

Economic Evaluation of the Upland Experiment (Bodmin Moor Project and Bowland Initiative)

Executive Summary

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Glossary of terms

AONB	Area of Outstanding Natural Beauty
ASPS	Arable Stewardship Pilot Scheme
BI	Bowland Initiative
BMP	Bodmin Moor Project
CAP	Common Agricultural Policy
CLA	Country Land and Business Association
CSS	Countryside Stewardship Scheme
Defra	Department for Environment, Food and Rural Affairs
ERDP	England Rural Development Programme
ESA	Environmentally Sensitive Area
EU	European Union
FABBL	Farm Assured British Beef and Lamb
FBAS	Farm Business Advice Service
FMD	Foot and Mouth Disease
FRCA	Farming and Rural Conservation Agency
LFA	Less Favoured Area
LMI	Land Management Initiative
MAFF	Ministry of Agriculture, Fisheries and Food
NFU	National Farmers Union
NUMRP	Northern Uplands Moorland Regeneration Project
QAS	Quality Assurance Scheme
RDR	Rural Development Regulation
RDS	Rural Development Service
RSC	MAFF Regional Service Centre
SSSIs	Sites of Special Scientific Interest
WES	Wildlife Enhancement Scheme
WGS	Woodland Grant Scheme

1. Executive Summary

Introduction

- 1.1 Following extensive discussions between the Ministry of Agriculture, Fisheries and Food (MAFF), now part of the Department for Environment, Food and Rural Affairs (Defra), and other organisations, the need to tackle the dual and interlinked problems of environmental degradation and a declining agricultural economy in upland areas of the United Kingdom was identified. The Upland Experiment was a two-year pilot study that sought to test out a possible mechanism for an integrated approach to sustainable rural development under the then proposed Rural Development Regulation (RDR). The Experiment sought to deliver economic and environmental enhancements by integrating agri-environment measures, such as the Countryside Stewardship Scheme (CSS), with the economic measures of the European Union (EU) Structural Funds (Objective 5b). This ‘integrated’ pump priming approach to rural development is strongly linked to the three strands of sustainable development (economic, environmental and social), although the social element was less well defined within the Experiment.
- 1.2 The rationale for a more integrated approach to rural policy is driven by both the pulling together of previously separate support mechanisms and a desire for greater regional delivery of these mechanisms. Under the RDR the England Rural Development Programme (ERDP) is being used to both broaden the support to encompass notions of ‘rural development’ and also to increase regional decision-making and planning. Within a European context the explicit recognition of agriculture as being ‘multi-functional’ is important in future negotiations on world trade.
- 1.3 The UK Government’s stance towards agriculture makes it clear that as a sector of industry it is distinct from its peers in only one aspect. Calls from Ministers for economic restructuring are comparable with those in other struggling industrial sectors. However, Ministers have also stressed the desire for agriculture to embrace environmental and social factors important for the wider rural economy. The Upland Experiment was designed to work at two different levels. First, the Experiment sought to introduce an element of integration in the delivery of the economic and environmental advice. Second, through the use of two pilot areas, the Experiment sought to bring together a wide range of interested parties at the local level.

Terms of reference

- 1.4 The terms of reference for this evaluation were to identify the effects on the areas and participants concerned of integrating the delivery of rural development and environmental measures, taking into account the effectiveness and the efficiency of the delivery and administration of the Experiment. The research also considered:
- factors influencing participation and the economic effect on farm businesses of participation in the Upland Experiment;
 - alternative ways of delivering the policy objectives; and
 - the feasibility of adopting a similar approach on a national scale.

The Upland Experiment project areas and approach

- 1.5 In order to test the mechanism linking business initiatives and management of the environment, project areas were selected that were predominantly in the Less Favoured (LFA) and Rural Development Areas and not within an Environmentally Sensitive Area (ESA). Secondary criteria were that the land should have an administrative identity such as a National Park or an Area of Outstanding Natural Beauty (AONB), significant areas of moorland as well as some common land.
- 1.6 Two areas were selected (see maps on pages 13 and 14). The Forest of Bowland includes an AONB with important habitats for upland birds and other fauna. The area was underdeveloped from a tourism perspective and has a mixture of dairy and

livestock farms with a large proportion of tenanted farms. Bodmin Moor itself is an AONB and the project area has potential for enhancement, particularly of moorland habitats. A high proportion of the population is employed in agriculture, allied industries and tourism. Staff from the former Farming and Rural Conservation Agency (FRCA) (now part of the Rural Development Service, RDS) were involved in the development of both projects, in conjunction with staff from the appropriate County Council and a wide range of partner organisations.

- 1.7 The basic template for the two projects was a three-stage process that enabled the business and environmental elements to be incorporated. As a first stage in this approach the applicant's business and land would be assessed to identify economic and environmental opportunities (Stage 1). Once complete, linkages between economic measures (Objective 5b) and environmental schemes (CSS or other scheme) were developed within one application (Stage 2). The final stage was a single locally based decision-making process (Grants Panel) to ratify and monitor any agreement (Stage 3).
- 1.8 In implementing the processes the Bowland Initiative (BI) developed a streamlined version of Stage 1 as a direct response to the level of interest and to meet the target number of appraisals, while the Bodmin Moor Project (BMP) retained the original format. The two projects were also organised differently: the BI primarily used in-house staff while the BMP used independent advisers to deliver the appraisals and thus had a smaller core team. Both projects used the Grants Panel as the locally based decision-making forum (Stage 3) where projects were submitted. In the BI the Panel included local farmers whereas, in the BMP, there was a strong feeling that local farmers should not sit on the Panel and a farming representative was used to provide local knowledge.
- 1.9 Both projects adopted a targeted approach and used the local media to promote the project. In Bowland key environmental areas, often on large estates, were targeted. In Bodmin areas of common land and 'flagship' projects were the initial priority. The BI went further than the delegated funds by securing other public monies and thereby broadened the appeal of the project. Furthermore, the BI had a smaller number of overall partners but most were active; in the BMP there was a wider range of partners but fewer were actively involved in the project.
- 1.10 Since the end of the Upland Experiment, the BI has expanded to cover the whole of Lancashire using mainstream funds and support from the original partner agencies, with the exception of Defra. The BMP closed at the end of December 2001 to be replaced by an Integrated Area Plan within Cornwall's Objective 1 Programme.

Method

- 1.11 The overall approach was to obtain either matching or comparable data from full beneficiaries, partial beneficiaries and eligible non-beneficiaries. The basic approach was to use telephone surveys to gather information from a representative sample, thus providing quantitative data. This was reinforced by a smaller number of in-depth interviews. The latter provided qualitative information to enrich the interpretation of the survey data.

Full beneficiaries are defined as those who had successfully applied to the Grants Panel or received 'benefits' other than the appraisals. *Partial beneficiaries* are those who had only received the appraisals and no other 'benefits' through the projects. *Eligible non-beneficiaries* are defined as being those in the two study areas with over 10 hectares (representing those targeted by the two projects) who had not registered with the project.

- 1.12 The telephone surveys provided a quantitative source of information on attitudes and intentions. Over 40% of full beneficiaries and a quarter of partial beneficiaries were surveyed as well as 97 non-beneficiaries. Matching data from the June 2000 Agricultural Census relating to the farm size and tenure was used.

Characteristics of beneficiaries and non-beneficiaries

- 1.13 Both projects involved in the Upland Experiment appear to have attracted mainstream agricultural businesses. The ‘typical’ beneficiary is a farmer in his/her mid-forties who runs one of the larger farms in the area and is unlikely to be a member of an environmental group but is a member of the NFU or Country Land and Business Association (CLA). They have not been involved in a government funded environmental scheme before although they farm land of high environmental value. The farm business is the main source of income and they have no firm plans to diversify the business. Given the remit of the two projects we consider that this ‘pen-picture’ represents a positive feature since the Experiment seeks to promote a change in thinking. The characteristics of the beneficiaries also differ markedly from the bulk of agreement holders currently in agri-environment schemes like CSS.
- 1.14 Key differences between the two projects emerge when beneficiaries were asked to describe important features of the projects. In Bowland beneficiaries who were most likely to describe the BI as a ‘one-stop-shop’ highlighted the simple and accessible process, reflecting the message in the local media. In Bodmin the key aim of bringing common land into environmental management also appeared to have been perceived by the beneficiaries. Non-beneficiaries in both areas indicated the ‘marketing and promotion of regional produce’ as a key factor.

Effectiveness of the delivery mechanisms and administrative processes

- 1.15 The projects were both very quick at getting off the ground and the role of full beneficiaries in Bodmin as ‘advocates’, spreading the word of the BMP, was considered worthwhile. The levels of awareness of the two projects (90%) are very high considering their short life. Most became aware of the project through neighbours and friends. Such levels are higher than for mainstream schemes such as CSS, suggesting that the local focus is an important element in their success. This may be due to the local profile beneficiaries received through a ‘familiar face’ but higher staff levels, compared to other schemes, may also play a part.
- 1.16 The streamlined approach of the BI allowed a large number of appraisals to be conducted. However, this led to a certain amount of duplication and inaccurate information that reduced the value of the appraisals to beneficiaries and meant that they were less likely to be of future use. Nevertheless, it is conceivable that an adaptation of the Stage 1 environmental appraisals could provide a basis for the ‘entry-level’ agri-environment scheme currently being piloted, possibly as a self-completion document. Likewise the appraisal may also be restructured so that it becomes a baseline document, perhaps including the condition of certain features, on which to conduct CSS care and maintenance visits. Such dual or multiple outcomes are important when attempting to achieve administrative streamlining.
- 1.17 The role of independent advisers was particularly crucial for the BMP but they felt isolated. In both projects there would have been greater benefit had the independent advisers used been more involved in the process, perhaps commenting on Grants Panel applications. The need for clearer guidance and feedback to advisers was identified. If taken on board, the results may have led to more appropriate applications and recommendations/suggestions in line with the project objectives.
- 1.18 It is clear that both projects achieved a reduction in the necessary paperwork from the point of view of the beneficiaries, something that most similar schemes and projects have failed to do. However, this was partly achieved through ‘handholding’, especially

in the BI, with the burden falling on the project team who completed the forms on behalf of the beneficiaries. Likewise the single application process was popular with beneficiaries and partners but it is unclear whether it results in greater administrative efficiency.

- 1.19 Most important is the apparent failure of the Grants Panel to deliver a more transparent and accountable decision-making system. This conclusion, derived from both projects, suggests that the issue of local stakeholder decision-making needs revisiting, focusing on issues of transparency and accountability. Such findings make it easier to suggest that the awarding of grants should be retained at the regional or central level of Government. However, through the use of established partnerships as well as the experience gained in areas such as urban regeneration, community development in the UK and elsewhere in Europe, decisions made at the local level have been shown to work successfully reflecting issues of transparency and accountability.
- 1.20 Overall the findings of this evaluation on the effectiveness of the delivery mechanisms and administrative processes were mixed. The Experiment did encourage local stakeholders to become more active and this increased ownership of the particular project partly as a result of the focused approach of the project teams.

Economic, environmental and social effects and Impacts

- 1.22 While the viability of businesses in both areas has been hit by external factors such as Foot and Mouth Disease (FMD), full beneficiaries tended to be more confident about the future than other groups. While it may be that participation has served to increase the confidence of farmers, it might equally be the case that those joining were more confident in the first place. The information provided by appraisals frequently confirmed existing ideas rather than generating new ones. This did provide a measure of reassurance and in some cases there was a major impact on the balance and thrust of the business. The inclusion of an environmental element within the package was not an attractant. However, environmental management was the main characteristic of the BMP according to beneficiaries and was the major element in BI Grants Panel applications. Thus the environmental element often had the largest impact on changing the direction of the business for most beneficiaries. However, there was an undercurrent of feeling among beneficiaries that projects were too environmental in orientation.
- 1.23 Both projects have brought apparent economic and environmental benefits. As far as business development was concerned, improving the viability of existing agricultural, rather than non-agricultural, enterprises occurred. In Bodmin the erection of new buildings has enabled some beneficiaries to reduce their stock numbers and enter land into CSS. The new conditions of production have also enabled entry into a Quality Assurance Scheme (QAS) and there is anecdotal evidence of better prices. Within Bowland the involvement of significant landowners, such as the Duke of Westminster, has resulted in tenants being able to improve the viability of their farms and include environmental management.
- 1.24 There have been several developments within both projects that have benefited the wider area. For example, most of those interviewed in Bodmin were aware of the developments to Hallworthy Market and the introduction of the Bodmin Farmers Club. The Hallworthy Market developments helped the business to be more competitive and possibly protected it from closure. The Bodmin Farmers Club seeks to fulfil a social function, through its meetings, and also an economic one by using a QAS to link those who rear cattle with those who finish them ready for slaughter. Within Bowland a number of ambitious initiatives were developed. Some, such as the employment of a District Nurse on the Rural Stress Information Network, were well known and widely applauded, especially as a result of the FMD outbreak.

- 1.25 Both projects sought to introduce local food initiatives and such approaches have been promoted as a logical way forward for food producers (Policy Commission 2002). Both the Bowland Forest Foods and Best of Bodmin are continuing but it is too early to tell if they are likely to succeed in the long term. We suggest that on their own they will struggle to attract sufficient business; linking to other initiatives, such as the regional Red Meat marketing initiatives would maximise the outlets and viability of the approach. For example, we consider that there should be stronger links between the Bodmin Farmers Club and the Best of Bodmin marketing group to generate an integrated approach to food production, retailing and tourism.
- 1.26 The overall impact of the projects is further widened through the use of local contractors and other service providers. The entry of common land, be it heavily grazed or under grazed, into more sensitive environmental management, primarily through CSS, will have brought about significant environmental gains. Interestingly, there were also related social spin-offs through the increased contact between farmers. Generally, the increased contact with other farmers and related organisations and the success of the Bowland 'well-being' initiatives are worthy of particular attention.
- 1.27 Crucially, a lack of rigour in the development of the two projects seems to have occurred, especially in the development of the targets and their relationship to overarching aims and objectives. For example, in the BI the target to advise a third of the eligible farmers over the two-year period was a factor in the BI streamlining the appraisal process. As a result, the BI moved away from the original concept of an appraisal service and concentrated on facilitating aspects that the farmer requested. Targets are a characteristic of Objective 5b projects and it was clear that in both projects measurable output targets were not always interlinked in ways that would be expected in a project promoting integrated approaches. Moreover, the overall approach of the Experiment appears to lack a coherent framework and no project management structure seems to have been used.

Impact of facilitation and the integrated approach

- 1.28 The evidence of integration is positive but not overwhelming. The offer of environmental monies was made more acceptable to farmers by the economic assistance. The initial discussions in Bowland appear to have led to a more inclusive partnership. In terms of partnership, the local authorities and environmental agencies valued the developments made under the two projects. In Bodmin there were suspicions at the start, largely from the agricultural sector, that appear to have continued at a low level during the project. It is possible that this relates either to a longstanding suspicion within the agricultural sector of non-agricultural groups taking an interest in issues of land management or past failures. In terms of advice and implementation, the views of beneficiaries and partners were generally positive. The analysis of documentation found little evidence of integration and the beneficiaries, while they affirmed the process, did not recognise the outputs as being integrated. However, in our view the lack of integration in Defra's central administrative functions reduced to some extent integration within the projects.
- 1.29 The aim of integrating advice within the appraisals did not work well for a wide range of reasons. First, the understanding of what the appraisal process was for differed between the two projects. Inference is difficult here as the variables are numerous but it seems that the Bodmin approach, with greater time and detail, produced 'better' outputs, compared to the 'reduced' appraisal process in Bowland, in relation to the objectives of the Experiment. However, the targets set by the two projects heavily influence these differences and the mechanisms put in place to provide assistance to beneficiaries with the appraisals were more important within the BMP.

- 1.30 Second, the independent advisers did not appear to be sufficiently involved in the process, requiring some ‘translation’ of the appraisal outcomes for the Grants Panel application. In Bodmin the aspect of the appraisals relating to CSS bore little relation to the actual agreements, suggesting advisers did not highlight eligible areas causing additional work for the CSS project officer. However, despite the fact that their link with the overall process was weak, there would appear to be some value in the use of independent advisers. A single appraisal that included both economic and environmental aspects might strengthen the link between advice and positive outcomes.
- 1.31 In relation to the impact of integration on facilitation the presence of a dedicated team and the focus they provided has made more things happen on farms, local communities and the economic infrastructure than otherwise would have been the case. By bringing together partners around a common focus the projects have created a climate in which they were able to ease access to the services or benefits that the projects and its partner organisations could deliver.
- 1.32 It is also clear that the local dedicated presence has facilitated access to a range of funds, with the ‘one-stop-shop’ approach being beneficial, especially in Bowland. A key difference between the two projects was identified, while the BMP concentrated on the appraisal process as initially devised, the BI focused on the initiatives identified by farmers and offered more facilitation. However, in the BI it seemed that the point at which facilitation ended and consultancy began became somewhat blurred. The issue of ‘handholding’ is complex and there are differing views concerning its role in the restructuring of the agricultural industry. The presence of a project team that was able to nurse applicants through a complex system was seen as positive by the beneficiaries, the partner organisations and the project team. However, the creation of dependency on free support with form filling remained a problem.
- 1.33 This approach assisted in the added value¹ aspect through the establishment of locally based initiatives that were aimed at lasting beyond the projects themselves. The local branding and tourism initiatives are examples of this and the growth of CSS in two environmentally important areas with few previous agreements is also notable.

Cost-effectiveness of the Upland Experiment

- 1.34 Since no in-depth monitoring of the finances concerning the Upland Experiment generally or the two projects has been undertaken the economic findings are tentative. Comparing the two projects is very difficult because of different accounting procedures and even within projects there remain areas of uncertainty.
- 1.35 Total expenditure on delivery was higher in the BI than in the BMP, largely as a result of the different approach using a larger core team of staff. However, there were more beneficiaries in the BI and more holdings than in the BMP (1214 compared to 740). The BI also delivered a broader set of objectives and a ‘one-stop-shop’ rationale, both of which require a higher level of staffing.
- 1.36 The BMP, with its more focused objectives, used a small in-house team to deliver the objectives and relied to a much greater extent on outside contractors for specific elements, such as the appraisals and the upgrading of Hallworthy Market. Therefore, in terms of delivering the appraisals the approach of the BMP, in using contractors, appears twice as expensive compared to the BI (£1,272 per beneficiary in the BMP compared to £717 in the BI) because these costs can be attributed directly to this element. Nevertheless the approach of the BMP is in line with comparable programmes such as Farming Connect and Farm Business Advisory Service (FBAS) with cost per day of £350-375. Overall, the BMP did not adopt the ‘one-stop-shop’ approach of the

¹ Added value is defined as ‘the additional benefits that occur over and above that which might have been expected’.

BI, instead focusing its grants on a smaller number of full beneficiaries. However, this is counterbalanced to some extent by the greater amount spent on area development initiatives compared to the BI. Overall when the cost of delivery is assessed against the number of full and partial beneficiaries there is little between the approaches adopted by the BI and BMP.

- 1.37 The grants awarded were matched by 50% funding from elsewhere, usually by the farm business itself. Thus the amount spent in grants (£2.44 million in Bowland and £1.44 million in Bodmin) actually triggered a higher level of spending in each area. It is too early to determine the success or failure of diversification activities undertaken within the projects. During the data collection period there was very little information suggesting increased levels of income due to the improved infrastructure or new lines of business. As with the overall benefit to the project areas, the measurement of this type of benefit requires an additional study in a few years' time.
- 1.38 The task of costing an expansion of the Experiment across the whole of England was attempted using a simple approach based purely on an extrapolation of average holding costs for each project to all holdings in England (around 150,000). To consider a more complex approach one would need to include potential administrative savings, differentiation between the number of beneficiaries, as well as differences between lowland and upland areas or farm types such as arable and pastoral. The estimation assumes that the same proportion of beneficiaries will occur across the country as in the two project areas, therefore, the calculations should be seen as preliminary. With such short-term projects as the BI and BMP the administration expenditure would be high in comparison to delivery of objectives, comparable perhaps to the first two years of a newly established ESA. Over longer time periods of operation, administration expenditure would tend to decrease as a percentage of total costs due both to improved delivery and delivery of a larger total of programme benefits.
- 1.39 The national delivery costs of a programme based on the BI and BMP figures would cost around £500 million per annum, using the simple extrapolation outlined above. Somewhere around 25,000 full and partial beneficiaries would be generated. The more focused approach of the BMP would generate more full beneficiaries but the broader approach of the BI would result in more partial beneficiaries.
- 1.40 Comparing project administration with CSS and ESAs is difficult, not least because the approach of the programmes is different. CSS and ESAs concentrate solely on environmental aspects whereas the BI and BMP incorporated economic and social aspects as well. The analysis revealed that administration expenditure as a proportion of total expenditure was similar in the Upland Experiment (BMP 18% and BI 25%) to figures calculated by Whitby (2000) using 1998/1999 figures, CSS (28%) and ESA (15%). However, the BI and BMP figures do not include the costs still incurred by MAFF/Defra for the central handling of the CSS and Objective 5b elements. These costs, together with the costs associated with the developmental facilitation, are clearly significant and would apply to the development of any scheme.
- 1.41 While the average delivery expenditure for both CSS and ESAs is far lower than for the BI and BMP so is the level of payment received by the beneficiaries. To generalise, the Upland Experiment therefore, delivered larger grants to a smaller number of farmers while CSS and ESA programmes are delivering smaller grants to a larger number of farmers. Even accepting these differences the ratio of delivery expenditure to direct grants is broadly similar across the four programmes. This suggests two things, first that delivering higher levels of payment to farmers will result in a commensurate rise in delivery cost. Second that given the integrated nature of the Upland Experiment some 'comfort' can be gleaned from a ratio of delivery expenditure to payments similar to well established programmes dealing just with environmental aspects.

Other possible means of delivery

- 1.42 A number of possibilities exist including the type of model tested in the Upland Experiment.
- 1.43 *Single-stream*: where business advice, capital funds and environmental payments are kept as separate and distinct entities. This approach does not carry some of the facilitation costs of the Upland Experiment (effectively the project team and project administration costs), however the dynamic injected by having them present is also lost. As a result less activity would occur (both economic and environmental) and some capital investments and changes in approach would not happen without this facilitation input. If the current system is characterised as a ‘single stream approach’, then the development of a range of financial measures targeted at resolving specific issues has added to the complexity. As expressed in the Curry report and elsewhere there seems no merit in continuing this situation (Policy Commission 2002).
- 1.44 *Joined-up*: bringing greater synergy in the funding streams through creation of a single entry point but the retention of independent authority and accountability – effectively the method used in the Upland Experiment. A number of other approaches that have some similarity with the Upland Experiment are considered – Northern Uplands Moorland Regeneration Project (NUMRP), South Pembrokeshire Action in Rural Communities (SPARC), the Countryside Agency Land Management Initiatives (LMIs), the Rejuvenate project in the Yorkshire Dales and Farming Connect. All these rely on mainstream funds or other monies supplied locally or by other agencies to meet local priorities. With non-mainstream funds additional costs are associated with facilitation (a project team ensuring things happen) rather than with administration (handling of applications) which remains with the mainstream funds.
- 1.45 *Holistic*: a process of not only integrating processes at the point of delivery but more completely throughout. It is conceivable that funds from some aspects of agri-environment schemes and the RDR economic marketing measures, could be truly delegated to achieve agreed targeted objectives. Potentially the regional chapters of the ERDP provide an embryonic framework on which such a process could be based. However, to achieve this greater delegation of funds, responsibility and accountability would be required at the regional level or lower. It is considered that both the ERDP Regional Programming Groups and the Rural Forums in their current form are likely to fall somewhere short of the degree of partnership achieved in the development and execution of the Upland Experiment. If integrated delegated funds are to be contemplated at the regional level, a higher degree of engagement is required. If developed as part of a regional planning process these mechanisms could create a framework for the management of more closely targeted funds.

Conclusions

- 1.46 The Upland Experiment has demonstrated the importance of locally based staff and/or the presence of tightly focused local activity in ‘making things happen’. Beneficiaries, partners and project staff in the Upland Experiment have all referred to the benefits of this localised approach. The accessibility and consistency of personnel are important factors in this dimension but the localised approach also raises issues relating to administrative transparency and consistency of approach.
- 1.47 What the Upland Experiment has achieved that others have not, centres on the holistic approach Defra and partners have taken, in considering the framework of measures needed within a defined area. Should such a holistic approach be attempted elsewhere, similar achievements could be attained without the delegation and integration of funds tested here, as in the case of the NUMRP. The only conditions to this argument are the availability of capital grants for diversification and environmentally linked farm improvements. This has been addressed in Wales through the Farm Improvement and

Farm Enterprise Grants using Article 4 funds of the RDR. Whatever approach is used, it is worth noting that for most farmers some sort of 'farm improvement' was one of the main attractants to entering the Upland Experiment. In England there was a deliberate move away from farm-based investment but it may be possible to focus use of Article 4 to better meet environmental and diversification needs. Alternatively, it may be possible to use Article 33, which focuses on the developmental improvement of infrastructure at the individual business or local economy scale to provide a holistic link. It is understood that there are few projects covering this area and this may be an appropriate means to promote the use of the Rural Enterprise Scheme (RES). In future the development of Articles in a revised RDR to assist the holistic assistance of rural businesses would be an advantage.

- 1.48 Over the course of this evaluation it is clear that the initial haste in the development of the Upland Experiment has become a hindrance not only in the implementation and development of the two projects but particularly for the detailed monitoring and evaluation of its performance and relevance within the policy arena. More time for consultation and genuine locally generated partnerships would have increased the range and level of involvement from key organisations, local communities and agricultural interest groups.
- 1.49 The target-led approach of the Objective 5b programme also became a hindrance. The overall impression is that the targets were not realistic to the aims of the Experiment and certain targets were not interlinked in a way consistent with an integrated project. For the BI to provide advice to a third of the farming community is a major undertaking within a two-year programme and there were knock-on effects due to the decision to focus on this target not least the increased emphasis on facilitation. The fact that there has been no central monitoring of the financial aspects comparing the performance of the two projects is clearly an area of concern. All of this would have been less likely to occur had a project management framework been adopted from the beginning. Consequently, the task of monitoring and evaluating the Upland Experiment has been unnecessarily complex. There was a lack of any clearly defined criteria against which the success or otherwise of the Experiment could be determined.
- 1.50 Defra is currently consulting on the whole range of agri-environment measures as well as FBAS and the 'lessons learnt' from Objective 5b projects. There is also the inclusion of 'farm advisory services' in the CAP reform agreed in June this year. The new pilot 'entry level' scheme based on the Policy Commission (2002) proposals has the merit of reducing the requirement for one-to-one facilitation even with a self-completion appraisal. Such an approach should also lead to lower administration costs, moving towards a scheme to which all farmers are entitled, provided they meet specific criteria, to benefit. In the current economic climate this will effectively create a benchmark for farming in a sustainable way and an alternative to regulation.
- 1.51 If the integrated approach is envisaged as a continuum there may be something akin to the 'entry level' scheme at one end working towards an holistic approach at the other. Along this continuum the level of incentive would increase and with that a commensurate increase in the required conditions. The type and level of appraisal associated with a particular programme would also increase along this continuum, dependent upon the objectives the programme is designed to address.
- 1.52 Where greater investment in environmental, diversification or farm improvements for environmental benefits is required, a condition of business viability and assurance of certain environmental requirements could be added. At the lower investment levels, partial budgets linked to the business analysis may be sufficient, whereas for the higher investment levels a full business plan and cash flow would be more appropriate. Businesses are not static, and over time the level of appraisal required could change.

However an approach based on such a continuum would provide more assurance than the current single-stream system but could have a lighter and more flexible conditionality element than existed in the Upland Experiment. It would also open the possibility to support 'brown' environmental issues or other environmental activity more suited to arable areas, for example water storage.

- 1.53 If a national version of the Upland Experiment is not considered appropriate, an alternative may be to use the integrated approach to offer a greater level of investment in economic, environmental or social aspects to a specific area. Under this 'hotspot' approach, it is possible to envisage the offer of some 'challenge' funding to particular multi-interest groups through existing partnerships. Defra would need to develop and implement a strong project management system requiring clear objectives and operational structures for applicants to adhere to. Applicants would be required to show local partnership, community engagement and effective use of existing scheme provision. A central lead local 'authority', for example a National Park Authority, would be necessary to handle the issues of political ownership and accountability. Such a model is not possible under the current RDR but should be considered in future developments of the Regulation.

Recommendations

Effectiveness of Delivery Mechanisms and Administrative Processes

- i. The role of some full beneficiaries as 'advocates' in 'spreading the word' of an initiative should be considered alongside the proposals by the Policy Commission report for demonstration farms.
- ii. The high levels of awareness indicate the effectiveness of both projects in creating an 'identity' for themselves. Defra should consider the possibility of 'local branding' for national schemes and initiatives, such as RES, in order to raise their local profile and potential uptake. Similarly, the presence of CSS project officers 'based in the area' was clearly an advantage and should be considered by Defra in agreed 'hotspot' areas. Such areas should embrace environmental, economic and social aspects either singly or any combination.
- iii. An adapted version of the appraisal should be considered on entry of CSS or ESAs, and might be suitable as a baseline for future care and maintenance visits and for monitoring and evaluation studies. Such multiple outcomes are important in achieving any administrative efficiencies.
- iv. The role of advisers was crucial to both projects but their influence would have been enhanced if they had been more involved. We recommend that Defra seek ways to include such advisers in the development, implementation and review stages of projects and schemes. This is already happening to a certain extent in CSS.
- v. The process of developing applications and approving agreements must be transparent, accountable and easy for applicants to understand and meet the minimum requirements of the Government and EU regulations on conflict of interest and accountability. There are examples of decision making at the local level successfully sitting alongside issues of transparency and accountability. The current Defra 'lessons learnt' review of Objective 5b projects may provide such an opportunity.

Economic, Environmental and Social Effects and Impacts

- vi. Defra should consider introducing a flexible but robust project management system to provide a structure and framework for the development and integration of the initiative's purpose, aims, objectives and targets. One such system to be considered is the logical framework (Inter-American Development Bank 1997).

- vii. The BMP's approach of using CSS to secure the environmental management of commons and Objective 5b for capital elements such as cattle grids proved successful. The availability of monies to assist with legal issues and dedicated facilitation time were also important factors. Defra should routinely consider these factors when encouraging applications involving common land (either heavily grazed or under grazed) in order to increase the proportion of this type of land under environmental management.
- viii. Given the Government's current consultation regarding further legislation on common land the two projects will be of interest to those drafting the legislation. Defra may also wish to look at the NUMRP.
- ix. The social and health initiatives developed by the BI should be separately evaluated by Government given the high stress and suicide rates within the agricultural industry.

Impact of Facilitation and the Integrated Approach

- x. The continued separate administration of the schemes within MAFF/Defra reduced any gains made from integration on the ground. Although not possible under current EU regulations and the existing structure of the Department, consideration in the medium-term should be given to an internal restructuring to reduce what amounted to double handling.
- xi. Consideration should be given to the introduction of a whole farm appraisal that combines environmental and economic issues as the basis for entry into any agri-environment or other grant-aid. Defra should look closely at Farming Connect and the adapted FBAS for FMD areas in this regard.
- xii. Ideally, Defra should ensure that forms are as simple as possible and that adequate guidance is always provided. Farmers should not be 'shielded' from the reality of the need for forms and accurate information. However, we recommend that the emphasis of any assistance should be on training and receipt of appropriate advice in order to avoid creating a dependency culture.
- xiii. The inclusion of a wide range of partners (funding, delivery and profile) is crucial to the success of any integrated rural initiative. The partner organisations themselves should increase the level of communication between themselves in order to reduce the level of duplication and conflict between their objectives and mixed messages to farmers. Linking this process into the overall agri-environment review and the mid-term review of the ERDP is recommended.

Cost-effectiveness of the Upland Experiment

- xiv. Defra should plan to undertake an additional study into the impact of the wider and individual benefits of the Upland Experiment in five or more years time.
- xv. Defra should review how it monitors and evaluates the financial aspects of policy pilots, such as the Upland Experiment. The need for standard guidance on the recording of budgetary information so it can be assessed against clear criteria relating to the aims and objectives of research projects is a crucial element of economic evaluations.

Conclusions

- xvi. Consideration is given to a continuum of linked economic and environmental support approaches. Along that continuum, running from an 'entry level' scheme at one end and working towards a 'fully' holistic approach at the other, the depth of appraisal should be commensurate with both the proposed level of change and investment required of the business and the benefits achieved. It should also be flexible enough to meet a wide range of circumstances.

- xvii. For geographic areas or sectors facing particular combinations of economic, environmental or social issues that are counter to the principles of sustainability, a more targeted method is recommended, based on the holistic approach described in the Conclusions section. Such opportunities would be offered under some sort of 'challenge' funding and we envisage that the indicators used as targets would need to rigorously limit the higher administrative and facilitation costs of this approach.
- xviii. We recommend that facilitation is required to raise awareness, stimulate new strategic initiatives to address structural issues and to support training and general guidance in how to apply and meet scheme requirements. Consideration should be given to benefits that accrue from the transparency and direct accountability achieved in using the private sector.
- xix. For both the facilitation and appraisal processes we recommend that: more detailed consideration is given to the objectives which they are designed to address; the specification of what should be delivered to achieve them; and the need for a sufficient timescale which recognises the realities of the business and demographic cycles.

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