IFA Submission on Rural Development post-2013

May 2010

Introduction

Ireland has positively implemented Rural Development policy recognising that farming is the main economic driver in rural areas. Currently Ireland has a 3% share of the European Agricultural Fund for Rural Development, which reflects the historical drawdown of vital supports, including Investment Aid, Less Favoured Areas, Environmental Payments, elements of the Forestry Programme and the Leader Programme.

The farming sector underpins the rural economy and society, by improving the environment, supporting local employment and businesses, preserving natural heritage and culture and supporting rural tourism.

The main agri-environment measure of the Rural Development Programme, REPS, has contributed hugely to improving the environment and enhancing biodiversity in the Irish countryside through the creation of new habitats.

Rural Development funding, particularly the REPS and Less Favoured Areas programmes, is redistributed throughout the rural economy, through expenditure by farmers on locally provided inputs, labour, goods and services.

Recent Government cutbacks have undermined Ireland's Rural Development Plan (2007-2013). Less Favoured Area payments have been cut, the REPS 4 scheme has been closed off to new entrants and replaced with the narrower Agri-Environment Options Scheme (AEOS), the Farm Improvement Scheme has been suspended and key restructuring measures such as Installation Aid and Early Retirement, have also been suspended.

It is critical that a well-funded Rural Development programme is agreed as part of the CAP Post-2013 negotiations. The Rural Development Plan (RDP) must contain measures that:

- Improve competitiveness at farm level;
- Encourage restructuring of the agriculture sector;
- Preserve agriculture and other economic activity in rural areas;
- Protect the rural environment and landscape; and
- Encourage enterprise development and employment in the rural economy.

In addition, the Rural Development programmes must assist farmers in meeting new challenges identified, including climate change, renewable energy, water management and biodiversity.

In order to meet these challenges, an annual EU allocation of €400 million for Rural Development programmes is required for Ireland post 2013 (equivalent to the €340m annual Rural Development Funding 2007-2013, index linked from 2002).

While the majority of CAP funding should continue to be provided through the centralised EU CAP budget, the co-financing of RDP measures must be maintained.

The overall budget for Rural Development programmes (Pillar II) must be clearly identified at the start of the funding programme, with funding for existing Rural Development measures maintained. Funding should not be redistributed, through modulation, or other means, from Pillar I to Pillar II throughout the course of the programme.

The following outlines IFA's submission on the future of the Rural Development Plan post-2013. This document is complementary to the IFA Submission on the shape of the CAP Post-2013 (October 2009) and the IFA response to the Public consultation by the EU Commission on the future of the CAP (June 2010).

The submission addresses the following questions:

1. What should be the objectives of the future Rural Development policy?
2. How can the Rural Development policy instruments be made more effective?
3. How can the management/implementation of the Rural Development policy be improved?

1. What should be the objectives of the future Rural Development policy?

The aim of Rural Development policy should be the maintenance of vibrant rural communities and economies led by a viable agriculture sector, with indigenous enterprise delivering sustainable employment. Rural Development policy must be set in the context of and responsive to increasing global demand for food, and challenges for energy and water security.

The CAP Health Check identified specific new areas of focus for Rural Development programmes – Climate change, renewable energy, water management, and Biodiversity. Future funding for Rural Development programmes must not be limited to these areas, and must include other programmes of funding which have been very successful in past Rural Development Plans, including farm restructuring and modernisation, environmental programmes and land management, including the preservation of built heritage and alternative enterprises.

Agriculture remains the primary driver of economic activity in the rural economy. Future Rural Development policy must clearly link funding for programmes with agriculture-related, land-based activities.

2. How can the Rural Development policy instruments be made more effective?

The Rural Development Plan is currently divided into 4 separate funding streams, or Axis. These are:

- Axis I: Improving the Competitiveness of the Agricultural Sector;
- Axis II: Improving the environment and the countryside;
- Axis III: Quality of life in rural areas and diversification of the rural economy; and
- Axis IV: Implementation of the Leader Approach.

In order to improve the overall effectiveness of the Rural Development policy instruments, there is a need to relax the rigid division of programmes into Axis with separate funding streams. Member states should be allowed the flexibility to redirect funding within the lifetime of a Rural Development Plan to areas of greatest demand, in response to changing economic circumstances.

The future Rural Development policy must provide a menu of funding programme options, which gives the flexibility to be applied appropriately to individual Member State needs.

The Rural Development policy instruments can be made more effective through identification of key target areas within each Axis, with programmes that meet both the overarching aims of the EU Rural Development Plan and the Member State's own Rural Development needs. Specific target areas and proposals for programmes under the Axis headings are:

Axis I: Improving the Competitiveness of the Agricultural Sector

1. **Restructuring** programmes should be prioritised to effectively encourage new entrants to farming, including the existing Installation Aid and Early Retirement measures, currently suspended.

2. Measures to promote **land mobility,** including grant aid programmes to address farm fragmentation, should be included in Axis I, as low levels of land mobility can provide a barrier to improving the competitiveness of the sector. These programmes must be complementary to national taxation measures that are designed to encourage same.

3. **Farm modernisation** programmes should include:
   - Investment in farm and forest infrastructure to reduce labour and other input costs, increase animal welfare and environmental standards and increase efficiency and quality of output across all sectors;
   - Improving the capacity and efficiency of individual farmers through use of the discussion group model and other peer learning programmes;

4. Funding for **Renewable Energy** must include adequate support to develop farm-scale Renewable Energy projects, including wind, bioenergy and solar energy. The success of these programmes is contingent on an integrated market plan and sustainable reward for producers.

Axis II: Improving the environment and the countryside

1. **Less Favoured Areas** (Natural Handicap Areas) – This programme is of critical importance in ensuring the continuation of economic activity in areas of natural handicap. The ongoing review of the criteria to define the Less Favoured Areas must protect existing areas.

   This programme must remain within the Rural Development Plan post-2013, as it is an integral part of sustaining farming in difficult land areas.

2. **Agri-Environment measures** – The emphasis of the revised Agricultural Environment Options Scheme is too narrow, and the broader, whole-farm approach from the REPS scheme should be adopted in future funding programmes.

   Future agri-environment measures must maintain and build upon the environmental achievements of the REPS programme.

   Under REPS, 10,000 kilometres of new and rejuvenated hedgerows have been planted or maintained throughout every townsland in Ireland. In addition to the general environmental options under the REPS scheme, around 3,000 farmers participate in supplementary measures. These include rare breeds, organic production, riparian water margin zones, linnet, corncrake and orchard measures.

REPS has contributed to climate change mitigation, as farmland in REPS provides a significant carbon sink, absorbing approximately 2.3 Mt $CO_{2e.}$

In addition, over 3,000 kilometres of stonewalls, mainly in the West of Ireland, are being maintained and improved through REPS. A specific measure under REPS 4 is the maintaining of buildings of heritage, which have been designated as having high architectural value.

Future agri-environment payments must reward farmers for the non-market public goods that they provide, including water quality, landscape management and provision of carbon sinks. The incentive element of the payment should be set at 40% (currently 20%) in order to encourage farmers to participate in the agri-environment schemes. Farmers must also be reimbursed for any income foregone and costs borne as a result of undertaking measures.

Specifically targeted programmes for forestry, which take account of the benefits of high-nature value forestry management to the entire eco-system, must be included as part of the agri-environment measures.

Agri-environment measures must recognise and provide reimbursement for the restrictions imposed by environmental regulations (Water Framework, Habitats, Nitrates and Freshwater Pearl Mussel Regulations) and the impact that these restrictions have on farm incomes.

Where a pilot agri-environment programme has been very successful, e.g. the Burren Project, funding should be made available to extend the model to other suitable geographic areas.

3. **Natura 2000 –** Additional Funding for Natura 2000 designated areas should be provided from the DG Environment budget.

Axis III/ IV: Quality of life in rural areas and diversification of the rural economy/ Implementation of the Leader Approach

1. **Increased Linkage between Axes** – There should be a greater linkage between funding programmes under Axis I, Improving Competitiveness, and Axis III and IV measures. Training programmes in business management, IT skills and enterprise development are equally applicable for both on-farm and off-farm enterprises.

   This is critically important, given the large decrease in off-farm employment, which has occurred in Ireland (-30%) and across the EU during the downturn. As a result, there is a greater need than ever to improve competitiveness within the farm gate, to maximise returns at farm level, but also to link this with the potential to increase off-farm employment.

2. **Link with National Rural programmes** - Measures in Axis III/IV must be complementary to and not duplicate other nationally funded rural measures, e.g. the Rural Social Scheme and Rural Transport Scheme.

3. How can the management/ implementation of the Rural Development policy be improved?

The successful implementation of the Rural Development programme will be maximised through the following steps:

- Providing certainty for participants, through the identification of funding at outset of programme, including both the EU and National co-financing commitment;
- Timely payment to participants under each measure;
- Consultation with stakeholders throughout the course of the Rural Development Plan;
- Simplification of the payment and cross compliance system, by reducing unnecessary compliance checks farmers; and
- Amendment of particular programmes in response to changing economic and social needs and redistribution of funding to alternative programmes, if appropriate.