

Finance Committee, Thursday 21st June 2018.

Note from Professor Terry Marsden, Sustainable Places Research Institute, Cardiff University.

- Implications of different scenarios around devolution and funding levels in Wales
- The operation and administration of the proposed Shared Prosperity Fund
- How different funding and devolution scenarios might impact on post-CAP funding in Wales, what funding mechanisms might work best for Wales, and how new funding might operate.

Vision and strategy towards transition and adaptation: Future Generations and farming plus for Wales.

Brexit represents a profound challenge and opportunity to re-calibrate agri-food, regional, rural and environmental policy in Wales. Whilst the UK public sector funding has been far the largest area of funding (via Barnett) to affect these areas over what we might now see as the first (20 year) phase of devolved governance in Wales, these policy fields have heavily relied upon ring-fenced EU programmes associated with Regional Development and CAP funding mechanisms. These funding programmes were based upon a needs –based set of priorities built upon the EU mission to reduce regional economic disparities, build regional capacities and support farming families in delivering a combination of public and market goods.

It is critical that now that we have the spectre of Brexit, and the reality of detaching ourselves from these less than optimum policy frameworks, Wales develops a new and prospective collective vision of its own sustainable rural and regional development which is now fully aligned to the principles and values embodied in it's own Future Generations and Environment Acts and its statutory obligations. This means that whilst fully recognising the highly integrated economic ties with the UK, and the need in many regulatory areas (e.g food standards, trade) to participate and to proactively shape UK wide frameworks during and after the Brexit process, it is also critical that Wales develops *its own distinctive vision and strategy for agri-food, rural and regional economy based upon a strong ecological-economic (eco-economic) approach*.¹ This proposes that a strategy and vision is designed to foster the already unfolding transition to a post-carbonised and more inclusive-growth oriented model of sustainable economic development, and in doing to augment the distinctiveness and potentialities Wales holds in developing a world leading innovative green economy. This is an economy and vision which will need to place rural areas and their managed natures (i.e. varied combinations of stakeholders including landholders, foresters, designated landscapes) at the heart of delivering the Future Generations agenda over the rest of this century.

One implication of creating and developing this vision and strategy is to examine ways in which we can create more integrated policy making and delivery which both ameliorates spatial and social inequalities across Wales, whilst also celebrating and recognising the diversity of the ecological economy in Wales; not least by developing more bespoke place-based approaches. There is an opportunity to integrate regional, rural and agricultural policy as sustainable rural development policy- what I call a 'Farming plus' approach. Farming becomes a central vehicle for delivering sustainable rural development along with a wider range of multi-functional rural economic activities- renewable energy, sustainable tourism, and rural enterprises. This is part- and -parcel of the OECD's

¹ See Marsden T.K (2017) Agri-food and rural development: sustainable place making. Bloomsbury, London, UK

vision of the 'new rural development paradigm' which is now being progressed in many regions of Europe.²

As a result it is timely to place agriculture and farming back into the rural economy and to develop support mechanisms which promote multi-functional local economies and businesses.

There is no reason why such a Wales- shared vision and strategy could not complement the wider evolving UK approach, but be *both distinctive of it and 'owned' by the Welsh policy*, such that it retains control over Wales based allocation mechanisms (see below).

Funding sources and means.

Clearly the two major areas of potential support for the above approach are associated with the UK regional development objectives in its 'Shared Prosperity Fund' (so far unspecified); and 'transitional' and eventual post- Brexit UK agricultural support. Proactive discussions with Whitehall are needed on these from the Welsh Government urgently, such that we can articulate and promote our vision and strategy and justify critical funding for Wales in both of these areas. The argument will need to be won that whatever the volume of funding made available for Wales under these schemes it needs to be based upon (a) reducing GDP disparities; (ii) based on a needs –based assessment, and (iii) allow support to continue, at least on a tapering model for farm production support based upon a wider multifunctional approach depicted above. There is a distinct danger here that whatever funding is made available and eventually allocated under these schemes it will be: (i) highly competitive, (ii) linked to a conventional concept of productivity which discriminate against rural and sparsely populated areas, favouring urban agglomerated economies, and (iii) focusses too much on non-marketised public goods instead of a combination of production and services.

This is why I think it is critical not just to get bogged down in 'transition' processes but to declare a vision beyond the transition. Also I would advocate serious attention to proposing the Westminster funding which replaces CAP and Regional Development (convergence) funding should be *formula driven* on a 'Barnett Plus' model. This could be over 5-7 year planning periods so as to give some certainty and review of investments over time.

Systems of devolved allocation

The proposal above suggests the need for the establishment of a strategic Regional and Rural Development Agency/Unit/ Board in Wales which has under its remit regional development, agri-food and rural economic development *for the whole of Wales* and reports to cabinet and the National Assembly. It is aligned to delivering on Future Generations, addresses the restoration of bio-diversity, family farming and the local rural economy in Wales, and it negotiates with Whitehall on funding allocations and Barnett Plus processes. The body then takes control of devolved allocation across all of Wales, and including support to delivery agents (rural stakeholders) see below. I believe that this approach will reduce the potential rise in transaction costs associated with 'hand-me down' and increasingly selective competitive funding from Whitehall; will give a stronger

² See Horlings and Marsden, T.K (2014) Horlings, I and Marsden, T.K (2014) Exploring the 'new rural paradigm' in Europe: Eco-economic strategies as a counterforce to the global competitiveness agenda. *European Urban and Regional Studies*. 21, 1,4-20.

Milone, P and Ventura, F (eds) (2010) *Networking the Rural: The future of Green Regions in Europe*. Van Gorcum, The Netherlands.

collective voice for Wales across the Devolved nations, and will continue to forge positive and networked links with the EU (not least regarding FP9 R& D budget); and the debates about food and rural policies currently developing.

Systems of targeting and delivery.

Targeting and delivery of financial support within Wales during and after the period of transition should give emphasis to devolved systems of support for place-based partnerships on a variety of different spatial scales. These could be aligned to the NRW's area statement sub-regions, to catchment planning and partnerships. Farmers could continue to be major recipients of these funds as long as they were working in partnership and collaboration with the wider range of place-based stakeholders, and were demonstrating how they were harmonising sustainable production of high quality foods with other environmental goods and services (including woodlands, water management, and sustainable amenity and tourism). This is at the heart of the 'Farming plus' approach. The Designated landscapes of Wales (over 25% of its land surface, for instance) can become innovative beacons for fostering these partnership approaches. Wales holds excellent and innovative experiments of place-based partnership working. And these now need to be made more mainstream if our visions are to be realised.

A farming for the future: creating and producing for the public *and* the market.

For the case of rural development and agri-food in Wales the current DEFRA consultation 'Health and Harmony' casts a far too narrow and binary definition of public and private goods, and fails to take into consideration the need to develop the transition to local and regional sustainable food production systems and local forms of rural economic development. A Wales approach must be more integrated and targeted at creating the means by which we can sustain the rural economy and small landholders and farmers in ways which build their capacities to be major delivery agents for Future Generations. We should thus not accept, therefore, that the continued concentration of farming and the removal of family farmers is an inevitable outcome. Under the vision and strategy outlined here they become crucial businesses for delivering sustainable rural natures and economy. Developing a re-invigorated and branded quality agri-food strategy based on a more diverse set of farming practices, thus becomes a critical element of the Wales post-Brexit approach.