

4 Justification of the Priorities chosen having regard to the Community Strategic Guidelines and the National Strategy Plan as well as the expected impact according to the ex ante evaluation

4.1 Justification of the priorities chosen

1. The Community Strategic Guidelines¹ are based on the policy priorities spelled out in the Göteborg and Lisbon European Councils, in particular the principle that strong economic performance must go hand in hand with sustainable use of natural resources. These Community priorities have informed the selection of priorities for the Rural Development Programme for England.

2. The Guidelines refer to the multifunctional role which farming plays in relation to the richness and diversity of landscapes, food products and cultural and natural heritage. In England, these principles are recognised in the Government's Sustainable Farming and Food Strategy. This strategy has the long term goals of:

- building profitable, innovative and competitive farming and food sectors that meet the needs of consumers;
- enabling farming to fulfil its unique role in the countryside, by making a net positive contribution to the environment, managing its risks, especially animal health risks, effectively; and
- contributing to the long-term sustainability of rural communities.

3. Funding under the Rural Development Programme will both complement and enhance the broader goals of the strategy for agriculture in England, in a way that can best ensure that the maximum Community value added from these funds is achieved.

4. The Community Strategic Guidelines for Axis 1 identify the potential of the agricultural, food and forestry sectors to further develop high quality and value added products that meet the needs of consumers. The analysis of the strengths and weaknesses in Section 3.1 demonstrated that the agricultural and food sectors in England are relatively strong, but also showed that the focus of the Strategic Guidelines on the potential of new markets is very relevant to the national situation in England, particularly in relation to high quality food products and renewable energy.

5. This focus on competitiveness must however be seen in the wider context of sustainable development, set out in the UK Sustainable Development Strategy. Agriculture is a key determinant of the quality of the countryside and the environment.

¹ Council Decision 2006/144/EC and amended by Council Decision 2009/61/EC

Efforts to improve competitiveness must take account of the need to reduce negative environmental impacts, and increase environmental benefits.

6. Section 3.1 highlighted that knowledge transfer and innovation, particularly through investment in human capital, are essential elements of further developing a business-focussed approach, and of raising awareness of environmental impacts and solutions, in the agri-food and forestry sectors. These activities need to focus on greater awareness of market opportunities, including for diversified enterprises, the benefits of collaboration and co-operation, and the acquisition of skills needed to exploit new opportunities, all in a way that minimises any potential negative environmental consequences.

7. To ensure maximum Community value-added, the support provided through the Rural Development Programme in England under Axis 1 will focus on filling the gaps in the existing programmes of support, in line with regional needs and priorities.

8. Farming and other land-based industries play a unique role in the countryside, significantly greater than their share of total employment might suggest. The sustainable management of land is vital to the delivery of both environmental and economic objectives and underpins wider policy initiatives aimed at promoting productivity growth and increasing employment opportunities in line with the Lisbon Strategy and the Community Strategic Guidelines.

9. The Community Strategic Guidelines highlight the importance of using measures under Axis 2 to integrate environmental objectives and contribute to a range of objectives, including Natura 2000 and the Water Framework Directive. The Guidelines require that resources devoted to environmental issues should contribute to four EU level priority areas: biodiversity, water, climate change and renewable energy.

10. By contributing to the improved management of water and soil, helping to minimise greenhouse gas emissions to air and promoting biodiversity, Axis 2 measures are an essential means of addressing market failure in the protection of ecosystem services. They will be particularly important in the face of new challenges in respect of mitigation and adaptation to climate change, as well as increased pressure on natural resources as a result of demographic and other factors. They also provide important underpinning to the rural economy by complementing sustainable farming policies, maintaining, restoring and creating landscape features and providing a stimulus to rural tourism, which in turn assists the process of reconnecting agriculture with the public's perception of quality assured and environmentally viable food supply.

11. Axis 2 is accordingly at the heart of the England programme, with the central agri-environment measure being delivered through the Environmental Stewardship scheme. Environmental Stewardship agreements aim to provide an integrated approach to farm management, covering the three priority areas in the Community Strategic Guidelines related to biodiversity, water and climate change, as well as wider issues. These include protecting soils, maintaining and enhancing landscape quality and character and promoting sustainable forest management. Woodlands and forests also play an important part in contributing to the achievement of sustainable development objectives and will be incorporated into the measures taken.

12. Specifically, Environmental Stewardship schemes are aimed at delivering England's Natura 2000 objectives in respect of wildlife conservation in protected sites, as well as conserving biodiversity in the wider countryside. Key objectives relate to halting the loss of diversity of animals, plants and habitats by 2010 and beyond, much of which is the result of unsustainable farming practice. While evidence shows that England's best wildlife sites are improving, many of our wider landscapes are losing their ecological richness and distinctive character, threatening the ecosystem services they provide. Protecting and enhancing the natural environment outside designated

areas is therefore a key challenge, which broadly based agri-environment schemes can help address. Better biodiversity conservation now can also have benefits in relation to climate change by the facilitating adaptation in the future. Other aspects of climate change that are addressed include the reduction of greenhouse gas emissions from agriculture, through livestock extensification, input reduction and the restoration of peat bogs.

13. The schemes also address the requirements of the Water Framework Directive, for example by helping to reduce agricultural impacts, reducing the transfer of pollutants and encouraging diversification of crop rotations and the extensification and maintenance of grasslands.

14. The priorities for the England Programme recognise that climate change is a major threat to our landscape, natural resources and ecosystems. During the period of development of the programme, that threat has come into ever sharper focus as our understanding of the nature and scale of the problem, and the urgency of the action required to tackle it, has grown. Over the course of the Programme, we shall therefore look to further develop the role that it can play in helping rural areas mitigate climate change and adapt to its impacts. For land managers this could involve, for example, measures to reduce direct emissions of methane and nitrous oxide, providing crops as a source of renewable energy, and providing and protecting soils and timber as carbon “sinks”. This priority applies across all of the axes and amply demonstrates the need to ensure that the objectives of the programme are fully integrated.

15. Although agriculture and forestry are the largest users of rural land, as section 3.1 has demonstrated, the rural economy in England is not driven by land-based industries. Although the relatively low share of total employment in farming and other land-based industries does not reflect the wider role these industries play in rural areas, it is clear that the English rural economy operates in a very similar way to the urban economy. Given the similarities, support is not in general designed exclusively for rural people and businesses. Rather, the Government’s aim is to ensure that mainstream support mechanisms and funding streams are as accessible in rural areas as they are in urban.

16. Section 3.1 also showed that there is no such thing as a single, homogeneous ‘rural England’. People and businesses (including agricultural, food and forestry businesses) in rural areas face some specific challenges – for example, there are slower growth prospects for rural areas outside city regions. However, the challenges facing rural areas in England need to be viewed in their local and regional contexts.

17. The Community Strategic Guidelines for Axis 3 establish a priority of creating employment opportunities and conditions for growth. In general, rural areas in England perform well against urban areas in terms of employment and unemployment rates (for example, the unemployment rate in rural areas either is the same as or lower than the rate of unemployment in urban areas). However, this does not indicate the quality of jobs or how well vacancies and skills are matched. To meet the particular needs of England, therefore, the focus of the Rural Development Programme may be less on creating new employment opportunities than on ensuring that rural people are well placed to take advantage of the opportunities, and potential opportunities, that exist.

18. The importance of capacity building and skills acquisition, as highlighted by the Community Strategic Guidelines for Axis 3, very much reflects the needs in England as identified by the analysis in Section 3.1 and this is a key element of the strategy chosen. Community added value will be assured by focusing funding in ways that address specific issues not fully covered by mainstream programmes and initiatives.

19. The Community Strategic Guidelines for Axis 3 also highlight the importance of making sure that rural areas remain attractive to future generations. Section 3.1 has

demonstrated the significance of the environmental quality of rural areas in England to their long-term sustainability and attractiveness. Much in-migration to rural areas, for example, can be attributed to indicators of environmental quality, and rural tourism (a substantial component of the rural economy) is largely dependent on maintaining and improving the quality of the environment and countryside. The next Programme in England will therefore aim to enhance opportunity in rural areas in a way that harnesses and builds upon environmental quality.

20. The localised nature of need and opportunity means that the Leader approach can be a useful tool for delivery, where it is complementary to wider regional activity, as identified in the Community Strategic Guidelines, which state “Axis 4 can play an important role in the priority of improving governance and mobilising the endogenous development potential of rural areas”. The Leader approach in England will be used in just this way to complement the wider strategic regional approach to targeting funding. It will be used to help stimulate innovation, aimed at mobilising the development potential of rural areas.

21. The financial weight given to each of the four axes of the next England Programme, with the focus on Axis 2, reflects the specific national situation:

- the performance of the agriculture and food sectors is relatively strong, and many existing initiatives aim to address the needs and challenges that do exist in a sustainable way
- the urban and rural economies have many similar characteristics, and a wide range of Government initiatives seek to address the challenges and needs faced
- good environmental land management is essential if the continued economic development of the agricultural, food and forestry sectors, and of the wider rural economy, is to be sustainable.

22. The focus on the sustainable use of resources and good environmental land management is at the heart of the United Kingdom National Strategy Plan, and it’s Annex setting the strategy for England. The priorities chosen and the measures selected reflect this.

23. The following tables show the links between the Community Strategic Guidelines, the strategic potential for each Axis as identified in the UK National Strategy Plan, the priorities for each Axis in the next Rural Development Programme in England and the hierarchy of measures selected for use in the next England Programme (as set out in Section 3.2).

COMMUNITY STRATEGIC GUIDELINES	UK STRATEGIC POTENTIAL FOR RURAL DEVELOPMENT PROGRAMMES	ENGLAND STRATEGIC PRIORITIES FOR THE RURAL DEVELOPMENT PROGRAMME	RURAL DEVELOPMENT REGULATION MEASURES TO BE USED IN ENGLAND
<p><i>Improving the competitiveness of the agricultural and forestry sectors</i></p> <p>Contribute to a strong and dynamic European agri-food sector by focussing on priorities of knowledge transfer and innovation in the food chain and priority sectors for investment in physical and human capital</p>	<ul style="list-style-type: none"> Recognising that sustainable and competitive agriculture and forestry sectors are a prerequisite for improving the environmental quality of the countryside. Improving resource protection skills and management to address climate change mitigation and adaptation, and contribute to better soil, air and water quality. Improving the ability of farmers to meet increasing demand for quality food products. 	<p>To build profitable, innovative and competitive farming, food and forestry sectors, that meet the needs of consumers and make a net positive contribution to the environment by</p> <ul style="list-style-type: none"> developing a greater awareness of market opportunities, and a greater ability to exploit these opportunities, particularly in relation to renewable energy and added-value products promoting and encouraging greater collaboration and co-operation between producers, and between producers and the rest of the supply chain improving agricultural and forestry industry uptake of technology and entrepreneurial skills increasing opportunities for knowledge transfer and skills enhancement, by <ul style="list-style-type: none"> enabling better access to mainstream business training; filling gaps in existing training and advice provision, where this does not meet the needs of farming, food and forestry sectors. promoting the adoption and dissemination of innovative business processes and practices 	<p>In line with the priorities identified in the UK Strategy, adapted for the specific England national situation, the measures we expect to make greatest use of under this axis are:</p> <p>121 (modernisation) 111 (vocational training) 123 (adding value to products) 124 (cooperation)</p> <p>We also expect to use:</p> <p>114 (Using advisory services) 115 (setting up advisory services) 122 (ec value of forests) 125 (infrastructure)</p>
<p><i>Improving the environment and countryside</i></p> <p>Should contribute to three EU level priority areas:</p> <ul style="list-style-type: none"> biodiversity and preservation of high nature value farming and forestry systems; water and climate change. 	<ul style="list-style-type: none"> Strengthening the positive and reducing the negative environmental impacts of agriculture through agri-environment support. Improving coverage and/or penetration of agri-environment and forestry schemes to increase habitat networks, combat diffuse pollution e.g. of water and air, and address climate change. 	<p>To improve the environment and countryside by :</p> <ul style="list-style-type: none"> Conserving natural wildlife Protecting natural resources Adapting farming methods around features on farmed land, to enhance biodiversity and resource protection Maintaining and enhancing landscape quality and character Promoting sustainable forest management Avoiding marginalisation 	<p>In line with the priorities identified in the UK Strategy, adapted for the specific England national situation, the measures we expect to make greatest use of under this axis are:</p> <p>214 (agri-environment payments)</p> <p>We also expect to use, as appropriate:</p> <p>212 (natural handicaps) 216 (non-productive investments) 221 (first afforestation of agricultural land)</p>

	<ul style="list-style-type: none"> • Promoting of sustainable management of agricultural land in the uplands • Maintaining and where appropriate enhancing rural landscape features and traditional crafts • Encouraging energy crops and wood fuel as part of an increasing use of renewable energy 	<ul style="list-style-type: none"> • Contributing to climate change mitigation 	<p>223 (first afforestation of non-agricultural land) 225 (forest environment payments) 227 (non-productive investments)</p>
<p><i>Improving the quality of life in rural areas and encouraging diversification</i> Contribute to the overarching priority of the creation of employment opportunities and conditions for growth</p>	<ul style="list-style-type: none"> • Where appropriate, using agricultural/forestry skills and physical assets for diversification activities • Encouraging access to and enjoyment of the countryside, with spin-offs for tourism, health and social inclusion • Maintaining “traditional” land management, craft and construction skills for enhancement of the rural landscape. • Improving skills potential for a diversified rural economy with high quality employment opportunities. 	<p>To enhance opportunity in rural areas, in a way that harnesses and builds upon environmental quality, by:</p> <ul style="list-style-type: none"> • supporting innovative rurally based business development and enterprise, including diversification out of agriculture and encouraging sustainable tourism • improving skills in the rural workforce through providing learning opportunities that are not offered by other programmes and mainstream services and facilitating access to mainstream learning and development opportunities • tackling social disadvantage through steps to support fair access to services where this will ensure the continued viability of rural communities • supporting areas of economic underperformance and individuals experiencing disadvantage. • promoting public access to, and understanding of, the countryside, and conserving and enhancing rural heritage, including the traditional farmed landscape 	<p>In line with the priorities identified in the UK Strategy, adapted for the specific England national situation, the measures we expect to make greatest use of under this axis are:</p> <p>311 (diversification) 312 (micro-enterprises) 313 (tourism) 323 (rural heritage)</p> <p>We also expect to use: 331 (training and information) 321 (basic services) 322 (village renewal) 341 (skills)</p>

<p>Building local capacity for employment and diversification</p> <p>To contribute to the priorities of axes 1 and 2, and in particular of axis 3, but also play an important role in the horizontal priority of improving governance and mobilising the endogenous development potential of rural areas</p>	<ul style="list-style-type: none"> • Recognising the important role agriculture and forestry play in the rural community and economy, whilst improving the quality of life in rural areas through: <ul style="list-style-type: none"> ⇒ rurally based business development that generates high quality employment opportunities; ⇒ reducing the barriers to training and service provision that exist in some rural areas; ⇒ capacity building in rural areas 	<p>To mobilise the development potential of rural areas in a way that stimulates innovation to the benefit of the local area</p>	<p>In line with the priorities identified in the UK Strategy, adapted for the specific England national situation, the measures we expect to make greatest use of under this axis are:</p> <p>411 & 413 (implementing local development strategies)</p> <p>We will also use, as appropriate: 421 (implementing cooperation projects) 431 (running the local action group)</p>
<p>Addressing the new challenges</p> <p>Reinforcing the Community action in the fields of climate change, renewable energy, water management, biodiversity (including related support for innovation) and dairy sector restructuring.</p>	<ul style="list-style-type: none"> • Conserving natural wildlife • Protecting natural resources • Adapting farming methods around features on farmed land, to enhance biodiversity and resource protection • Maintaining and enhancing landscape quality and character • Contributing to climate change mitigation 		<p>The measures we expect to make the greatest use of are:</p> <p>214 (agri-environment)</p> <p>216 (non-productive investments)</p>

4.2 Expected impacts deriving from the ex-ante evaluation with regard to the priorities chosen

4.2.1 Guidance provided by the ex ante evaluators on the preparation of the Rural Development Programme for England

24. In accordance with Article 84(4) of Council Regulation (EC) No.1698/2005, that evaluations be carried out by independent evaluators, Defra appointed Fraser Associates, management and economic consultants, to carry out an ex ante evaluation of the Rural Development Programme for England 2007-2013 (RDPE). The evaluators were commissioned to meet the requirements of Article 85 of Regulation (EC) No.1698/2005.

25. The evaluators began work in December 2005. They provided Defra with an ex-ante method statement, guidance notes on preparing aspects of the Programme document, plus comments on and formal reviews of drafts of the RDPE. The evaluators also provided material to assist Defra in meeting the requirements of Directive 2001/42/EC on the assessment of the effects of certain plans or programmes on the Environment (the Strategic Environmental Assessment (SEA) Directive). This included review of the available evidence, production of an SEA Scoping Report, and an Environmental Report.

26. Work on the Programme document was significantly impeded due to continuing uncertainty over the Programme's overall budget, which was not resolved until March 2007. This in turn delayed production of the final ex ante evaluation report.

4.2.2 Summary of the ex ante evaluation

27. Below is the evaluators' executive summary of the Rural Development Programme for England. The full report is at Annex 1 to this Chapter. Defra's response to the main findings of the evaluation is at Section 4.2.3.2.

The Rural Development Programme for England

A complete draft of the Programme Document for the Rural Development Programme for England 2007-13 has now been assembled. In the judgement of the evaluators, the document contains the elements prescribed in the Implementing Regulation and represents a viable basis upon which to commence negotiations.

There are a number of strengths to the draft Programme Document and its process of preparation. We would highlight in particular:

- it is well grounded in the relevant EU and UK policy contexts, although this could be more effectively demonstrated.*
- it contains a clear and bold strategy involving a primary focus on the generation of environmental public goods.*
- a plausible rationale is advanced for the radical distribution of resources across the Programme which takes account of other domestic funding streams, although the justification of this could be strengthened further.*
- although not identified explicitly in the Programme Document, in the judgement of the evaluators, the Programme offers considerable Community Added Value.*
- there has been a good level of partnership with key stakeholders and regional interests that has influenced the form of the Programme Document, although wider consultation is presently underway.*

- *there has been a substantive and participative SEA process.*

The evidence base has significantly improved since the first draft, but would benefit from fuller analysis of trends and regional analysis. There remains insufficient discussion of the equal opportunities agenda. Notwithstanding these caveats, in the judgement of the evaluators, the analysis of the Performance of the Agricultural, Forestry and Food Sectors and Environment and Land Management provide a plausible portrayal of these dimensions of rural England. By comparison, the general analysis and those on Quality of Life and the Leader approach are weaker, although the diversity of circumstances across rural England is better reflected than before.

The analysis of Strengths and Weaknesses linked to Needs and Potential for Rural Development is, in the judgement of the evaluators, a relatively weak instrument for synthesising and drawing strategic conclusions from the evidence base compared with a formal SWOT analysis.

The Strategy now provides a reasonable qualitative picture of what Defra wishes to achieve with the Programme although the clarity of the presentation is compromised by the authors' perception of the Implementing Regulation as a rigid template. In the judgement of the evaluators, it is quite well grounded in the evidence base, but there remains considerable scope to strengthen the links between the available evidence and the rationales for the Axes. A notable omission is a conventional hierarchy of Global and Specific Objectives, although the latter appear to be implied in what Defra identifies as "priorities".

A plausible explanation is provided for the radical allocation of resources although there is scope for strengthening this through further quantification of the funding for those mainstream initiatives that Defra argues will fund actions that might otherwise have been supported under Axes I and III. The evaluators are less confident than Defra that agricultural diversification, other rural development and quality of life actions will be a high priority for mainstream regional development resources, and, accordingly, would have been unsurprised were there a larger allocation to Axes I and III, greater targeting of disadvantaged rural areas, possibly on the basis of Defra's PSA Target 4, and broader application of the Leader approach than appears to be envisaged.

The Measure texts are substantially developed and mainly require detailing around important issues:

- *strengthening of the rationale texts in the light of previous experience and to better connect with Axis rationales and objectives.*
- *the refinement of the objectives in line with SMART principles.*
- *better integration of equal opportunities and environmental sustainability, where appropriate.*
- *better integration of the Leader approach, where appropriate.*
- *addressing remaining gaps in indicators and targets.*

The resource allocation within the financial tables is consistent with the argument advanced in Chapter 3 of the RDPE. Following revision and explanation, we find the Tables to be internally consistent.

The system of indicators proposed appears capable of capturing most of the important economic and environmental outcomes that are likely to accrue to the Programme. The evaluators are reasonably satisfied with the realism of output targets where these are set. However, in the judgement of the evaluators, considerable further development is required to produce robust targets for many results and indicators. Proper, absolute targets should be set where there is a reasonable basis for doing so.

Reflecting the relatively small allocation of resources and the nature of the interventions, Axes I and III will produce modest environmental and economic benefits and limited social benefits. The large scale of resources deployed under Axis II means that the economic impact will be significant. However, this will be skewed towards enhanced farm incomes rather than employment creation. Employment effects are likely to be temporary unless revenue streams are identified to sustain environmental management activities beyond the life of the Programme. Axis II is likely to produce significant environmental impacts, but there is at present no substantive body of evidence linking inputs and impacts that can be used to quantify this or the value for money represented.

For the most part, the proposals on implementation arrangements require minor refinement. In the judgement of the evaluators, the key areas requiring further development are the Chapters on complementarity with other Community Funds, the arrangements for monitoring and evaluation and a more comprehensive representation of equal opportunities issues.

The evaluators believe that most of the shortcomings identified can be addressed fairly easily given time and a resolve to work through the issues thoroughly. Appreciating the need to submit the Programme Document imminently, we recommend that the Partners continue to work on the areas highlighted ahead of negotiations.

4.2.3 How Defra took into account of evaluators' guidance and the results of the evaluation

4.2.3.1 Drafting guidance received

28. Work on the Programme Document was shaped by earlier comments from the ex ante evaluators on the UK National Strategy Plan and the England Annex and their guidance on good practice in the preparation of Programme documents. The evaluators' most detailed guidance concentrated on the evidence base, the rationale for intervention and the Programme targets.

RDPE Evidence Base

29. After reviewing drafts of the RDPE the evaluators suggested that the evidence base, contained in Chapter 3 of the Programme, would be strengthened by improving the analysis and including an assessment of strengths, weaknesses opportunities and threats. They also suggested that the format specified in Annex 2 of Commission Regulation (EC) No 1974/2006 should not be used to develop the evidence base.

30. In response, Chapter 3 of the Programme was revised to provide a more structured and analytical evidence base. An analysis of strengths and weaknesses is provided as a summary table at the end of each part of Chapter 3, Section 1. The spatial scale was made more consistent and further examples of regional analysis were added. However, the limitations of time, and the desire to keep the Programme Document at a manageable length, meant that it was not possible to provide an analysis of regional variation in every case. In addition, each region has undertaken its own analysis of the priorities and needs for its region, as part of the Regional Implementation Plan process. Exactly how the measures are used in each region, within the context of the national framework set out in this Programme Document, will depend on this tailored analysis. In preparing these analyses and summaries, the decision was taken not to follow all the advice provided by the evaluators with respect to the format but instead to follow as closely as possible the guidance given in Annex 2 of Commission Regulation (EC) No 1974/2006, which it was felt, covered the issues relevant to the Programme comprehensively.

Rationale for Intervention

31. The evaluators stressed that the Programme document should provide an effective linkage between the evidence base and the measures being used. In particular, they pointed out that a summary and analysis of the evidence was necessary in order to demonstrate why the emphasis proposed on the Axis 2 measures was justified.

32. Following this guidance, improvements were made to the linkage between the evidence base, the strategy (Chapter 4 of the Programme) and the description of the measures (Chapter 5). Summaries of the evidence, weighing the evidence and explaining the basis for the proposed balance of effort between the axes and measures were developed. An analysis of strengths and weaknesses is provided as a summary table at the end of each part of Chapter 3 Section 1. These tables are then used in Chapter 3 Section 2 to identify a series of areas of potential for rural development and the measures that can be used to address them. The overall hierarchy of the rural development measures and the financial weight given to the different axes is then in turn based on an analysis of these areas of potential.

Targets and objectives

33. The evaluators picked up some inconsistencies of style between the measures and the absence of quantified targets. With respect to the Programme's objectives they pointed out most were expressed in qualitative rather than quantitative terms.

34. With agreement reached on the budget for the England Programme quantified targets could be set for all measures, thus addressing the ex-ante evaluators' greatest concern in this area. The targets relevant to individual measures are shown within Chapter 5 of the Programme. Generic targets and the overall rationale behind the selection of targets are explained in Chapter 12.

35. Defra recognises that additional work needs to be done to quantify targets for some of the measures in the Programme. In many cases, for example, the impact of agri-environment measures on mitigating climate change and the definition of High Nature Value areas, work is already underway to fill these gaps. In other cases (particularly relating to the economic effects of Axes 1 and 3 measures) further work (detailed in sections 12.1.1 and 12.1.3) will be undertaken as part of a programme of ongoing evaluation.

36. The arrangements for monitoring and evaluating the England Programme closely follow the guidance in the Common Monitoring and Evaluation Handbook. Thus, for example, more emphasis has been placed on describing the relationship between output and result indicators for specific measures, than on setting absolute targets. This allows programme managers and deliverers to understand more effectively the impact of changes in levels of output on the overall outcomes of the Programme.

4.2.3.2 Results of the evaluation and the Defra response

37. The ex ante evaluators have produced a very detailed report on the development and scope of the Rural Development Programme for England. We have not attempted to describe in this Section how we have addressed all the comments made by the evaluators in their report, though this does not indicate Defra's agreement to all the points made. Rather, we have focused on the key issues highlighted in the report's conclusion.

Overall summary

38. Defra welcomes the overall conclusion of the evaluators that the Programme is well grounded in the relevant EU and UK policy contexts, that it contains a clear strategy - the primary focus for which is the provision of environmental public goods - and that the rationale for distribution of the Programme's resources is plausible. We

also note and welcome that the evaluators' conclusion that the Programme offers considerable Community Added Value, and that the evaluators recognised the significant efforts to consult on the content of the Programme, and involve partners and stakeholders.

39. The evaluators recommended that the evidence base would benefit from fuller analysis of trends and regional analysis. Defra does not believe this would significantly improve the RDPE programme document or enhance the Programme's delivery. The use of the Rural Development Regulation measures, and the weight given to them, is based on the priority needs identified by the regions. Defra has not undertaken a regional analysis and looked at how that would inform the strategy as this is already carried out by our delivery partners (Natural England, Regional Development Agencies, and the Forestry Commission) in the regions, both through their existing work and the Regional Implementation Plan process.

Presentation of the programme

40. The evaluators have commented on the use of Implementing Regulation (Commission Regulation (EC) 1974/2006) annexes as a template to draft the Programme document. Although we agree that there are some weaknesses in the template, Defra has adhered closely to the requirements of the Implementing Regulation, as we believe it provides a format, which the Commission expects all member states to follow.

41. Defra notes that it has been helpful to have the evaluators' comments on drafts of the document through the various iterations of the drafting. However, the final draft as submitted sets out the details of the England programme, and the references to earlier drafts in the ex ante evaluation report are not directly relevant to the assessment of this Programme.

Allocation and targeting of Axis I and III funding

42. The evaluators state that they are:

"less confident than Defra that agricultural diversification, other rural development and quality of life actions will be a high priority for mainstream regional development resources, and, accordingly, would have been unsurprised were there a larger allocation to Axes I and III, greater targeting of disadvantaged rural areas, possibly on the basis of Defra's PSA Target 4, and broader application of the LEADER approach than appears to be envisaged."

43. In response, Defra notes that the Regional Development Agencies (RDAs) have been contributing to the delivery of Defra's rural productivity and sustainable farming objectives for a number of years. Their contribution is principally through their mainstream activities funded through the 'Single Pot', such as regional business support and skills development. They fulfil a key role in unlocking the economic potential of rural areas. The requirement to address the needs of their region's rural areas is set out explicitly in the Regional Development Agency Act 1998. Evidence indicates that RDAs focus a significant proportion of their activities in rural areas.

44. Defra recognises the importance of RDPE funding as a key lever for delivering our rural policy objectives. We devolved the management of delivery of RDPE funding to RDAs so that they can align this with their national Single Pot funding for regional economic development, thereby achieving efficiency and delivering clarity and greater accountability.

45. As the Leader approach is community-driven, it is difficult to predict exactly how wide the application of the approach will be. However, as set out in the Programme

Document, it is envisaged at present that there will be around 50 Local Action Groups in England, representing a significant increase from the current 25 under the LEADER+ Programme. This is likely to result in perhaps up to 50% of the rural territory being covered by Local Development Strategies. It is difficult to imagine a broader allocation than this that would still be targeted on the priorities for England.

46. Defra is of the opinion that the overall allocation of Programme funding is fully explained elsewhere in this document. In accordance with the requirements of the Rural Development Regulation (Council Regulation (EC) No 1698/2005) the allocation will be at or near the maximum permissible under the Regulation (and the allocation to Axes I and III accordingly near the minimum) because that is where the maximum value added will be achieved in accordance with the strategy and having regard to the total funds available.

The quantification of Axis II expenditure

47. The evaluators note that RDPE funding deployed to Axis II measures is likely to produce significant environmental impacts, but observe that there is, at present, no substantive body of evidence linking inputs and impacts that can be used to quantify this or the value for money represented.

48. Defra agrees that the quantification of environmental benefit is an inherently difficult task, but the evaluators' observation does not fully recognise the work described in the programme document, which seeks to quantify the prospective benefits of the actions proposed under Axis II measures.

49. In the evidence base (Section 3.1.3), the environmental issues relating to land management that need to be addressed through the Rural Development Programme are described in considerable detail.

50. The description of the measures in Chapter 5 includes for each one a rationale and a description of the environmental objectives, which can be related back to the environmental needs described in Section 3.1.3. The agri-environment measure also contains quantified targets for each of the Common Monitoring and Evaluation Framework result indicators, providing a target area to bring into successful management for each of these environmental indicators by the end of the programme.

51. Chapter 12 then explains how these targets were arrived at, using a matrix listing the agri-environment options that can contribute to each of the indicators. It also explains that success will not be measured simply by uptake, but that it will be assessed on the ground through a combination of routine inspection and sample monitoring.

52. The evaluators also conclude that the economic impact of Axis 2 will be skewed towards enhanced farm incomes rather than employment. Defra does not endorse this interpretation. Most Axis 2 funds will be spent on agri-environment and forestry schemes. The payment rates are specifically calculated on the basis of standard data on income foregone containing verifiable elements (in accordance with Commission Regulation 1974/2006). The payments are therefore designed to cover the cost of these multi-annual commitments and not to enhance farm incomes. Independent evaluations demonstrate there are direct and indirect employment benefits arising from some elements of these schemes.

Demarcation

53. The evaluators suggest that further development of the Chapters on complementarity with other Community Funds is required. Defra believes that Chapter 10 of the Programme sets out clear principles for demarcation, and explains how our delivery arrangements will ensure that the Programme effectively delivers complementarity and demarcation.

Conclusion

54. The ex ante evaluation process has helped to improve the content of the Programme. Constructive engagement between Defra and the ex ante evaluation team has strengthened the clarity and consistency of the Programme Document. Defra welcomes the ex ante evaluation report's conclusion that the Programme Document meets the regulatory requirements, and that it highlights a number of strengths, both in terms of the content of the document and in its process of preparation.

4.2.4 Synergies between axes and measures and integrated actions

55. As set out in the Community Strategic Guidelines, the Rural Development Programme for England is designed to ensure that synergies within and between the axes are maximised, potential contradictions avoided and, wherever possible, there is an integrated approach. A key message from the responses to the public consultation on the priorities for the next England Programme held in 2006 was the need for integration across the environmental, economic and social objectives, in order to maximise the positive externalities and win-win situations.

56. Recognition that an integrated approach to rural development delivers the greatest added value is not a new principle for rural development in England. The need for an integrated approach, that delivers win-wins, has increasingly guided rural development policy in England over recent years.

57. Agri-environment schemes in England have always had multiple objectives. For example, the Countryside Stewardship Scheme, launched in 1996, had objectives related to landscape, wildlife, historical features and public access. A review of Countryside Stewardship found that “the multi-objective nature of the scheme has played a key role in developing a holistic appreciation of the natural and historic features of the English Countryside²”. This multi-objective approach was further developed in Environmental Stewardship. Crucially, in terms of an integrated approach, Environmental Stewardship agreements cover the whole farm rather than individual features on the farm. In addition, the scheme has primary objectives³ and secondary objectives⁴. The secondary objectives recognise that activity aimed at delivering the primary objectives can have positive externality benefits that relate to other environmental objectives.

58. In short, rather than separate actions being taken to address each environmental weakness/opportunity, Environmental Stewardship agreements involve an integrated series of options addressing a range of environmental objectives for each farm.

59. The importance of integration extends more widely than integration of environmental objectives. Environmental Stewardship was itself designed in part to recognise the positive externalities agri-environment measures can deliver, beyond their environmental objectives.

60. The wider role of land managers in the rural economy was starkly highlighted during the foot and mouth epidemic in England in 2001. The Report on the Impact of Foot Mouth on the Rural Economy found that⁵:

- farming and tourism are interdependent and intertwined with the wider rural economy. Farmers have a vital role in the life of the nation as providers of food and managers of the rural landscape. Future policies for farming must take into account the links with the wider rural economy in a way they have not done in the past;
- countryside tourism, dependent on access to a landscape heavily influenced by farming, is a powerful economic force in many rural areas, frequently worth more to local economies in GDP terms than the farming that supports it.

61. The impact of foot and mouth, combined with other issues, such as changes to the CAP and increasing globalisation, led to a review of the Government’s approach to the agri-food sector, and the resulting Strategy for Sustainable Farming and Food, was published in 2002. The Strategy explained that:

² http://defraweb/erdp/pdfs/css/css_esas_ann_rep_04-05.pdf

³ conserve wildlife (biodiversity), maintain and enhance landscape quality and character, protect the historic environment and natural resources, promote public access and understanding of the countryside

⁴ genetic conservation and flood management

⁵ http://www.defra.gov.uk/rural/pdfs/rural_task_force.pdf

“The foot and mouth crisis in 2001 forced people to reassess the place of farming and the food industry in the rural society and economy of today and tomorrow We want to retain and enhance the contributions farming makes to our landscape, many of which are not rewarded directly by the market We know from public attitude surveys that the rural environment is valued by a high proportion of the population. Most respondents say they would support paying farmers to regenerate threatened landscapes or habitats. Investing in the quality of the rural environment can attract tourism, contribute to the quality of life for rural communities, and can help pay for traditional forms of land management, which are often labour intensive, helping keep traditional skills alive So we intend to provide a broadly based agri-environment scheme that rewards management practices which go beyond what regulation and the market demand. And in the longer term this scheme will help to underpin the whole farm approach to all the requirements and support which the Government places on and offers to the farming industry.”

62. Agri-environment schemes, particularly Environmental Stewardship, are therefore at the heart of the integrated approach to rural development in England. Good environmental management helps to ensure the sustainable management of the land and the resources that agri-food businesses depend upon, and which is fundamental to the long-term economic success of farming, food and forestry businesses and of the wider rural economy and quality of life.

63. Good environmental land management will therefore deliver positive externalities that underpin the successful delivery of the socio-economic measures under Axes 1 and 3. In turn, Axis 1 and Axis 3 measures will be used in England to complement the delivery of Axis 2 measures through agri-environment schemes, and deliver synergies across the Programme.

64. For example, under Axis 1 investment in knowledge transfer, modernisation and innovation, and in physical and human capital will help the agri-food industry to increase its productivity and improve its competitive position. A key element of the England strategy is to encourage production and consumption patterns with lower environmental impacts, creating opportunities for less resource use, pollution and waste throughout the entire food chain, and consequently increased competitiveness for farming and food businesses. This activity will complement and build upon support under Axis 2.

65. Below are examples of some specific issues where the impact of synergies between measures can deliver “win-win” outcomes.

Climate Change and renewable energy

66. The Rural Development Programme in England will fund, under Axis 2, agri-environment and forestry schemes that will help achieve the Government’s climate change objectives and will contribute to the delivery of the EU Community Climate Change Programme. This activity will be complemented by action taken under Axis 1, such as the provision of training and information aimed at promoting resource efficient farm management.

67. The Rural Development Programme will also promote renewable energy, including bioenergy, which have an important role to play in meeting climate change objectives. For example, under Axis 1 the Programme will provide support to land managers to establish energy crops (miscanthus and short-rotation coppice). Under Axes 1 and 3 the Programme will then deliver wider activity to support the sustainable development of the supply chain and related infrastructure for biomass and other sources of renewable energy (e.g. biogas produced by anaerobic digestion) using measures such as: vocational training (e.g. providing advice and information to farmers and foresters interested in engaging with this developing market); co-operation (e.g.

developing cooperatives able to make more cost effective progress); supporting farm diversification and micro-enterprise development (e.g. by helping to establish new, energy related businesses on farms).

68. The Leader approach will also have a role to play in meeting the Programme's objectives for climate change and renewable energy in an innovative way, whilst at the same time achieving the objective of developing Community capacity. For example, a Leader Group might choose to support local heat and power projects using timber from local woodlands or energy crops to supply heat to local schools and housing.

Forestry

69. A key element of the England Programme is promotion of multi-purpose forestry, in order to achieve sustainable forest management that delivers on a range of objectives, including adapting to and mitigating the effects of climate change; biodiversity targets; and, other public benefits such as the provision of leisure facilities. As an example, harvesting woodfuel will diversify the economy, improve woodland biodiversity and provide a lower cost alternative fuel to remote rural areas. Sustainable forest management will be promoted through the English Woodland Grant Scheme, under Axis 2. This will be supported by activity under Axes 1 and 3 aimed at improving the competitiveness of the forestry sector as part of the wider regional economy, using measures such as supporting vocational training and information (e.g. to improve woodland owners' awareness of their potential), improving the economic value of forests (e.g. through developing recreational facilities), and co-operation for the development of new products (e.g. woodfuel).

Biodiversity

70. In the next Rural Development Programme in England the principal mechanism for support for Natura 2000 sites will be through agri-environment and forestry schemes. One of the Government's targets is to achieve 95% of Sites of Special Scientific Interest (which includes all Natura 2000 sites in England) in favourable or recovering condition by 2010, thereby contributing to achieving the EU's Biodiversity Action Plan target. Farmers and foresters in Natura 2000 areas will also be able to seek support to meet the obligations arising from designation through, for example, training in resource protection or other environmental skills provided under Axis 1 of the Programme.

Delivery arrangements

71. The delivery arrangements for the programme in England have also been designed to ensure that there is maximum integration of objectives. At the level of the English regions, the delivery partners (Natural England, Forestry Commission and the Regional Development Agency) have worked together to produce Regional Implementation Plans for the region, facilitated by the relevant Government Office for the Region. These plans have been the subject of wide consultation at the regional level, and have taken into account other regional strategies to ensure that the Rural Development Plan complements, and is mutually reinforced by, other programmes. Defra and its delivery partners are committed to working together to ensure that the synergies both within the programme, and with other actions, are maximised.