funded by WWF Scotland, to examine the operation of the Rural Development Regulation in Scotland. The Scottish study parallels a wider assessment of the operation of the RDR in the UK as part of the *Europe's Rural Futures* project, funded by the Land Use Policy Group (LUPG) of the conservation, countryside and environment agencies of Great Britain, with WWF Europe. The *Europe's Rural Futures* project is exploring the implementation of the RDR, along with the SAPARD pre-accession instrument in pre-accession countries, in eight European countries. The study is examining the extent to which these plans and programmes are promoting integrated and sustainable rural development, the protection and enhancement of biodiversity and the coherence of rural development policies with environmental legislation. The study comes at a time of great interest in the 'second pillar' of the CAP. The research findings will be used to develop and promote Europe-wide debate on the policies needed to support sustainable rural development, and to inform and influence the mid-term evaluation of the RDR and discussion about further reform of the CAP under the current Mid-Term Review.

This report presents the findings for Scotland, and sets them in the context of the wider UK situation. It has been produced in parallel with the seven other national reports, although not following exactly the same methodology. The research in the UK is more limited in scale, because the LUPG member organisations are already commissioning a range of other studies of various aspects of the RDR in the UK. This study is therefore primarily a desk-based study, supplemented by a smaller number of interviews with key actors and discussions with LUPG members. It also draws upon other on-going research projects, and upon the collective work of the LUPG and WWF.

2 The Scottish context

RURAL POLICY IN SCOTLAND

Scottish Agriculture and the Forward Strategy

Agriculture remains an important source of employment in rural Scotland employing around 8 per cent of the rural workforce on just under 50,000 holdings in 2001. Furthermore, the food sector as a whole accounts for 18 per cent of employment in manufacturing.[v] In 2001 it was estimated that agriculture contributed approximately £2 billion to Scotland's GDP.

Scottish agriculture remains strongly influenced by the constraints placed on production as a result of its physical geography. Some 84 per cent of agricultural land in Scotland (mainly in the uplands of the west and north) is designated as Less Favoured Area (LFA) and 68 per cent of the total farm holdings fall within the LFA. Approximately 60 per cent of the output of Scottish agriculture is livestock or livestock related, while crop production – centred on the more productive lowlands of the south and east of the country – accounts for just under 30 per cent of output.

Analysis of the agricultural statistics from 1999-2001 shows that:

- In the arable sector, although the number of holdings growing cereals is generally decreasing, productivity is slightly increasing.
- In the dairy sector, the number of cows and the number of holdings are decreasing but average herd size and productivity is increasing.
- In both the beef and sheep sectors, numbers of animals, holdings and productivity are all decreasing.

The total direct payments (for schemes and subsidies) made to Scottish farmers have decreased in the four years from 1998 to 2001 from £478 million in 1998 to £441 in 2001. Agri-environmental and forestry schemes account for a small but growing percentage of these payments, rising from 3 per cent in 1998 to 7 per cent by 2001. At the same time farm incomes have risen, from an average of £2,900 per farm in 1999/2000 to £9,600 in 2001/02 after several years of decline.

In June 2001 the Scottish Executive launched its agricultural strategy, setting out its future vision for agriculture.[vi] The Strategy was written in the context of the Foot and Mouth Disease (FMD) crisis and the long-term fall in farm incomes and profitability. Although focused solely on agriculture the strategy recognises the need for policy integration. Its 'headline issues' include:

- The need to see farming and crofting as part of rural development.
- The 'vital importance' of high environmental standards to farming.
- The potential benefits of a whole farm approach through Land Management Contracts.

However, the main thrust of the Strategy is a more traditional analysis of the state of agriculture with its aspirations and action points centred first and foremost on issues of profitability and economic competitiveness. Where environmental and broader rural development issues are considered, it is in the context of adding value to agriculture or capitalising on Scotland's environmental image. The message of the Strategy is that from an agricultural perspective, *rural development* support should serve the changing needs of farmers and enhance agricultural profitability.

Latter chapters within the Strategy explicitly address rural development and environmental protection from an agricultural perspective, with the stated aim of '…healthy, growing rural communities, with farming playing its part'.[vii] Action points focus largely on 'on-farm' schemes, tax breaks and incentives for farm business restructuring and diversification, but with few links made to broader (non-agricultural) rural development issues. Where Enterprise Networks are seen as having a role, it is in the context of advising farmers on business development, restructuring and alternative income sources. Drawing on the French example of Contrats Territoriaux d'Exploitation (CTE's), Land Management Contracts are floated as an option for paying farm businesses '…. for the economic, social and environmental benefits needed by their area'.[viii] The proposal is justified in terms of its potential to '…make it easier for farmers to take market orientated business decisions' rather than in terms of the benefits to the local area.[ix] Likewise in the environmental protection chapter any 'solutions' must be 'good for business as well as for the environment'.

One action that has come out of the Strategy was the establishment of the Agriculture and Environment Working Group that produced its recommendations in the report Custodians of Change in June 2002.[x] Those recommendations included a number of specific relevance to the implementation of the RDR in Scotland. They included the need to align agricultural and rural development policy and measures with priority environmental concerns about diffuse pollution, biodiversity conservation and landscape change. It called for better integration between the departments within SEERAD dealing with the environment and agriculture, the development of a Unified Code of Practice for agriculture, better use (including review) of the RDR to address environmental priorities, in particular a more targeted use of the agri-environment and organic support schemes and a re-vamping of advice to farm businesses.

The New Approach to Rural Development

Since 1999, the Scottish Executive have produced a series of plans and strategies which have signalled a new era in rural policy making and which stressed the new priorities of a devolved Scottish government. Foremost amongst these strategies is *Rural Scotland: A New Approach*, a cross-cutting policy document, designed to set out the future vision for rural development policy from service provision and economic development to sustaining the natural and cultural heritage. The approach that SEERAD sets out in *Rural Scotland: A New Approach* is characterised by three new ways of addressing rural development needs and problems.

- An **integrated approach** linking a series of policy sectors under one vision and ensuring integration between policy levels.
- A **territorial approach** building on the concept of integration to consider the impact of all policies and schemes that impact on specific rural areas. Hence *Rural Scotland:A New*

Approach recognises differentiation between rural localities, or ‘what works in Lochaber may not work so well in Galloway’(SEERAD, 2000).

- A **participatory approach** which recognises the importance of community involvement in rural development.

These are recognisably the same principles under which the new Rural Development Regulation is designed to operate. Aspects of this ‘new approach’ are illustrated in various Scottish rural policy documents and proposals and it is to some of these that we now turn.

The Local Government in Scotland Bill: The Local Government Bill currently passing through the Scottish Parliament puts the principle of community planning and community well-being at the heart of decision making in local authorities. The Bill will mean that all local authorities have a duty to consult on the planning and provision of all their public services. Authorities must consult all public agencies with an interest, but must also include all appropriate community bodies in the process. The aim of the Bill is to ensure wide participation in all decisions that affect local communities. These new statutory duties, which directly build on recent experience of community planning initiatives, will also apply to certain other public bodies including Scottish Enterprise and Highlands and Islands Enterprise. The Bill also legislates on ‘Best Value’ and accountability within local government potentially making it easier for communities and organisations to access information and evaluations of all local authority schemes and programmes such as, for example, Local Biodiversity Action Plans.

Scottish Forestry Strategy: Launched in November 2000, the Scottish Forestry Strategy (SFS) claims to be the ‘first ever Government initiative to set an integrated framework for the long-term development of forestry in Scotland’.[xi] The SFS aims to set out a series of ‘fresh initiatives’ and ways of working in order to achieve the long term goal of 25 per cent of the land area of Scotland under forest cover by the mid twenty first century. The SFS emphasises the principles of integration and broad based consultation with linkages to the Scottish Executive’s *Framework for Economic Development* and *Rural Scotland: A New Approach*. Both these strategies also consider a wide range of development needs and priorities for rural Scotland.

The SFS takes sustainable development as its key overarching principle. Following on from this, four other principles reflect a desire within the strategy to consider the economic, social and environmental future of forestry together.

- Integration with other rural activities.
- Positive Values (forestry should contribute to the well-being of the people of Scotland).
- Community Support (there should be broad participation and work towards consensus building on issues surrounding forestry).
- Diversity and local distinctiveness.

From these core principles the SFS then puts forward a series of strategic directions and action points for the operation of the strategy.

A recent development in forestry has been the establishment of the Scottish Forestry Forum. This consists of a Steering Group drawn from representative organisations involved in economic, environmental and social forestry in Scotland. It is chaired by the Forestry Commission and is attended by a number of relevant civil servants from the Executive.

Scottish Local Rural Partnerships: Scottish Rural Local Partnerships are locally based partnerships that operate on an ad hoc basis throughout rural Scotland. They have existed in their current form since the early 1990s. Rural partnerships will be a key mechanism in the delivery of community planning as envisaged in the Local Government Bill, as they already provide a forum for discussion, consensus building and partnership working between local government/government agencies and the voluntary and private sectors. The key aim of local rural partnerships is to find 'ways forward' for local communities in the delivery and development of a wide range of public services although the precise way in which they operate, including their composition and focus of their work, varies from partnership to partnership. Although local rural partnerships are largely informal, in that they are formed through the initiative and desires of local organisations and people, the Scottish Executive holds a register of all the local partnerships it has grant aided for start-up costs. This funding is through the 'Rural Strategic Support Fund' (part of the Scottish Rural Partnership Fund). Currently there are about fifty partnerships that have received funding with the number of applications rising every year.

There are two different types of local rural partnership — strategic partnerships and area partnerships. Strategic partnerships cover whole local authority areas and provide a forum for discussion between the local authority, government agencies and a range of NGOs. These partnerships aim to feed directly into the strategic planning process and are likely to be important in delivering 'community planning' under the Local Government Bill. Area Partnerships, on the other hand, tend to be smaller, covering single settlements or communities. These partnerships are more 'community led', engaging a broad range of organisations and individuals in community development and the delivery of specific projects.

The Scottish National Rural Partnership: The Scottish National Rural Partnership (SNRP) is a formal advisory body constituted to promote liaison between public, private and voluntary organisations and which has a remit to discuss and advise on all aspects of policy which impact on rural communities. The SNRP has seventeen members, each of whom are nominated to represent specific economic, social and environmental organisations. The SNRP is purely an advisory body. It has discussed the Rural Development Regulation in Scotland but is not involved in any way with its implementation or development. Although its views are relayed to officials and ministers within the Scottish Executive, there is some criticism of the effectiveness of this grouping particularly in influencing the important issue of agricultural policy.

The SRDP uses the existence of the SNRP as an example of the 'partnership links with and between the Executive and the other key players in rural development'. It states that 'the Scottish National Rural Partnership … means that a wide range of rural stakeholders can ensure that their views are fed into the development of Executive policies and strategies'. However, SEERAD have repeatedly made it clear to the SNRP that agricultural policy is, in fact, not within their remit.

National Parks: The National Parks (Scotland) Act, 2000 was one of the early flagship pieces of legislation from the Scottish Parliament. It will result in the designation of two Scottish National Parks, the first in Loch Lomond and the Trossachs in 2002, and a second in the Cairngorms in early 2003. Preparations for National Parks in Scotland have to a large extent been characterised by an emphasis on community consultation and engagement.

- The consultation on the National Parks Bill in 2000 involved a wide range of organisations and individuals nationally in Scotland. The eventual legislation reflected concerns raised about the integration of local community development in the work and operation of the National Parks. This was reflected in two major differences in the Scottish 'model' for National Parks, compared to the English and Welsh experiences. The first is the inclusion of members of the Park authorities, directly elected from the local community, to ensure that the authorities take full account of local views. The second is the inclusion, in the National Park purposes, of a requirement for the authorities to 'promote sustainable economic and social development of the area's communities' alongside the traditional objectives of nature conservation and recreational provision.

- The designation of the two new National Parks included a comprehensive consultation exercise amongst Park communities which involved collecting views through public meetings, door to door canvassing, and invitations for written responses, depending on which method community representatives felt most appropriate.

The Structural Funds Programmes: Like these other policy initiatives, the Structural Funds Programmes provide some important evidence of the development of a 'new approach' to rural development in Scotland.

- Objective Three and the Transitional Objective 1 Programmes both contain measures directly aimed at assisting the development of local communities. There is evidence in these measures of a growing recognition of the importance of community based planning and decision making in achieving the broader developmental objectives of the programmes. For example, as part of the Highlands and Islands Transitional Objective 1 Programme, funding is available for 'forestry measures which support rural community development' integrating forestry and community concerns.

- LEADER Plus provides an opportunity for communities to harness funds for local projects which embrace the concept of community planning and endogenous ('bottom up') rural development.

Wider Rural Development

In addition to the plans and policies discussed above the Scottish Executive and Parliament are active in other areas that impact on rural development policy and where there is potential for integration with measures and objectives of the RDR.

Access and Community Right to Buy: The Land Reform Bill passing through the Scottish Parliament will legislate in the areas of access to land and community ownership. Land reform has been a contentious issue in Scotland for several years, with mounting pressure for change both pre and post devolution. Some action has already been taken with legislation in 1999 to abolish feudalism formally. However, the current Bill represents a more ambitious attempt to reform land tenure and clarify the law regarding the rights and responsibilities of all those who utilise rural land in Scotland. The Bill will result in:

- The formal creation of access rights with local authority obligations to uphold these rights and specific responsibilities for landowners and users, set out in the *'Scottish Outdoor Access Code'*.

- The provision of a community right to buy and specific crofting community right to buy, including the provision of a 'register of interest in land' and a land fund.

Tourism: Since 1997 there has been an attempt to improve marketing, review the work of, and 're-brand', the national tourist board, and a National Tourism Strategy was produced in early 2000. Marketing activity is focused upon encouraging green tourism, activity holidays, golfing holidays and — with particular reference to American visitors — to genealogy. In August 2001, a funding package worth £36 million was announced to promote tourism in the Highlands and Islands. The funding is administered by 'Highlands and Islands Enterprise' as part of the Transitional Objective 1 Programme and specifically targets businesses wishing to upgrade tourist accommodation and develop activity based holidays.

Entrepreneurship: The Framework for Economic Development in Scotland, announced in June 2000, is concerned with promoting business development and entrepreneurship principally through the local enterprise networks of Highlands and Islands Enterprise (HIE) and Scottish Enterprise (SE). As part of the review of the enterprise network, the 'Small Business Gateway' has been established to provide internet based information on business support services. A network of 'Local Economic Forums', comprising representatives from the public and private sector, have been established with the aim of 'driving the simplification of local economic development services'. Promoting entrepreneurship and enterprise is a priority of the current Objective 3 Programme for central and lowland Scotland which funds social and community development.

The Highlands and Islands Special Transitional Objective 1 Programme: The Transitional Objective Programme will bring €676 million of public money to support economic development in the Highlands and Islands between 2000 and 2006. The programme primarily focuses on communications infrastructure, SME business support, funding for the recently formed University of the Highlands and Islands, and measures to support rural community development. Non-accompanying measures in the RDR are programmed as part of the transitional programme to support rural community development. This will bring €40 million of EAGGF money to the region. In addition €27 million from the Common Fisheries Policy will be spent in the region. In total €115 million are programmed to be spent on measures to 'assist rural communities'. Approximately 40 per cent of EAGGF funds for these measures will be spent on 'off farm' rural development.

The planning and implementation of the RDR within the Highlands and Islands has taken a very different tack from the rest of the country covered in the Lowland RDP. There is a standing RDR Strategy Group consisting of representatives of 16 organisations, including farming, social and enterprise interests, and local government. It has a wide-ranging remit to ensure the best use not only of the RDR, but also agricultural schemes in achieving the aims of the Highlands and Islands Transitional Programme.

Analysis

Observers of rural policy in Scotland conclude that these policy initiatives are contributing to a new approach to rural development. Key aspects of this new approach are: **integration** between different sectoral approaches at the national level and between different spatial scales of policy intervention; **territorial** integration with the aim of developing rural localities in an integrated way; and **participatory** approaches, involving open and extensive consultation among partners. These principles are shared by the RDR as a new departure in the CAP.

However, in contrast to this new approach both at the European and increasingly the national level, the RDR in Scotland is not widely seen as furthering the development of these new ways of working. It seems to operate in parallel - but distinct and separate from - other rural development policies.

For many, the mismatch between agricultural policy and wider rural policy was illustrated during the FMD crisis in 2001. The policy response of closure of the countryside showed how a farming-oriented response to a crisis was pursued irrespective of impacts on the wider rural economy – and in particular on tourism. Since much of Scotland's attractiveness to tourists is directly based on its natural environment, some organisations are seeking a greater alignment between tourism and land-use and environmental policies.[xii] In particular, they call for greater weight to be given to tourism in SEERAD.

THE RURAL DEVELOPMENT REGULATION IN THE UK

There are four Rural Development Plans (RDPs) in the UK. These cover England, Scotland Wales and Northern Ireland. They were all drawn up over a relatively short period in 2000.

The **England Rural Development Plan** (ERDP) comprises a national plan, with 9 regional chapters (or annexes) for each of the regions of England. The ERDP is for a programme totalling £1.7billion (€2.7billion) over the six-year financing period, and was drawn up by the Ministry of Agriculture, Fisheries and Food (which, since June 2001, has become part of the new Department for the Environment, Food and Rural Affairs (DEFRA)).

The **Rural Development Plan for Scotland** (RDPS) was prepared by the Scottish Executive. The Highlands and Islands of Scotland are an Objective 1 Area in Transition, and so selected non-accompanying rural development measures financed under the EAGGF Guidance section. These are financed under the Objective 1 transitional programme, rather than through the RDPS. The RDPS is for a programme totalling £685 million (€1 billion) over 6 years.

The **Rural Development Plan for Wales** (RDPW) was prepared by the National Assembly for Wales. It provides the framework for the development for the whole of rural Wales. However, West Wales and the Valleys form an Objective 1 area, and so rural development measures funded through the EAGGF Guidance section are financed under a single priority (Priority No. 5) of the Objective 1 Programme, rather than through the RDPW. The RDPW is for a programme totalling £470 million (€750 million) over 6 years.

The **Northern Ireland Rural Development Plan** (RDPNI) was prepared by the Northern Ireland Executive's Department of Agriculture and Rural Development. It applies to an area covered by Objective 1 under the Structural Funds, and so only the accompanying measures are included. These total £250 million (€400 million) for the six-year financing period.

The over-arching objectives of the four Rural Development Plans in the UK are set out in Table 1 below. The four Plans in the UK were drawn up separately by different devolved administrations, although always by the departments with responsibility for agriculture. The England Rural Development Plan was drawn up after a relatively wide ranging consultation exercise involving a national strategy group and regional stakeholder groups. However, the national and regional consultations operated simultaneously, and the extent to which the two lines of thinking gelled was rather limited. Put simply, the regional consultation and drafting produced regionally tailored draft plans that were quite broad (in rural development terms) in their scope. Once these were fed into the national structures, they were streamlined and simplified, with a greater focus on agriculturally orientated measures. The application of national formulae for lists of actions and for resource allocation between them meant that the final regional chapters have a stronger element of national steer and less regional diversity in the measures they include than was originally envisaged and hoped for by regional actors.

Table 1. Priorities in the UK Rural Development Programmes

Programme (total budget in million Euro)	Priorities	Total Public Expenditure (million Euro)
England (2,658.1)	Priority A: Creating a productive and sustainable rural economy	691.1
	Priority B: Conserving and enhancing the rural environment	1967.0
Northern Ireland (401.6)	Priority 1: Agri-environmental measures	102.5
	Priority 2: Less Favoured Areas	258.4
	Priority 3: Forestry	22.7
Scotland (1,072.32)	Priority 1: To assist the viability and sustainability of Scottish farming (LFA and forestry)	930.1
	Priority 2: To encourage farming practices which contribute to the economic, social and environmental sustainability of rural areas (agri-environment)	131.5
Wales (746.79)	Priority 1: To create stronger agriculture and forestry sectors	111.5
	Priority 2: To improve the economic competitiveness of rural communities and areas	11.6
	Priority 3: To maintain and protect the environment and rural heritage	439.6

In **Scotland**, the consultation process during the period in which the Plan was drawn up proved more contentious than that in England, with several rural development and environmental organisations left disappointed and critical. The process was criticised for the very limited consultation on the contents of the Plan, with time-scales that were prohibitively tight. A draft plan was published and circulated to interested parties on 14th December 1999, with comments requested for 21st December and submission to the European Commission by 3rd January 2000. The draft plan included three core accompanying measures (Less Favoured Areas, agri-environment and forestry) with additional proposals for measures covering processing and marketing, diversification, promoting public access and some other Article 33 measures (to promote the adaptation and diversification of rural areas). However, in the final plan submitted to Brussels, these additional measures had been removed. The narrow scope of the Plan, with its strongly agricultural focus, was extremely disappointing and frustrating for some of the participants on the team responsible for drafting the Plan.

Consultation in Wales was structured around the individual sets of measures, with less discussion about the overall structure of the programme as a whole or the allocation of resources between measures. Consultation was most extensive around the agri-environment measures. There has generally been far less dissatisfaction in Wales about the drawing up of the Plan than in Scotland. Furthermore, in Wales, a wider range of organisations has responsibility for operating different parts of the programme (including the Welsh Tourist Board and the Welsh Development Agency, for example). Also, the Countryside Council for Wales has responsibility for delivering the Tir Gofal agri-environment scheme

RESOURCE ALLOCATION

The CAP is by far the largest single spending programmes in agricultural and land management policy in the different parts of the UK. MAFF estimated that in 1997/98 (at the height of BSE-related payments) total CAP support amounted to £5.27 billion (including £3.63 billion in England, £716 million in Scotland, £473 million in Wales, and £453 million in Northern Ireland). The ‘intensity’ of CAP commodity support also varies across the UK. Measured on a per hectare basis, it is highest in Northern Ireland (£425 per ha), followed by England (£395 per ha) and Wales (£320 per ha) and lowest in Scotland (£140 per ha). [xiii]

Across the UK for the 2000-2006 period, the RDR will represent approximately 10 per cent of annual CAP expenditure (although this proportion will vary from year to year on a generally rising trend). Arrangements have been made for all schemes under the RDR in the UK to be fully match funded from domestic sources, via DEFRA for the ERDP, and via the Scottish Executive, the National Assembly for Wales and the Northern Ireland Executive.

In general terms, the English Rural Development Programme is geared more towards agri-environment than the others, while spending on Less Favoured Area (LFA) aid is more significant in Scotland, Wales and Northern Ireland. For example, the allocation of spending on agri-environment measures accounts for around 24 per cent in Scotland, 27 per cent in Northern Ireland, 40 per cent in Wales and 58 per cent in England. Proposed spending on LFA aid comprises 65 per cent, 67 per cent, 48 per cent and 15 per cent respectively.

CONTINUITY AND CHANGE IN THE RURAL DEVELOPMENT REGULATION IN THE UK

Just as at the European level the Rural Development Regulation can be seen as a continuation of a number of existing measures, its implementation within the UK tends to see the four Rural Development Plans as amalgamations of previous measures. The opportunities for innovation that the Regulation does allow have been exploited to differing degrees by the administrations within the UK. In Scotland, the Plan is a much narrower beast of traditional agricultural structures policy than it is in England, in part because it is felt that wider rural development objectives are better delivered through alternative funding programmes than the CAP. The SEERAD Minister argues that the programme should be for the benefit of farmers. As a result, environmental and rural development interests despair of a missed opportunity to use the RDR to build a broader and more integrated approach to rural and agricultural development. In contrast, in England the RDP is seen as a positive move towards underwriting farming that delivers a range of public benefits and rural development objectives and that seeks to blur the boundary between farming and wider rural development. In Scotland and Northern Ireland, there has been least innovation and change as a result of the introduction of the RDR Programmes. The SRDP gives ‘the firm undertaking that the priorities and measures in the Plan, and the availability of funding, will be kept under frequent review, and that the Plan should evolve, over time, to reflect policy developments and decisions.’

Table 2. RDR Measures Used in the UK Rural Development Programmes

Measure	Name	England	Scotland	Wales	N Ireland
Chap. I, Art. 4-7	Investment in Agricultural Holdings	✓		✓	
Chap. II, Art. 8	Setting up of Young Farmers				
Chap. III, Art. 9	Training	✓		✓	
Chap. IV, Art. 10-12	Early Retirement				
Chap. V, Art. 13-21	Less Favoured Areas	✓	✓	✓	✓
Chap. V, Art.16	Areas with Environmental Restrictions				
Chap. VI, Art. 22-24	Agri-environment	✓	✓	✓	✓
Chap VII, Art. 25-28	Improving Processing and Marketing of Agricultural Products	✓		✓	
Chap. VIII, Art. 29-32	Forestry	✓	✓	✓	✓
Chap. IX, Art.33	Promoting the Adaptation and Development of Rural Areas	✓		✓	n/a
- (i)	Land improvement				n/a
- (ii)	Reparcelling				n/a
- (iii)	Farm relief and management services	✓			n/a
- (iv)	Marketing of quality agricultural products	✓	H&I		n/a
- (v)	Basic services for the rural economy and population	✓	H&I	✓	n/a
- (vi)	Renovation and development of villages and protection of rural heritage	✓	H&I	✓	n/a
- (vii)	Diversification of agricultural activities	✓	H&I	✓	n/a
- (viii)	Agricultural water resources management	✓			n/a
- (ix)	Development and improvement of infrastructure connected with the development of agriculture	✓			n/a
- (x)	Encouragement for tourism and craft activities	✓	H&I	✓	n/a
- (xi)	Protection of the environment in connection with agriculture, forestry and landscape conservation as well as with the improvement of animal welfare	✓	H&I	✓	n/a
- (xii)	Restoring agricultural production potential damaged by natural disasters				n/a
- (xiii)	Financial engineering				n/a

N.B. In Northern Ireland, West Wales and the Scottish Highlands and Islands, Article 33 measures are programmed through the Objective 1 programme.

3 The Scotland Rural Development Plan

OBJECTIVES AND PRIORITIES

Table 3. Priorities in the Scottish Rural Development Programme

Programme (total budget)	Priorities	Total Public Expenditure (million Euro)
Scotland (€1,072.32m)	Priority 1: To assist the viability and sustainability of Scottish farming (LFA and forestry)	€930.1m (86.7%)
	Priority 2: To encourage farming practices which contribute to the economic, social and environmental sustainability of rural areas (agri-environment)	€131.5m (12.3%)

In Scotland, the Plan sets out its key priorities as first 'to assist the future viability and sustainability of Scottish farming' and secondly to encourage 'farming practices which contribute to the economic, social and environmental sustainability of Scotland's rural areas' (p.70). Almost 90 per cent of the resources in the programme are focussed on the first of these two priorities. These priorities emerge from a 'SWOT' analysis of Scotland's rural areas which suggests that agricultural measures can help improve the stability and viability of the agricultural situation (pp.69-70). In turn, the rationale for public expenditure on farming is based on the assumption that the maintenance of current farming systems helps maintain the value of public goods within rural areas – biodiversity, rural communities, landscape and heritage. This assumption is not supported with any analysis within the Plan and neither are alternative approaches to achieving the same 'public benefits' explored. Instead, that farming delivers public benefits is taken as the starting point for the Plan.

The Scottish Plan also sets out the expected impacts of the programme. These are related to maintaining viable farming and encouraging environmental practices. However, the targets chosen to measure progress are all administrative – relating to the delivery of benefits to farmers rather than to the impact of those benefits on farm sustainability, wider rural development or wider public benefits. For instance, the 'target' for the LFASS is to deliver between £50.7 million and £61.5 million to 11 500 farmers farming 2 million hectares of Scotland each year. Those for the forestry measures simply relate to the total area under different funding schemes. Under the Organic Aid Scheme, the Plan estimates an increase of 2,360 new participants, with the area of land under conversion increasing by 944,000 ha. A further 3,000 new participants are expected for the Rural Stewardship Scheme, with an increase of 150,000 ha under agreements. The Plan explains that competitiveness, efficiency and diversification issues are addressed through other activities, including the Article 33 measures in the Objective 1 programme, and so the main priorities for Rural Development Regulation Plan are for agri-environment, LFA and forestry programmes.

The lack of any more sophisticated targets as measures of the delivery of sustainable rural development is of major concern to wider rural development interests.

MEASURES

Less Favoured Areas Measures

In Scotland, over 80 per cent of the agricultural land (excluding common grazing land) is LFA, and 98 per cent of this LFA land is classified as Seriously Disadvantaged. The Hill Livestock Compensatory Allowance scheme was continued for one year into the Programme and was replaced in 2001 with the new area-based scheme. Under the new scheme, payments were made according to three criteria: area-based payments (moorland farms, southern upland farms and northern upland farms), environmental measures and safety net arrangements (from 2001-2004)[xiv]. In 2001/2002, 10 per cent (£6 million) of the total LFA budget was set aside for 'environmental top ups' aimed at improving bio-diversity and 'maintaining the high environmental status' of extensive farming. These tops ups were available to farmers largely on the basis of complying with maximum stocking density limits (0.65 LU). The remaining 90 per cent of the budget was for area-based payments according to land classification.

Table 4. The Rates of Aid Payable (per hectare) in Less Favoured Areas 2001-2006

	Improved Pasture	Rough Grazing
Moorland	£30.40	£6.10
Southern Upland	£39.40	£7.90
Northern Upland	£45.00	£9.00

Source: Scottish Rural Development Plan 1999, p 165.

In addition to the safety net arrangement the Plan also contained provisions to avoid 'overcompensating' farmers as a result to the shift to area based payments. In Scotland these provisions centred on setting minimum stocking densities (p 166) aimed at ensuring that the land continues to be 'farmed'. Below these levels SEERAD would not consider the land to be farmed and hence it would become ineligible for aid. In the original plan no upper limit to payments to individual farmers was set. This was in contrast to the rest of the UK where capping was applied. For example, in England payment has only been available for the first 700ha of land in each farm unit. However, in 2002 overcompensation was avoided in Scotland by limiting the gain from the new LFA scheme to a maximum of £2,500 more than was received under the old HLCA scheme in 2000.

In June 2002 SEERAD announced proposals to change the current LFA scheme from 2003. Originally SEERAD, under pressure from the NFUS, had sought to extend the 2001 safety net arrangement so that farmers continued to receive 90 per cent of the sum payable to them under the old scheme[xv]. The reforms address two particular issues. The first is the difficulties faced by farm businesses in the remotest and most peripheral areas of Scotland. The second is to develop a better system of land classification that achieves a more equitable distribution of funding so as to avoid the creation of big 'winners' and 'losers'. The proposed reforms to the LFA scheme[xvi] include:

- A minimum stocking density of 0.12 LU/ha and maximum of 2 LU/ha simplifying the current arrangements.

- A minimum payment of £350 will be available to all LFA scheme recipients.
- The old classification of land will be replaced by four 'grazing categories' calculated using stocking levels based largely on 2001 figures. Hence payment levels will be made on the basis of stocking density with the highest level of payment available to farms with a stocking density of between 0.6 and 2 LU.
- There will be two basic payment levels used to calculate the final sum: Fragile Areas (northern and western areas) – £44.50 per ha; All other areas - £36.50 per ha.
- Extra money will be available for farms on which suckler cows comprise 10 per cent or more of the total livestock units.

The proposed changes have been criticised by Scottish Environment LINK – an umbrella forum for voluntary bodies involved in nature conservation, landscape, recreation and archaeology. They argue that the changes 'make a nod to European requirements but … attempt to minimise the amount of change'.[xvii] LINK is also critical of the fact that SEERAD's consultation in drawing up the proposals was limited to farming industry interests. Criticisms have also been raised by the Rural Development Committee of the Scottish Parliament during their inquiry into the 2003-4 budget in May 2002. The report[xviii] points out that 'the most notable increase in planned SEERAD expenditure is that on … the LFASS which will increase from £37m in 2000/01 to £61m in 2003/04. Most of this increase is from national Departmental Expenditure Limit funds, not EU funds, reducing the rate of EU contribution from the 'normal' 25% to around 15-20%. The allocation of an additional £24m to this scheme is, therefore, a major policy decision by the Minister.' In conclusion, the Committee asked for 'clarification from the Minister on his objectives in allocating these funds to this scheme rather than to other rural development measures'.

Forestry Measures

In Scotland, payments under the RDR are made for the afforestation of agricultural land (Article 31) and non-agricultural land (Article 30) and for investments in forests (Article 30). The mechanisms are the Woodland Grant Scheme operated by the Forestry Commission and the Farm Woodland Premium Scheme operated by the SEERAD. One issue of concern to a number of forestry interests is the imbalance between funding for afforestation on farmed land and non-farmed land. The Indicative Financial Table of the Plan indicates that less than 6 per cent of the forestry budget within the RDP is earmarked for afforestation of non-farmland.

Table 5. Indicative Financial Table relating to the life of the SRDP (€ millions)

	UK Contribution	EU Contribution
Afforestation of farmland	67.52	37.09
Modulated money for afforestation of farmland	40.42	20.17
Top ups for afforestation of farmland	10.69	0.00
Existing commitments to forestry (largely afforestation of farmland)	86.18	45.08
Other forestry activities	12.52	6.27

Industry predictions of a drop in timber production over the next thirty to forty years are blamed on the change in tax policy in the 1980s as a result of the outcry over environmental impacts of large scale afforestation in wetlands in north-east Scotland. Since then, public support for afforestation has been through the WGS and FWPS alone. Whilst most of this has been of broad-leaved and native species, it has also been largely restricted to hill farmland and as such is of relatively low economic value. The concern is that current funding patterns, driven by the desire to retain as much of the rural development spending within the farm gate as possible, will not allow a healthy forestry industry to be sustained in the future.

In 2002 the Forestry Commission put forward recommendations for changes to the WGS and FWPS in Scotland so as to improve their effectiveness in delivering priorities identified in the Scottish Forestry Strategy, as well as the developing Agriculture Strategy and the Rural Development Regulation. A Steering Group consisting of a broad range of relevant interests undertook the review.

The changes to the schemes proposed by the Steering Group focused on the following key areas:

- Closer links with Scottish Executive policy priorities, including integrated land use and community involvement;
- Greater focus on management of existing woodland; and
- Assisting with deer management.

Specifically, the Steering Group recommended a series of detailed minor reforms to the operation of the two schemes and considered the integration of the forestry measures with other schemes, programmes and strategies. Recommendations for reform included:

- The aim of the two schemes should be, ‘to encourage the creation and management of woods and forests to provide economic, environmental and social benefits for now and the future’.
- Greater emphasis should be placed on ‘stewardship grants’ for existing woodland, shifting the balance from 75:25 in favour of funding new planting to about 50:50.
- Rules placing constraints on the number of hectares eligible should be relaxed.
- The UK Forestry Standard should continue to form the basis of good practice and compliance with it must be a condition of entry into woodland schemes. In addition, woodland schemes must be compliant with any future Scottish legislation or guidelines on the disclosure of information and codes of practice on land use and ownership.
- A series of measures to improve public consultation and access to information are recommended including promoting better communication between scheme administrators, land owners and managers and the local communities.
- The implementation of the forestry measures should reflect the local needs and circumstances expressed in the ‘Indicative Forestry Strategies’ of local authorities.

The existing WGS will become the Scottish Forestry Grant Scheme (SFGS). The FWPS will become the Scottish Forestry Grant Scheme-Farmland Premium (SFGS-FP). The SFGS will provide grants under the following main headings:

- Stewardship: for improving timber quality, reducing deer numbers, native woodlands, improving woodland biodiversity, landscape improvement, alternative systems to clearfell, woodland recreation and community involvement;
- Woodland expansion: by both planting and natural regeneration;
- Restocking grants: for replanting harvested areas will be set at a level of 75 per cent of new-planting grants (an increase on the current 50 per cent); and
- Other targeted grants: to deliver specific priorities in specific areas or objectives of strategic policy documents.

The SFGS-FP will remain very much as the FWPS, with the main change being a simplified payment-rate structure. It is hoped to have the new schemes in place by spring 2003.

There are still a number of concerns shared by farming, conservation and wider rural interests. These are largely focused on the inconsistencies that still exist between the forestry measures within the SRDP, other RDP measures, wider agricultural and land-use policies and Structural Fund programmes. Particular problems arise for farmers trying to diversify into both woodland establishment and forest management. For example, livestock grazing is not permissible within SFGS-FP schemes. This means that farmers must decide either to forego LFASS payments for that land or not to attempt afforestation. Similar issues arise at a farm level in trying to make agri-environment, forestry and LFA payments coherent. Efforts to introduce flexibility and coherence between RDR measures at a farm level are hindered by a lack of regional flexibility as well as institutional reluctance to collaborate.

Agri-environment measures

The agri-environment measures within the RDP comprise a series of prescriptions aimed at protecting and sometimes enhancing a range of elements of biodiversity and landscape. These consist of prescriptions aimed at bird life, for species rich areas, for moorland, for wetlands, for field margins and boundaries, for arable areas, for woodland and scrub and for historic and archaeological sites. There are also specific prescriptions for smallholdings and for rare breeds. In the initial plan there was also support for capital works including designed landscapes, field boundaries, ponds and black grouse breeding areas.

Restricted funding has meant that entry into the RSS is very competitive and is based on a ranking system. Unfortunately, the cut-off point on the ranking system is dependent on the number and value of applications and so is unknown before an application is made. This has lead to a great deal of unhappiness and confusion amongst farming and conservation interests, and even farm advisors in particular in areas formerly within Environmentally Sensitive Areas where entry was not discretionary. Uncertainty was further exacerbated by the fact that the Organic Aid Scheme, supporting conversion, is included in the same pot of money, with OAS applicants having first call on funding further limiting the amount available for other agri-environment schemes.

In September 2002, SEERAD made changes to the OAS. Less weighting is now given to whether a conservation plan, waste management plan and nutrient budgeting are in place on the holding. Acceptance into any scheme is also dependent on an environmental audit and management plan where specified by particular prescriptions. The following of *Good farming practice* is also a pre-condition of retaining payments.

In 2000 WWF looked at the funding of agri-environment schemes across the UK. The report of that work in Scotland[xix] concluded that, due to severe under-funding and massive competition for entry, only 16 per cent of Scottish farmers bothered to apply for the Countryside Premium Scheme (CPS). On average, only half of applicants to the CPS were successful and in 1999 only 40 per cent. As a consequence, only about 8 per cent of Scottish farms were within the agri-environment schemes existing in 2000.

WWF estimated that a budget of £33m would have allowed 50 per cent of farmers to enter the scheme; £46m would have allowed 70 per cent entry; and £64m would have allowed 100 per cent entry. With the current modulation agreement, the budget is forecast to be on average about £32m a year from 2000 to 2006 less than half that conservatively required. In 2002 only £14 million was available. In addition, there is currently considerable confusion over the total amount of money available from modulation and its destination within the rural development plan.

The adequacy of the funding for agri-environment has been a long-running theme of criticism of the RDP in Scotland from farming interests as much as from environmental organisations. Initial press releases from SEERAD announced that up to 380 schemes were to be funded under the RSS, but later announcements in 2002 that capital expenditure was no longer to be funded from the budget were interpreted as admission that the budget was not going far enough. In September 2002 it was announced by the Executive that only 196 schemes out of 612 applications had been successful. This resulted in calls from environmental groups and the farmers union for more state aid and European funding for such environmental schemes.

One outcome of recent consultation has been the addition of points allocated to farms falling within nitrate vulnerable zones that will count towards overall ranking and, therefore, acceptance to a scheme. However, the adherence to *good farming practice* is a prerequisite for farms entering into agri-environment schemes and adherence to the Nitrates Directive is part of the definition of *good farming practice*. As a result, the Scottish RDP is now in the position of using agri-environment funds to help farmers meet *good farming practice*. The Regulation itself, however, points out that 'agri-environmental commitments shall involve more than the application of usual *good farming practice*'.

Article 33 Measures

The debate on whether to include Article 33 measures in the Scottish RDP proved to be one of the most contested issues of the plan writing process. Although there was substantial support for inclusion amongst key NGOs, and early drafts had included Article 33 provision, the final document contained no measures which would risk taking RDR monies beyond the farm gate. Instead, the Plan points to a series of state aided measures which are available in lowland Scotland which are argued to fulfil the same purposes of Article 33 measures.

The *ex ante* evaluation of the Plan process contained in Chapter 12 of the Scottish RDP criticises the exclusion of Article 33 measures. It states that the Scottish Plan is '…meagre in its scope, compared to the wider rural development objectives of the Regulation' adding '…the

Plan will do little to address the problems facing Scotland's agricultural sector' (p 215). The Executive refutes this criticism pointing to the lack of RDR resources available to the UK as a Member State, and to Scotland in particular, which made it necessary only to use the accompanying measures. The short-term fragility of Scottish agriculture is used to justify an approach that is directed at its survival rather than the long term restructuring envisaged in the *Forward Strategy for Scottish Agriculture*. Hence the Plan states *'85% of Scotland's land area is classified as less favoured. Reducing support for farmers in these areas, in order to support Article 33 activity, could well have resulted in many producers going out of business'* (p 215).

However, some Article 33 measures are included in the Transitional Objective 1 Programme for the Highlands and Islands. Some 98 per cent of agricultural land in the Highlands and Islands Area is classified as LFA. The inclusion of Article 33 measures means that in the Highlands and Islands EAGGF monies can be used for the following activities:

- Improving the marketing of agricultural products, including research and feasibility studies.
- Supporting the diversification of agricultural activities and activities 'close to agriculture' including support for new and innovative uses of land, provision of rural services, costs of advisory staff at a local level and feasibility studies.
- Preparation and implementation of individual township development plans.
- Village renovation.
- Natural and cultural heritage interpretation.
- Support for access to the countryside, including improving the availability of environmental information.
- Improved management of deer.
- Land and water resource management.
- The development of environmental strategies.
- Basic services for the rural economy.
- Support for enterprises based upon the natural environment, and support for community based enterprises utilising the local natural environment and archaeological heritage.

In Lowland Scotland state-aided schemes, not included in the RDP document, are utilised to deliver some measures that are similar to RDR measures, principally processing and marketing schemes. As discussed above, these measures are outside the Scottish RDP, but remain a 'vital component' in helping the Executive take forward the *Scottish Food Strategy* and build on an earlier £11 million scheme that ran between 1994–1999. Hence they are funded by the Executive, but must comply with the EU's Regulations on state-aided schemes and any expenditure must be approved by the Commission. In Chapter Three of the Scottish RDP these state-aided schemes are directly related to specific articles under the RDR but are not included in the Plan. The state-aided schemes proposed in the Plan are: marketing and processing of agricultural products (related to Arts 25–28); marketing of quality agricultural products (related to Art 33); and business development including diversification (related to Arts 4–7 and Art 33). These state-aided schemes are restricted to farmers and there is no use made of any Article 33-type measures for off-farm projects.

The current edition of *'Scottish Agriculture: A Guide to Grants and Services'* explains that three non-accompanying measure-type schemes are currently available to lowland farmers

- Marketing Development Scheme (funding of up to 50 per cent for feasibility studies, the salaries of key marketing staff, and training and fees of outside directors).
- Agricultural Processing and Marketing Grants (funding for the purchase of plant and equipment, market research and consultancy, product development, point of sale material and attendance at trade fairs).
- Farm Business Development Scheme (for on and off farm diversification for both agricultural and non-agricultural activities, available for farmers and their immediate families).

THE SCOTTISH RURAL DEVELOPMENT PLAN AND THE ENVIRONMENT

Environmental Content

The Scotland Plan initially focuses more on demographic, employment, and farm viability issues in its analysis of the current situation before turning to the environmental situation. Compared to the Plans for England and for Wales, there is a less clear diagnosis that processes of agricultural change have eroded environmental quality. However, intensive grassland management is recognised as being detrimental to biodiversity (p 43), and diffuse pollution from agriculture is highlighted as one of the most important causes of poor water quality in Scotland (p 46). The Plan's SWOT analysis includes long term decline in biodiversity related to the loss of semi-natural habitats and diffuse pollution as one among 15 weaknesses facing rural Scotland (p 66). (The other environmental weaknesses include the lack of detailed knowledge of environmental management on farms and the lack of awareness of environmental assets and how these can contribute to rural diversification). Like the other Plans in the UK, expected environmental impacts are expressed in terms of numbers of participants and area under agri-environmental agreements, rather than in terms of environmental outcomes, and just over a fifth of resources are allocated to these measures.

Good Farming Practice

Council Regulation (1750/1999) laying down rules for implementing the RDR, sets out rules for several measures including agri-environment and LFA measures. Article 28 requires that plans contain an explanation of usual *good farming practice* and that Member States set out verifiable standards in their plans.

The seven-page section of the Plan given over to describing *good farming practice* arrangements is strikingly similar to the other Plans in the UK, although some of the environmental legislative framework is particular to Scotland. The Plan states that the approach adopted for meeting the requirements of Article 28 has three elements:

- Compliance with existing environmental legislation (a legal requirement for all farmers);
- A list of 'verifiable standards' which will be a condition of all new agri-environment scheme agreements or LFA payments;

- All farmers accepted on agri-environment schemes 'will have their attention drawn' to codes of good practice and be provided with copies of the Scottish Executive's own *'Code on Prevention of Environmental Pollution from Agricultural Activity'* (PEPFAA).

The Plan considers the detail of *good farming practice* under six sub headings:

- Water pollution.
- Air pollution.
- Fertilisers and pesticides.
- Linear features.
- Designated sites
- Agricultural/forestry management.

Under each of these, the legal minimum requirement is stated through reference to the relevant legislation and where appropriate, the enforcement agency, before stating a series of verifiable standards including how compliance will be assessed. For example, in terms of water pollution all farmers must comply with the terms of the Control of Pollution Acts of 1974 and 1991 and the Groundwater Regulations of 1998. In addition, farmers entering into agri-environment or LFA schemes must also notify and have checked any new slurry or silage store by the Scottish Environmental Protection Agency and must, furthermore, seek their authorisation before disposing of sheep dip. Any farmer caught breaching any of these standards will lose their scheme payments.

There is a degree of confusion within the SRDP about what are the differences between legal requirements and verifiable standards, between minimum standards and good practice. There are no verifiable standards for air pollution or for fertiliser and pesticide use. The linear features standards are that hedges cannot be cut between 1st March and 31st July or that field boundaries identified as part of the environmental audit cannot be removed without permission. Under designated sites, in addition to the legal minimum, farmers must not carry out operations on SSSIs that are likely to damage them without the prior approval of Scottish Natural Heritage (SNH). This is only slightly more restrictive than the legal requirement to inform SNH of potentially damaging activities, part of the Wildlife and Countryside Act (1981) designed to give statutory agencies the chance to implement management agreements (frequently agri-environment schemes) as an alternative to damaging operations. In agriculture and forestry management, the verifiable standards concern overgrazing (involving an objective assessment by SEERAD staff to judge when this is occurring), a presumption against supplementary feeding (except where this is allowed under the scheme agreement) and undergrazing to ensure grazing is distributed across the farm. Hence none of the verifiable standards provide for substantially more than the minimum legal requirement and are aimed at merely ensuring that the environmental resources and assets revealed by the environmental audit are at least maintained. In addition, the system of GFP is further flawed by the low level of 'policing' by SEERAD of whether farmers are meeting standards. This is set at the European minimum of 5 per cent of holdings per year.

Since the writing of the Plan, the debate concerning farming and the environment has risen in public prominence in the aftermath of Foot and Mouth Disease. One of the commitments within the *Forward Strategy for Scottish Agriculture* was the establishment of the Agriculture and Environment Working Group. This Ministerial group was set up to explore the relationship between farming and the environment and make recommendations about how to mitigate the impact over the next five to ten years. Among the recommendations contained in the Group's final report was that there should be a 'unified Code of Practice for farmers, crofters and contractors'. Extensive work had already been carried out since 2000 on developing a Code of Practice for Rural Land Use by a stakeholder group established under the land reform process. A draft code was developed and submitted to the European Commission for comments about its 'legality' in relation to European legislation on support, compliance and the environment but was then quietly 'shelved' by the Executive, as it awaited the AEWG's report. No word on this particular recommendation or on the existing Code of Practice has yet been heard.

Environmental Safeguards and Links with Environmental Legislation

The extent and strength of the environmental dimension to the RDPs can be gauged by the use of environmental safeguards in parts of the plans other than the most obviously 'environmental' sections, and by the extent to which links are drawn with the aims and requirements of other environmental legislation.

In Scotland, the absence of farm investment measures leaves the forestry and LFA measures as those most likely to impact upon the environment in detrimental ways. The Plan's section on forestry measures sets out the environmental standards and forestry standards in some detail (pp 187-190), and mechanisms such as Environmental Impact Assessment are used. It makes reference to the areas designated under the EU Habitats Directives in one paragraph of the description of the current situation in Scotland (p 40), but there is little or no mention in the Plan of the requirements for meeting the Nitrates or Water Framework Directives. Under the main agri-environment scheme — the Rural Stewardship Scheme — applications are scored against a hierarchy of conservation criteria including contribution to implementation of the Habitats and Wild Birds Directives.

STAKEHOLDERS' VIEWS ON THE RURAL DEVELOPMENT PLANS

As was explained above, the Scotland Plan has been subject to criticism from non-agricultural rural interests in Scotland as a result of the strong focus on agricultural measures and for what was seen as the ineffective consultative arrangements. The section of the Plan detailing the results of consultations describes the 'very positive' general reaction to the RDR, but acknowledges that the removal of non-accompanying measures from the earlier draft of the Plan caused 'disquiet' among some members of the Plan Team (p 211). It is hoped that the Plan will evolve over time and that, should more resources become available, a wider range of activities may be funded under the Programme in the future. Indeed, the Scottish Executive have shown commitment to this type of rural development by introducing state-aided measures for marketing and processing agricultural products and for farm diversification in place of EAGGF-funded non-accompanying measures, although notably these do nothing to alter the agricultural orientation of the Programme.

Environmental bodies are particularly sceptical about the extent to which environmental issues are integrated across the RDP. There is not a strong sense of the Plan *actively* supporting environmental management and enhancement, particularly beyond the agri-environment schemes, although this is primarily a result of the programme's narrow scope.

The SRDP has largely failed to use the opportunity presented by the breadth of measures within the RDR to help build links between farming and wider rural development. In contrast, France has used Article 33 measures within the new system of CTEs (land management contracts) to support the marketing and promotion of high quality products and links with eco-tourism in many local areas, particularly in marginal and mountainous regions which are suffering from economic decline. In Spain, the PRODER programme promotes bottom-up rural development using a mix of Article 33 aids in an integrated way with other funds, to address local economic needs.

4 Implementation and outcomes

This section describes the implementation of the RDP, including who is responsible for promoting and delivering the measures, approving applications for funds, and monitoring the programmes. It assesses the implications of these arrangements for the ability of the programmes to meet the stated objectives of the RDR and, in particular, the extent to which environmental concerns and objectives are integrated into implementation arrangements.

IMPLEMENTATION

The Scottish Executive Environment and Rural Affairs Department (SEERAD) is the competent authority for the SRDP and is almost wholly responsible for its implementation, although the Forestry Commission has lead responsibility for the forestry measures. There is no overall monitoring committee for the programme. Environmental NGOs complain that the implementation of the SRDP is not subject to the same degree of consultative input from rural development and environmental bodies as in England. As has been a common feature across Europe, the level of participation seen in developing plans has not been carried through into their implementation. This does, however, differ from the position in the Highlands and Islands where a working group still oversees the RDR measures within the Objective 1 plan area.

In addition, both the Marketing and Processing Scheme and the Farm Business Development Scheme funded within the SRDP from state-aid present interesting approaches to their implementation which distinguish them markedly from other measures within the SRDP. They are both administered at a devolved level and through partnerships in an attempt to make them respond more to regional needs and opportunities.

These schemes are being delivered locally through 6 Project Officers seconded to the Scottish Executive. Applications for FBDS grant will be considered by 5 regional Project Assessment Committees (PACs), chaired by SEERAD, who will make recommendations to Ministers. Membership of the PACs will be wide ranging including local authorities, local enterprise companies, Scottish Natural Heritage, local tourist boards and other interests. Under the Processing and Marketing Scheme, a single Project Assessment Committee (PAC), again chaired by SEERAD and made up of representatives from the public sector and the agriculture and food industries, will assess all applications. PACs for both schemes are likely to meet between three and four times per year depending on the level of applications.

Many commentators question why the principles of subsidiarity, local distinctiveness and partnership approaches relevant for these state aid funded schemes are not equally relevant for the rest of the RDR in Scotland. Of particular note in this debate is the potential and evolving role of local authority level partnerships in planning and delivering the RDR. The Local Government Bill, currently passing through the Scottish Parliament, will establish community planning and the role of devolved partnerships in delivering community well-being. SEERAD’s seeming unwillingness to engage in the process, or even to consider agriculture and rural development expenditure in the same light as other ‘public services’, only serves to reinforce the separation between rural and agricultural policies within the Executive.

Land Management Contracts

One development that is likely to have a major influence over the implementation of the SRDP is that of Land Management Contracts. In response to the commitment within the *Forward Strategy for Scottish Agriculture,* SEERAD have been developing the idea as an innovative method of taking a coherent whole farm approach to support to farming. In particular, the FSSA saw LMCs as responding to the need far 'a support system which recognises the variation in … farming and the fact that the economic, social and environmental benefits it brings change from one part of the country to another.' While recognising the difficulty in moving all CAP support to such as system, the FSSA did identify the RDR as a potential candidate. It concluded that 'Land Management Contracts would offer a radical new support system that could pay farm businesses for the economic, social and environmental benefits needed by their area. They would recognise the farm as a whole business and make it easier for farmers to take market-orientated business decisions rather than having to meet the requirements of a series of disjointed subsidy schemes.'

In mid 2002, SEERAD established a working group with representatives from the farming and food industry alongside statutory and voluntary environmental organisations as well as local enterprise organisations. The final draft of the group's deliberations has moved away from the vision set out in the FSSA and has recommended that LMCs should cover only the state aided SRDP measures alongside agri-environment and forestry. It concluded that the LFASS should not be included. The report also recommends a base-payment available to all farmers with social, economic and environmental standards attached. This should be tied to the delivery of a basic level of *good farming practice*. It also seeks to reform the current RDR measures to make them available to all farmers and broaden the range of economic and social benefits it can deliver.

Current proposals are that the system of regional partnerships set up to administer the diversification and marketing and processing schemes would also work alongside regional SEERAD staff to administer LMCs. This is a welcome development for those who would like to see greater diversity and flexibility in how the RDR is used. Proposals for piloting LMCs are currently under development.

Monitoring and Evaluation

Responsibility for monitoring and evaluation also falls to SEERAD and the Forestry Commission. However, monitoring and evaluation arrangements have not had a high profile in Scotland — the former because of a conscious decision not to have a Monitoring Committee (p 196), and the latter because discussion around the Mid-Term Review of the CAP has overtaken interest in the RDR Mid-Term Evaluation. SEERAD have repeatedly referred to the mid-term evaluation as 'an administrative exercise' to assess delivery of internal Plan targets and not an opportunity for a review of the Plan as a whole.

Ongoing changes to the SRDP

One characteristic of the progress of the SRDP is that since its launch in 2000, many measures have been reviewed and altered by a variety of working groups which allowed for widely differing degrees of stakeholder participation. The similarities and differences between how these process of change have been managed by SEERAD is indicative of how the different parts of the RDP are considered by the Executive and which interests are seen as being legitimate partners in rural development.

The starkest contrast has been that of funding. There is an undertaking within the SRDP to review the funding of individual measures as policies evolve. However, the Executive made it clear that the reviews of forestry measures and the agri-environment scheme were not to make recommendations that exceeded current spending levels. In contrast, as the Parliamentary Rural Development Committee has pointed out, SEERAD have been able to find extra departmental funding for the LFASS. Similar disparities can be seen in the approaches taken to stakeholder involvement in decision making about the separate schemes.

Forestry Measures

The Woodland Grant Scheme (WGS) and Farm Woodland Premium Scheme (FWPS) were reviewed by a Scottish Executive Steering Group. This was made up of representatives from the Forestry and Timber Association, Scottish Landowners' Federation, Institute of Chartered Foresters, Scottish Crofting Federation, National Farmers' Union of Scotland, Convention of Scottish Local Authorities, Deer Commission for Scotland, Scottish Natural Heritage and Environment LINK as well as Forestry Commission and SEERAD technical representatives. This group met between January 2001 and March 2002. The breadth of this group, the level of wider consultation and the allocation of time, is generally seen to have resulted in changes that start, at least, to address a wider range of demands on the schemes. The new forestry measures are felt, for instance, to have shifted emphasis from the establishment of woodlands alone to their management for greater environmental, social and economic value as well.

However, despite being given a remit to review the schemes within current spending limits, the Steering Group recognised that the most pressing problem with the forestry measures was the limited scope of funding. The report states that '….many consultees argued strongly for more funding for WGS and FWPS to increase the economic, environmental and social benefits that can come from trees, woods and forests in Scotland' (p 16). The Group agreed.

Less Favoured Areas

The LFASS has been one of the most intensively managed elements of the SRDP. Over the lifetime of the current plan there have been a number of changes to the LFASS proposed to Brussels. The LFASS is administered by staff from the CAP Management Division of SEERAD, rather than the Farm Business Restructuring division who manage the rest of the RDR measures used in Scotland. Discussions over changes to the LFASS have been conducted through an industry group consisting of representatives of the NFUS, SLF and SCF along with SEERAD staff. The objective of this group seems to have been to ensure as little change as possible in the distribution of payments under the area-based LFASS compared with the previous headage-based scheme. This preoccupation reflects the narrowness of this grouping and is evident in the press release from the Executive announcing the final proposals in 2002[xx]. 'The result (of the process) is:

- 54 per cent of businesses gain overall compared with the old HLCA headage scheme, with the highest proportion of gainers in the Western Isles, Caithness and Sutherland.
- a big drop in the number of businesses that have either gained or lost significantly in the move from headage to area payments;

- Large sparsely stocked farms will no longer gain disproportionately from LFASS, while there will be a big improvement for the more economically active businesses in fragile areas.'

Agri-environment Measures

As with the review of the forestry measures, SEERAD established that no increase in the current level of expenditure on agri-environment would be available in considering changes to agri-environment measures. SEERAD conducted a short public consultation on its *Proposals for improvements to the operation of the agri-environment schemes in Scotland.* However, the consultation did not rule out 'more far reaching changes … in future years'.

There had been no external dialogue about the proposals before launching the consultation. The narrow set of questions were focussed on attempting to spread core agri-environment spend more widely. Hence there were proposals to change the rules over capital expenditure items and to place support for conversion to organic farming on the same competitive footing as the RSS.

A comparison between these processes of change within the RDR leads many observers to question the consistency of the approach of the Executive to the RDR. The LFASS is seen internally as closer to a direct income payment than a rural development measure and externally as an issue for the industry to decide. In contrast, the Forestry Commission has attempted to fulfil their aspirations for wider community support for forestry as well as better integration with other policies and objectives.

OUTCOMES

There are a number of reasons why a proper evaluation of the impacts of the programme cannot be undertaken as part of this study. The Plan is at an early stage of implementation, with a lack of quantified objectives against which to judge progress, insufficient baseline data and so on. However, despite this limitation a number of general considerations with regard to the potential impacts of the Rural Development Programme can be outlined, drawing upon previous experience of the constituent measures and the opinions of stakeholders.

Less Favoured Areas Support Scheme

The SRDP firmly weds the LFASS to the objective of 'assisting the viability and sustainability of Scottish farming'. The Annual Report on the Scottish Rural Development programme for 2001 contains a section on progress with measures and priorities. The section on LFA measures contains no detailed information but does identify the following developments in LFA policy.

- The numbers receiving LFA payments rose in comparison to the HLCA scheme of 2000 due to the inclusion of new eligible species including deer and alpaca.
- A series of adjustments have been made to the LFA scheme (prior to the current reform proposals). These adjustments were aimed at avoiding 'overcompensation' (*ie* ensuring that there are no big winners as a result of the reforms) and increasing the environmental element.

In connection with the mid-term review of the CAP in Scotland, SEERAD recently released information about the pattern of spend of total CAP monies. It was stated that half of the 27 farmers in Scotland known to receive between £200,000 and £500,000 a year in CAP support are LFA farmers. This has inevitably lead to suspicion that the LFASS is being used as an income payment to assist farming financially rather than as a part of wider rural development. It is questionable whether the current pattern of LFASS spending, and the reluctance to see this changed, is benefiting either disadvantaged farmers or rural communities.

Moreover, the increased environmental element approved in 2001 has a strong economic element, as it principally involves increased payments for rough grazing to ensure that 'those farming such land in an environmentally and economically sustainable manner receive appropriate compensation'.[xxi]

Agri-environment Measures

The information contained in the Annual Report of 2001 contains only sketchy information on the progress of the schemes supplying the following information on scheme uptake.

- 135 Organic Aid Scheme applications were approved in 2001 covering 88,000 hectares.
- 380 Rural Stewardship Schemes were approved in 2001 covering 238,000 hectares.

SEERAD have recently announced that only 196 RSS schemes were approved in 2001-2002 out of 600 farmers who applied. There is no information on the likely biodiversity or environmental impacts of the schemes.

Forestry Measures

The report of the review of forestry support within the SRDP contains the executive summary of a consultant's evaluation of the forestry measures within the Plan. While most of the data is from schemes running before the current SRDP period, it was noted that the schemes themselves had not changed when the Plan was written. The remit of the evaluation was to see how the measures were meeting their own objectives but also how they 'were in keeping with broader rural development objectives in Scotland'.[xxii] It concluded that in general terms both schemes are working well. The key findings of the evaluation of the forestry schemes were:

- Since 1992 the WGS/FWPS have funded 105,307 ha of new planting;
- In the same period, WGS payments of £114.8 million had been made with the most going to planting and supplements for 'better land'. Only 18 per cent went on management and improvement of existing woodlands and 2% on community forests;
- To the end of 1999, £61.9 million in FWPS payments had been made – with 83 per cent of that spent in LFA land (mainly the severely disadvantaged land);
- Current planting rates have stabilised since the mid 1990s;
- The main objectives of most planting has been amenity, biodiversity and landscape – timber was only an objective in 25 per cent of plantings;
- New 'commercial' conifer planting has largely shifted to farmland and receives FWPS payments;
- A survey of 392 participants indicated that only 10.5 per cent of this new planting would have been undertaken without the support of the forestry measures;

- Since 1992 it is estimated that in the region of 1,560 – 2,140 FTE additional jobs in forestry have been created as a result of expenditure on the forestry measures. The evaluation was unable to assess job creation in other sectors such as tourism;
- The main social impact was deemed to be an increase in access provision. Despite being a small proportion of total expenditure, the community woodland supplement had successfully created over 300 new accessible woodlands near urban centres;
- Biodiversity impacts were assessed as positive in the short term – due to the establishment of woodlands on impoverished sites. But it was noted that unless resources are directed towards the management of established woodlands in the medium to long term , these gains would not be sustained;
- Over 15 per cent of grant-aided woodlands had been established on or adjacent to conservation sites (SSSIs, SACs and SPAs). Anecdotal evidence suggests that these sites are being damaged;
- The 'great majority' of scheme applicants were satisfied with the administration of the schemes;
- The schemes were judged by the evaluators to be contributing to the achievement of the Scottish Forestry Strategy.[xxiii]

The evaluation summed up the performance of the WGS as having delivered its objectives. It noted that the incentives within the WGS have achieved that success by covering establishment costs, but did call for a more targeted approach to increase value for money.

In relation to the FWPS, it concluded that while it was a major driver of woodland expansion, it has achieved this through paying compensation to farmers for income foregone rather than the costs of establishment or the value of benefits delivered. It noted that, despite having landscape, habitat and biodiversity objectives, the FWPS 'is untargeted in terms of the environmental objectives it is aiming to achieve'. The evaluation argued the case for the FWPS to move more closely towards the functioning of the RSS by linking objectives and targeting priorities to biodiversity aims as expressed through LBAPs and other local strategies.

The Mid-term Evaluation of the Scottish Rural Development Programme

As required by the Implementing Regulation, there will be a mid-term evaluation of the Scottish Rural Development Programme in 2003. Many observers hope that this will be seen as an opportunity not only to conduct the 'technical exercise' envisaged by SEERAD, but also to gather information to inform how future rural development policies and plans might be shaped to better deliver the principles of the Rural Development Regulation as well as Scottish priorities.

Indications from SEERAD are, however, that in the drive to reduce the administrative burden of the evaluation process there is a danger that the wider benefits of an adequate assessment of how the RDP is delivering its objectives in Scotland will be sacrificed. Because many of the targets set for the programme are about the delivery of the schemes themselves rather than their impact on rural areas, the evaluation is unlikely to be able to assess the impact of the SRDP. The impact needs to be measured not only in terms of direct benefits to scheme recipients but also in the context of the needs of the whole farming sector, the needs of wider rural communities, and indeed the needs of society as a whole for the public benefits that farming delivers. Without doing so, it is difficult to see how the evaluation will measure success in achieving the SRDP’s own priority objectives: ‘to assist the future viability and sustainability of Scottish farming’ and ‘the encouragement of farming practices which contribute to the economic, social and environmental sustainability of Scotland’s rural areas’.

As part of the evaluation process, the compilation of a set of base-line data relating to the EC reporting requirements has been commissioned from independent consultants. This exercise is being conducted two years into the programme and is focussing on the use of existing data rather than the collection of new information. According to stakeholder interviewees, to date SEERAD have been keen to keep the evaluation process ‘in-house’ and not discuss it with external stakeholders.

A number of wider rural interests feel that the Executive should be encouraged to establish a **stakeholder group** of relevant interests representing not only the agricultural sector and SEERAD but also wider rural development, the environment and community interests. This group could take on the role of a ‘Monitoring Committee’ and so ensure transparency and ownership of the process and, therefore, commitment to its outcomes.

5 Findings from other European countries

This section draws upon the national studies of the Rural Development Regulation conducted in other European countries, and particularly the interim report synthesising the national findings. As Table 6 illustrates, the Agenda 2000 reforms agreed at the Berlin Summit in 1999 only provided for very limited growth in the total RDR budget during the current programming period. As a result, the scope for using the RDR to finance new and additional rural development activities under the Regulation has been limited across Europe. Given these constraints, this section briefly reviews the experiences of other countries participating in the *Europe's Rural Futures* project. It assesses the balance of change and continuity in the programmes, examines the means by which environmental considerations are addressed, and describes some of the implementation challenges being faced.

Table 6. Budget (in € millions) for RDR Measures (Guidance and Guarantee funds)

Member State	1998	2000	2001	2002	2003	2004	2005	2006
Belgium	-	56	58	59	60	61	63	64
Denmark	-	47	48	49	50	51	52	53
Germany	-	969	993	1.015	1.038	1.061	1.085	1.109
Greece	-	288	295	302	308	315	322	330
Spain	-	1.079	1.106	1.130	1.156	1.182	1.208	1.235
France	-	826	846	865	885	905	925	945
Ireland	-	335	343	351	359	367	375	384
Italy	-	925	948	969	991	1.013	1.036	1.059
Luxembourg	-	12	12	13	13	13	14	14
Netherlands	-	57	58	59	61	62	63	65
Austria	-	432	443	453	463	473	484	494
Portugal	-	518	531	543	555	568	580	593
Finland	-	315	323	330	338	345	353	361
Sweden	-	165	170	173	177	181	185	189
UK	-	181	185	190	194	198	203	207
EU-15	6.030	6.206	6.360	6.502	6.647	6.796	6.948	7.103

CHANGE AND CONTINUITY

At first sight, there seems more continuity than change in the contents of Rural Development Programmes (RDPs). In large part, the RDPs in the study look like an amalgamation of past measures and programmes. With a few exceptions, there is little sense of a truly new approach.

One key difference from previous periods is the requirement to present all elements together as part of a coherent programme. This is done in all the texts, but there is considerable variation between countries in the extent to which it is followed through in implementation. The Regulations apply separate criteria to each measure, many of which originate from previously separate regulations. They also require separate planning, budgeting and reporting by individual measures which may work against coherent programming, encouraging implementation ‘as before’.

The studies indicate some interesting examples of where new measures have been adopted in creative and innovative ways to address key sustainable development needs and priorities. For instance, in Germany, one Länder (Region) has used Article 33 aid to promote environmental protection by supporting the purchase of land by environmental organisations. In Spain, the Region of Aragon has used the new forestry measure, Article 32, to support sensitive management of its ecologically valuable forest areas. In Austria, Article 33 measures, training, and agri-environment funds are being combined in a number of local area projects to deliver environmental planning, farmer training and farm-level management in a co-ordinated way. In France, Article 33 measures are being used under the system of CTEs (*Contrats Territoriaux d'Exploitation* or land management contracts) to support the marketing and promotion of high quality products and links with eco-tourism in marginal and mountainous regions which are suffering from economic decline. In Spain, the PRODER programme is promoting bottom-up rural development using a mix of Article 33 aids in an integrated way with other funds, to address local economic needs. Finally, the Swedish programme is devoting a relatively large allocation of resources to the new training measure, which includes targeted schemes to help women to improve their job prospects in the rural economy, for example.

At the same time, however, the national studies also highlight areas where such opportunities for innovation have been missed. This is particularly the case when considering the overall allocation of funding between different measures, in relation to the scale of issues to be addressed in each country or region. One explanation for this is that the Plans generally devote a significant share of resources to measures and programmes that were already well established prior to the introduction of the new Regulation. For example, in Sweden and Austria (as well as the UK), this partly explains why aid for Less Favoured Areas and agri-environmental programmes take up the major share of the RDR budgets, leaving relatively little for new rural development measures. In Spain it also partly explains the dominance, at national level, of RDR expenditure on irrigation investment and planning under the Agricultural Water Management sub-measure of Article 33, and the relatively low level of spending on Less Favoured Areas. The water management measure is being used to implement the National Plan for Irrigation Areas, which was also a principal focus of previous Structural Fund programmes in Spain.

INTEGRATING THE ENVIRONMENT

Under the Treaty of Amsterdam, the EU is committed to integrating the environment into all Community policies. As key instruments to promote sustainable development of rural areas, the RDR and SAPARD should ensure that environmental considerations and opportunities are fully integrated into all the plans. All the Plans are required to include a quantified description of the environmental situation and to propose strategies with clear objectives and priorities. The descriptions should provide the starting point for integration, and for identifying environmental objectives for the Plans. In some countries, this has clearly been an important feature of the planning process. For example, in Sweden, environmental considerations have clearly exerted strong influence on the Rural Development Programme, where the RDP is intended as the main instrument for delivering the National Biodiversity Plan. In Austria and France, considerable weight is given to the environment as an integrated element of programmes that are concerned with supporting and reorienting agriculture. In several countries (notably Germany), pressure from the European Commission to make progress with the implementation of Natura 2000 before RDPs would be approved, also appears to have been effective in strengthening environmental considerations. In other countries such as Spain, the environment is frequently mentioned in the Plans but they tend to contain fewer specific environmental objectives and delivery mechanisms.

RDR and SAPARD plans could play an important role in promoting effective implementation of EU Environmental Directives as they develop. For example, several countries provide interesting examples of how the RDR can be used to support the implementation of Natura 2000. In France, the RDP includes significant measures for supporting the implementation of Natura 2000, not so much through agri-environment aid as through Articles 33 and 32, each of which is supporting specific targeted schemes for Natura 2000 sites. In addition, in Austria and in seven of the German Länder, Article 16 is used to provide compensation for farmers in areas that will be subject to environmental restrictions as a result of Natura 2000 designation. Overall, however, not many countries have used the new scope within the Regulations to support the implementation of Natura 2000. In other countries such as Sweden, agri-environment schemes remain an important means of securing appropriate management of high value habitats, as they were before Agenda 2000. By contrast, in Spain the various RDR programmes generally provide relatively low management support to the significant area of proposed Natura 2000 sites.

In most countries, the preparation of the Plans involved environmental authorities and stakeholders, which for many has been an important new development for agricultural policy. Involvement by environmental authorities in implementation and monitoring appears less substantive in Austria, Spain and Hungary, while in Sweden and France it appears to be strong at both national and local levels, involving new consultative and steering arrangements.

Some plans allocate a substantial proportion of their budgets to primarily environmental measures, largely in the form of agri-environment payments and compensatory allowances, a proportion of which support marginal farms in high nature value areas within the Less Favoured Areas. In contrast, others clearly see these measures as a relatively low priority by comparison with economic measures, most notably for farm investment and infrastructure. In general, the pattern of variation in resources allocated to the environment bears little relation to the likely extent of environmental needs and opportunities. For example, in Spain, although a significant proportion of the country is likely to be designated under Natura 2000 and over 80 per cent of farmland is designated as Less Favoured Areas, these measures take less than 15 per cent of the RDR budget, at national level.

There remain some elements within the plans and programmes that are of potential environmental concern. These include, for example: investment in new irrigation in arid areas of Spain where water resources are under pressure; a relatively significant allocation of funding under Article 33 for the construction of new forest roads in Austria; investment aid to support increases in pig herd sizes in many German RDPs; and aspects of farm investment and modernisation aid in both Hungary and Poland. In addition there are questions about the impact of agri-environment schemes. The environmental case for providing a significant share of agri-environment aid for certain crops such as sunflowers in Spain and France, for example, has been questioned by NGOs. Given the environmental safeguards built into RDR and SAPARD measures, it is perhaps too early to assume that these elements will have negative environmental consequences, but it is suggested that they should be a particular focus of attention at the Mid-Term Evaluation.

Nevertheless, it is clear from most programmes that the RDR has the potential to make an important contribution to environmental protection and enhancement. There is evidence that the new Regulation has increased the relative importance given to environmental considerations in agricultural and rural development policies at national and regional levels. Likewise, the SAPARD planning process has certainly raised the profile of agri-environment issues in most Candidate Countries, and it will be important to maintain momentum on this in the years to come.

THE CHALLENGES OF IMPLEMENTATION

It is clear from the national studies that the new Regulations have played an important role in raising aspirations and expectations in relation to sustainable rural development, in many regions of Europe. The rhetoric that has surrounded their preparation and launch has stimulated new processes and a broader approach to these issues in many countries, particularly by agricultural administrations, which have generally held the responsibility for programme design and implementation. On the other hand, in most of the countries studied here, the reality of implementation may not match the rhetoric and the positive aspirations that have preceded it.

In Austria and Sweden, some concerns are expressed that the RDR programmes have not provided a new opportunity to promote more integrated and balanced sustainable development, because the measures selected are largely similar to those that existed before. Furthermore, in many countries, stakeholders and experts express concern that the rural development focus of Plans and programmes remains too narrow and sectoral, and too strongly linked to agriculture despite clear need for broader rural support 'beyond the farm gate'. Germany is a notable exception here, in devoting relatively significant sums to village renewal actions, particularly in the new eastern Länder.

In many countries, there is a lack of integration between the RDR/SAPARD and other equally significant measures targeting similar actors in rural areas (notably CAP aid in Spain, ERDF and ESF Structural Funds in Germany, national and regional measures in Hungary and Sweden). This is anticipated to weaken the potential of the Plans to promote balanced and sustainable outcomes. At the same time, there is concern that bureaucratic and financial constraints on the effective and locally-appropriate delivery of measures is encouraging public administrations to concentrate spending on 'the simplest options' rather than attempting to promote best practice in local innovation and truly sustainable integrated development. Examples include forest roads in Austria, sunflowers for agri-environment in France, mainly established agri-environment schemes and programmes in Sweden, and investment in large agri-food producers in Hungary.

The studies have indicated a number of potential barriers to progress in realising the potential of the new Regulations to deliver sustainable integrated rural development. These may exist at EU, national and more local levels.

When the RDR was agreed as part of the Agenda 2000 package, it was announced that measures would be funded in all of the EU outside Objective 1 areas through the EAGGF-Guarantee budget. Many supporters of the new Regulation saw this as a positive development because the Guarantee Section is the part of the agricultural budget that also finances the ‘first pillar’ of the CAP. Thus the Guarantee budget funding of the RDR was seen as a symbol of equal status for the second pillar and a potential means to increase synergy between the two pillars, as the programmes developed. SAPARD was also to be funded from the same, ‘core agriculture’ budget.

However, the implications of this decision for the administration and control of measures under the new Regulations have only been realised since that time. The EAGGF Guarantee budget is designed to facilitate the efficient and proper expenditure of monies under the range of basic commodity regimes that characterise the ‘first pillar’ Market Organisations of the CAP. This means that the rules are not always best suited to the delivery of more multipurpose, experimental and broad ranging ‘second pillar’ style measures, as represented by a significant element in both the RDR and SAPARD. For example, funds are to be disbursed centrally through a minimum number of accredited Paying Agencies (often, a single national organisation). This may discourage a proper application of subsidiarity in delivery, although that is seen as beneficial for ensuring programmes are tailored to local needs and opportunities. Secondly, there is a requirement for budgets and co-financing rates to be planned in advance, for each year, by measure and sub-measure, with limitations on the scope to move funds as implementation proceeds. This can create difficulties for programmes that involve capacity building and innovative development of small businesses, which can be unpredictable and require a willingness to be flexible and accept a certain level of risk. It also mitigates against providing match-funding for EU monies from a wide variety of public sector sources, as proved beneficial in promoting partnership under past Structural Fund programmes.

Finally and perhaps most importantly, there is a perception that the budget for the second pillar remains insufficient to tackle the range of objectives included within the RDR. In the short term, only modulation has offered some means to increase these resources at Member State level. Nevertheless, there is a broad consensus among stakeholders and experts in many countries that the overall second pillar budget will be too small to deliver adequately against programme objectives in the period 2000-2006. Furthermore, many believe that a substantial increase will be required if the RDR is to develop into a significant instrument for the future support of Europe’s rural areas. Increasing the level of resourcing of the RDR is part of the European Commission’s proposals for the Mid-Term Review of the CAP.

6 Future proposals for change

STRENGTHS AND WEAKNESSES OF THE SCOTTISH RURAL DEVELOPMENT PROGRAMME

A set of strengths and weaknesses can be identified in the implementation of the RDR in Scotland. These can be summarised as follows:

Strengths

- The addition of modulated money has meant that the most recent round of the Rural Stewardship Scheme was better financed than expected. Spending on new schemes increased from about £4.5 million in 2001 to about £14 million this year. Regional breakdown of numbers in each area suggests a reasonably good geographical spread.
- There is a strong and growing institutional and support infrastructure surrounding the agri-environment scheme components. There is established provision through FWAG, SAC and a range of smaller private and voluntary organisations for farm environmental advice and some co-ordination between these bodies in its delivery.
- SEERAD delivers schemes through its regional offices showing some degree of regional devolution in implementation.
- Rural Stewardship is widely thought to be an improvement on past schemes. It is felt to recognise better local distinctiveness and differing conservation needs of different areas through the greater number of and flexibility in management prescriptions. In particular, the use of Local Biodiversity Action Plans to align agri-environment schemes with regional priorities is a welcome development.
- Current changes to the forestry measures within the RDR are moving them further towards achieving priority objectives. In particular there is an increased emphasis on the management of woodlands, as well as their establishment.
- The recognition of the role of partnerships in delivering elements of the RDR across the board in Objective 1 areas and in relation to state-aided measures alone elsewhere, is starting to open rural development to wider concerns.
- The potential to develop Land Management Contracts to allow co-ordinated, coherent and flexible approaches to farm support is still possible.

Weaknesses

- There is still an unmet demand for agri-environment schemes. Coverage is improving but it remains questionable whether resourcing is adequate. The latest figures are that only 196 schemes out of 600 applicants were successful. There are still questions being raised about total RSS funding being able to meet the needs of farmers coming out of 10 year ESA agreements.
- There is a question of what will happen to certain farm conservation advisors after the end of the current Structural Funds Programmes.
- There remains an artificial separation between ‘rural development’ and regional economic development in rural areas. There is a need for better integration in programming and plan preparation post-2006.

- SEERAD is largely perceived to be top down and centralised in Edinburgh with regional offices largely only delivery mechanisms.
- The culture of SEERAD is still seen as secretive and closed. Problems with certain consultations have been highlighted, and SEERAD treatment of the views of statutory agencies and NGOs has been questioned by some. At the same time, recent years have seen a massive increase in number of paper based consultations coming from the Executive which is placing strains on the capacity of the policy sections of NGOs. There is a mismatch between the quantity and quality of consultation exercises.
- Recent press coverage on the House of Lords Committee on the Constitution investigation on the operation of devolution raises again the question of the relative powers of SEEARD and DEFRA (in its UK role) in EU relations and negotiations concerning the future of the CAP. There is current confusion over the lines of accountability.

PROPOSALS FOR CHANGE

It would be an oversimplification to point to Brussels, the Regulation itself, and the Commission's enforcement of the rules governing its implementation, as wholly responsible for the shortcomings of the programmes in the UK and Scotland. Likewise, it would an exaggeration to argue that the RDR represents only a common framework, drawn up under the principle of subsidiarity, and that any problems with the programmes must, therefore, be the responsibility of the Member States and other national and sub-national agencies. Rather, the task of improving the effectiveness of the RDR is the shared responsibility of all those involved in its design and implementation.

There is a general and widespread view that some of the key principles of the RDR are the right ones for the UK and that they certainly fit with the UK rhetoric on agriculture and rural development. These include the scope for Plans to be tailored to meet national and regional needs, the bringing together of measures within single integrated programmes, and the wish to engage stakeholders effectively. However, within the UK there remains a gap between the rhetoric surrounding these principles and the reality of practical implementation of the programmes. There are a number of areas where change would be helpful:

Changes at the European level

European institutions have a responsibility to ensure that Member States make the best use of the RDR to deliver their own and Europe's priorities and needs. They should seek to achieve this within the context of the principles of the RDR as well as within the context of the European priorities set out in environmental and other legislation. A mixture of clear guidance and facilitation of the spread of best practice between Member States is needed. Particular issues that need to be addressed include:

- **Expanded financing for sustainable rural development in the UK**: It would be desirable to see EU allocations to Rural Development Programmes based on an objective assessment of need and priorities set out in Plans, post-1999, rather than a simple extension of historical spending patterns under the pre-1999 measures.
- **Mid-Term Review and rural development**: It should be a priority of the CAP Mid- Term Review to increase the budget for the RDR and raise EU co-financing rates.

- **Use of modulated receipts**: The current requirement that modulated receipts be used only on the accompanying measures in the RDR should be removed to allow modulation to help finance all parts of the RDR. Co-financing rates for modulated receipts should also be revised downwards to reduce the need for national match funding.
- **Sub-National variance in modulation**: Member States should be permitted, if they so wish, to apply modulation on a regional basis, with different arrangements for modulating payments in different parts of their territories.
- **Broadening the programmes**: The thirteen indents under Article 33 should be simplified and rationalised into a smaller number of indents. Articles 4, 16 and 30-32 should be revised to make these measures more accessible to non-farming beneficiaries.
- **Good farming practice**: The definition of *good farming practice* should be clarified within a consistent European framework. The EU Regulations do not make clear what support can be given to improve environmental resource protection: i) where legislation is in force; ii) where legislation is in place but not yet implemented; and iii) where there is no legislation.
- **Improving time-scales**: The tight time-scales for the production of the RDPs, certainly in the UK, meant that stakeholder consultation and participation suffered towards the end of their preparation as deadlines approach and crucial decisions were taken by the lead bodies with little consultation. Lessons should be learned from this experience and the European Commission should seek to allow for a more considered, planned and inclusive planning process in the next round.
- **Programming, accounting and reporting**: The EAGGF Regulation should be amended to allow for multi-annual programming, accounting and reporting, more akin to the Structural Fund programmes, rather than the current requirement for annual programming and reporting of RDR expenditure.
- **Making evaluation count**: There should be a clear commitment by the European Commission and the Member States to act on the results of the Mid-Term Evaluation of the RDR. Detailed changes in the light of the evaluation should be agreed in time for the next programming period after 2006.
- **Achieving stakeholder participation:** There needs to be better involvement of a wider range of relevant stakeholders in the development of both Plans and the Regulation itself. The Commission needs to be more proactive in developing guidance on how to achieve this and more rigorous in taking Member States to task if they do not.

UK Level Changes

The operation and evaluation of the four UK RDPs are the responsibility of the respective administrations in England, Scotland, Wales and Northern Ireland. However, the agriculture/rural affairs Ministers and their most senior officials meet each month to co-ordinate views on common issues, including the CAP, that are due for discussion at the European Council of Ministers. These meetings provide a mechanism through which some UK-wide co-ordination of common issues in the implementation of the RDR could be agreed. While acknowledging the devolved responsibilities of the different parts of the UK, the analysis contained in this study suggests the following areas in which UK-wide changes might be considered:

- **Co-ordinated lobbying**: In reaching agreement on a common UK position and pursuing a co-ordinated lobbying strategy, the four administrations should press for as many of the EU level changes and reforms set out above as is possible.
- **Environmental outcomes**: The four administrations should agree that all RDPs be required to specify anticipated environmental outcomes *(ie* environmental goods conserved or enhanced), rather than just outputs *(ie* extent of participation in agri-environment schemes). Some environmental outcomes may take time to deliver, and the better use of proxies should be explored.
- **Improve reporting and publicity**: The four administrations should agree to improve the co-ordination of reporting and publicising the RDR programmes through the establishment of a single UK RDR web-site. This site should contain standardised details of all four programmes, including the Plans themselves, monitoring and evaluation reports, annual reports to the Commission and guidance on best practice with the programmes, in order to raise the profile and understanding of the Regulation in the UK.
- **Improve stakeholder involvement**: The four administrations should agree to share good practice in the involvement of stakeholder groups in the implementation and monitoring of the programmes. This should be with a particular objective of improving the arrangements for external advice on the operation of the programme in Scotland.
- **Improve integration of measures**: The four administrations should agree to share good practice in the integration of measures and funding between RDR and other European funding programmes, such as those under the Structural Funds, as well as national programmes.
- **Good farming practice**: The four administrations should liaise and enter into dialogue with wider interests in reviewing and improving the definitions of *good farming practice* in the Plans.

Scottish level changes

Unlike much else within agricultural policy, the implementation of the RDR is devolved solely to Scotland. There are therefore a number of changes that the Executive should consider making:

- **More devolved and participatory implementation**: There is a need to further devolve both implementation and programme development to the regions of Scotland, applying the principles of community planning to the future use of the RDR. This should aim to achieve greater participation in rural development and to build on existing efforts to make schemes more locally tailored. This approach would also highlight the inter-relationship between farming and the environment and raise public awareness of the role of agriculture and forestry in the environment, society and economy.
- **Improve integration**: There is a need for greater synergy between measures within the SRDP and between it and other areas of rural policy. The RDR measures need to be fully integrated with broader rural development aims and objectives, and with the long term vision for rural Scotland set out in *Rural Scotland: A New Approac*h. Within the Programme, consideration needs to be given to the aims and objectives of the different schemes to ensure consistency with the overall aims and objectives.
- **Review and improve Good Farming Practice**: GFP as currently formulated is weak and largely unenforceable. It needs to be strengthened to address specific environmental

problems facing Scottish farming. The *Custodians of Change* report recommends the development of a unified Code of Practice for the industry. GFP could form part of that if the ‘verifiable standards’ were reviewed and strengthened and the confusion inherent within the Scottish interpretation of GFP was cleared up.

- **Allow stakeholder guidance of the Mid-Term Evaluation**: SEERAD and the Executive should establish a broad stakeholder group with a specific remit to oversee the mid-term evaluation of the RDP and its subsequent development.
- **Make rural development the focus of the rural development programme**: The Rural Development Plan needs to be viewed as an instrument of *rural development* affecting all the residents of Scotland and not a narrow instrument of agricultural support.

Notes and references

[i] The wider study has been funded by Land Use Policy Group of the Statutory Conservation, Countryside and Environment Agencies of Great Britain (LUPG) with WWF Europe.

[ii] Hansard 7 December 1999, Col. 703.

[iii] Scottish Executive Press Release SE2177/2000 4 Aug 2000. Finnie announces modulation boost for farm investment.

[iv] Commission of the European Communities (2002) *Mid-Term Review of the Common Agricultural Policy*, Communication from the Commission to the Council and the European Parliament, Brussels, COM(2002).

[v] The statistics in this section come from Scottish Executive (2001) *A Forward Strategy for Scottish Agriculture*; and Scottish Executive Environment and Rural Affairs Department (2002) *Agriculture Facts and Figures*.

[vi] Scottish Executive (2001) *A Forward Strategy for Scottish Agriculture.*

[vii] Scottish Executive (2001) *A Forward Strategy for Scottish Agriculture,* p 21.

[viii] Scottish Executive (2001) *A Forward Strategy for Scottish Agriculture,* p 27.

[ix] op cit, p 27.

[x] Scottish Executive (2002) *Custodians of Change*. Report of Agriculture and Environment Working Group

[xi] Forestry Commission (2001) Scottish Forestry Strategy, p 1.

[xii] *Scotland's Great Outdoors*. Key to the future of Scotland's Tourist Industry. Scottish Environment LINK 2002.

[xiii] Ministry of Agriculture, Fisheries and Food (1999) *Reducing Farm Subsidies – Economic Adjustment in Rural Areas*, London: MAFF, pp 60-61.

[xiv] The safety net is set at a percentage of the sum payable in 2000. (2001 – 90%; 2002 – 80%; 2003 – 50%).

[xv] The Plan states that the safety net should be set at 80 per cent of the 2000 levels for 2002. The NFUS, however, argued that the combination of restrictions in animal movements and export ban, as a result of FMD and the reductions to the Sheep Annual Premium, meant that they wanted to see the 90 per cent level maintained. This was rejected by the EU despite direct appeals to Franz Fischler made by the NFUS (NFUS, News Release 175/01, 26 September 2001).

[xvi] Subject to the agreement of the EU STAR Committee.

[xvii] Letter To SEERAD: LINK Comments on LFASS, July 2002.

[xviii] Rural Development Committee, Stage 1 Report on the 2003-04 Budget 17 May 2002.

[xix] *Money makes the Countryside Go Round*: The case for increased spending on countryside schemes in Scotland. WWF, May 2000.

[xx] Support for less favoured areas, 02/08/2002. News Release: SEEN110/2002. http://www.scotland.gov.uk/pages/news/2002/08/SEEN110.aspx

[xxi] SEERAD, 2001, p 14.

[xxii] Appendix 4 of the Review of WGS/FWPS Forestry Commission 2002. http://www.forestry.gov.uk/website/pdf.nsf/pdf/wgsreview.pdf/$FILE/wgsreview.pdf

[xxiii] Scottish Executive (2002) WGS/FWPS Review – Report of the Review Steering Group (final draft), p 14.