

Welsh Government Finance Committee evidence -

Response from Professor Janet Dwyer, Director of the Countryside and Community Research Institute at the University of Gloucestershire

The Inquiry's Terms of Reference are:

1. to assess the financial planning for replacing EU funding streams in Wales, and what is being done to prepare for different potential scenarios around levels of funding and administrative responsibility.
2. to explore what approaches to administering replacements for current EU funding streams might deliver best for Wales, and to what extent these might replicate or differ from current arrangements.

As an independent academic with no formal or contractual relationship with the Welsh Government, I do not regard myself as able to comment on point 1 above. On this topic I can merely note that I am aware of the Government's several working groups established to help plan for the post-Brexit policy needs of Wales, in which government officials and a wide range of stakeholder bodies are meeting regularly to discuss issues, assess needs and plan together. This appears to me to be a very sensible response to the current situation of considerable uncertainty in respect of possible future circumstances.

I therefore confine my comments to issues pertinent to point 2, where I have some research insights and experience that might be relevant to the Committee's deliberations. My points concern **principles of effective decision-making, policy design and policy delivery** drawn from over 30 years of evaluating policies pursuing rural economic, environmental and social goals, and particularly policies targeting farming and sustainable land management, also sustainable rural development including LEADER, in the UK and across Europe.

In sum, I believe the most important points to recommend for the future administration of rural funding streams would be as follows.

1. Looking ahead, there is a need **to restore confidence in the rationale and the legitimacy of future support to farming and environmental land management**, thereby to reaffirm a positive funding relationship between citizens and rural actors, particularly in land management and rural development. Current EU funding streams have been delivered through increasingly complex and remote systems in which beneficiaries have had diminishing trust or confidence. There needs to be a shift away from opaque handouts with draconian controls driven too much by an emphasis upon fixed rules and penalties with insufficient regard to notions of proportionality and fairness, to respectful exchange based upon a long-term agreed relationship, rewarding fairly and intelligently and sanctioning cost-effectively.
2. **There are important opportunities to use local and expert knowledge to 'simplify' administrative systems and regulatory delivery.** A shift in this direction would enable a wider community of stakeholders to develop ownership of the principles of good administration and sound regulation, leading to enhanced commitment from actors, leaders, innovators and facilitators, to make the system work in a transparent and appropriate way, sensitive to variability in local circumstances and conditions. If these tactics are adopted, simplification in delivery need not mean naivety or standardisation in processes or outcomes, which could otherwise reduce the value for money of policy initiatives.

3. Public sector administrative and regulatory bodies should recognise that their funding is intended to be enabling, for local businesses and communities who seek it. This suggests a **need for policy makers to be more willing to share risks and responsibilities alongside beneficiaries, recognising the element of risk that is inevitable in business and community development initiatives and projects.** A more enabling environment would be fostered by ensuring that:
 - a. schemes or initiatives are run by long-term delivery staff / agents, who offer continuity of contact with individuals, groups and businesses.
 - b. funding decisions involve transparent processes, but allow staff to apply discretion wherever this is needed to reflect specific local circumstances and situations.
 - c. delivery teams and decision-making processes incorporate a greater degree of partnership and co-design with stakeholders and beneficiary groups, recognising how this can help to identify the most cost-effective way to achieve desired outcomes.

4. Stakeholders, particularly those with less power and access to information, may struggle to engage effectively in shared decision-making. This can be a problem for any policies which are seeking to be inclusive, reaching out to disaffected or disadvantaged groups and individuals in rural areas. In these circumstances, **there is value in helping people to become more effective partners in future policy design and delivery: often this takes creativity and time, but relatively little money.** It is possible to sponsor events; offer advice; provide opportunities for businesses / communities to exchange ideas; and target the less engaged - women, young people, poor, elderly – in order to gather their views and better understand what will motivate them to become involved. There are many good examples of projects and initiatives at local level that have worked with excluded groups to build their confidence to speak up, to identify needs and opportunities and to engage more fully with institutions and structures of governance, over time.

5. Regulation is most effective when it is broadly respected by those to whom it applies: i.e. when it is applied with intelligence and appropriately reflects the complexity of situations to which it applies. **Cost-cutting, remote, low-skilled and inflexible regulation of complex and highly variable social-ecological systems (as are found in agriculture) is not an effective way to operate.** Simpler approaches should not be simplistic, designed in an ‘off the peg’ way in order to keep immediate public sector costs to a minimum, without considering local context or longer term implications. These approaches frequently give rise to overly bureaucratic, inflexible, and inept schemes and policies, which distort aims and outcomes, producing false economies that may actually cost much more to rectify, in the long term.

Within the past decade, CCRI has conducted at least 12 medium to large-scale (n>100) farmer and/or farm family surveys and interviews on topics related to agri-food, agri-environment and rural policy. We have hosted and facilitated numerous stakeholder and beneficiary workshops to discuss various aspects of CAP and related policy design and delivery. In all these empirical data-gathering exercises, the scale and force of farmer discontent with the current approach is a common feature. However we are equally convinced from this research evidence that, for the large majority of respondents, it is not the principle of regulation which is contested, but the way in which regulation and control of applications for aid and beneficiaries of CAP funding are approached through administration and checking processes, which cause most concern. These include:

- using strict, measurement-based empirical indicators when determining compliance and eligibility for payment, which must be verified by in-field or remote assessment techniques

within which there is unavoidable scope for error due to the highly variable nature of the biophysical terrain. Errors in measurement or interpretation generate long chains of correspondence within which these details are disputed, clarified, refuted, revised, etc. – wasting considerable time and energy by both regulator and regulated. The negative impact of this is then magnified by linking these ‘simple’ judgements to significant penalties and an anonymous or de-personalised process through which beneficiaries are informed that they have been found in breach and will have these penalties applied.

- heavy requirements in respect of supporting evidence and multi-staged processes when beneficiaries are applying for rural development funding, meaning that many engage commercial consultants to help them build and present their case. This can potentially distort the application – i.e. where consultants, anxious to maximise their and their clients’ ‘return’ from these processes, focus upon securing maximum grant aid rather than maximum additionality, from an investment process or multi-annual agri-environment contract. It can also encourage over-capitalisation among the businesses aided.
- A feeling of imbalance in respect of the risks associated with payments and claims, such that beneficiaries are exposed to considerable risk in respect of e.g. payment delays, disputes, errors, etc. while regulatory authorities do not tolerate these behaviours on the part of existing or potential beneficiaries.

The policy design places emphasis upon short-term and immediate cost-saving administrative tactics (using low-grade staff or highly financially- and time-constrained out-sourced contracts to third parties, ‘simple’ rules, limited time to engage with beneficiaries). An alternative, more cost-effective tactic is to provide a higher quality of service through more investment in human and social capital, fostering more trust which reduces the incidence of errors, apparent non-compliance, delays in assessment, and related complaint and dispute. This also offers scope to develop elements of self-regulation and/or peer pressure among beneficiaries in respect of compliance, which can reduce the burden on the public authorities.

The CCRI team recommended an approach such as this as a way to enhance the added-value of the socio-economic measures of the RDP in England in both 2007-2013 and 2014-2020 programme evaluations (with ADAS and Hyderconsulting). It was also recommended in the CCRI’s evaluation of Pillar 1 cross-compliance conditions in England, undertaken with FERA.

Another key element in designing and delivering more effective regulations and policies is applying the principle of subsidiarity to enable more flexible local co-design and delivery of agreed high-level goals. Governments can achieve this by agreeing to fund multi-annual, multi-partner strategic projects, in place of individually-negotiated contracts with individual (farm) businesses, to support sustainable land management. The example of co-operative agri-environmental schemes in the Netherlands shows how such an approach can significantly reduce the public sector administration burden whilst still freeing up individual farmers to make their own choices about how much they can contribute, where and for what level of financial reward. (See www.pegasus.ieep.eu/resources-list#presentations , Presentation of Ard Mulders at the NL regional workshop, November 2017).

Classically, when farmers receive subsidies from the CAP under either Pillar 1 aid or under agri-environment schemes, an individual farm business is legally the ‘final beneficiary’ of that aid, and it is therefore that individual farm business that bears the responsibilities for meeting the terms of the contract, monitoring and reporting. That puts quite a lot of admin burden on the individual business and it also means the public body is dealing with often very large numbers of quite small contracts for aid, every year, which is also a big admin burden. Finally, it means that quite a lot of small farm businesses get audited, every year, to meet the 5% requirement. Exactly the same phenomenon can apply to grants given to rural businesses, particularly if they are small (micro) businesses, which is

the typical situation in rural areas. The admin burden and compliance requirements on both public and private sides are comparatively high.

However, the public funding body can also decide to contract with a 'final beneficiary' which is the manager of a 'project' with a strategy, targets and deliverables to achieve over a number of years. That project manager might be a multi-actor partnership, which takes a sum of money and then designs and delivers its own individual agreements with farmers, to provide the targets and deliverables. The public funder doesn't then have to monitor and audit compliance at the level of the individual farms – it instead monitors and audits compliance of the contracting partnership with the terms of its contract, to deliver the strategic-level 'project'. The project managers have, of course, to be able to guarantee that they can deliver the agreed targets and deliverables, but exactly how they do that, by dividing up the funding among a range of more local actors under a variety of contractual or non-contractual arrangements, is their responsibility.

This effectively gives the public funders an easier job of monitoring, paying and auditing a fairly large project, and it takes away the burden of admin on the individual farm or other micro-businesses that are collectively helping to deliver the project's targets and deliverables. The large SWHLI and SWARM projects funded under RDPE 2007-13 were like this, were widely supported and were identified in our ex-post assessment as the most cost-effective approach for socio-economic funding under the Programme. I would suggest that this approach be more widely considered for application to a future agri-food and rural funding scheme in Wales. The partnerships, their composition and geographical scale would require further development to ensure that all key parties were happy to work together in this way, but I believe the approach has many merits. It enables strategic level goals to be built into what is effectively a more local design and delivery process, and it would still allow high-level monitoring and evaluation of impacts and outcomes.

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