

# Welsh Government – A Framework for Regional Investment in Wales.

**Deadline 5<sup>th</sup> June**

**Question 1: What are your views on the proposed model where:**

- **strategic, pan-Wales initiatives are co-ordinated at national level; and**
- **designated regional bodies design and deliver their own programmes of investment aligned with national-level policy?**

We understand the logic and sense in this approach. Any new designated regional bodies would need to fall within the same legislative duties as set out in the Well-being of Future Generations (Wales) Act, the Environment (Wales) Act and the Planning (Wales) Act. As a statutory member of Public Services Boards, NRW would expect to be a key member of any Regional bodies established, or at the very least, a statutory consultee.

The national level policy would need to be flexible enough to enable regional based approaches that best suited the challenges and opportunities in each place – yet were not so independent as to create unnecessary conflict or competition between places. We would expect the policy to be strongly based on contribution to all of the Well-being goals and in line with the principles of the Environment Act Wales. The first SoNaRR, Natural Resources Policy (NRP) and Area Statements should be used as evidence to drive the policy and deliver the opportunities.

The proposed model makes sense on paper but needs to be well thought through. There are a lot of regional delivery structures / plans - PSB's, Local Authorities (and possible LA reform), Local Planning Authorities, Designated Area management authorities, Area Statement areas, the 4 regions of WG Economic Action Plan, the 4 City / Growth Deal Area from the UKG Industrial Strategy. The different scale, borders and objectives of all these plans and structures are complex already and will naturally come into conflict with each other. It would be helpful if this new framework clarified some of these structures and simplified the delivery model to help deliver a cohesive picture overall which will be key to making the ESIF replacement a success. We particularly would want to see strong linkages between the CJs and existing PSBs and Area Statements although would also welcome a consideration of the capacity of existing organisations in participating in the myriad of structures.

The differing timetables of each of the contributing structures involved also needs consideration. Whilst having a single fund with regional prioritisation and long terms plans combined with overarching national objectives is a good structure, a lot of the enabling tools (such as the planning system which operates at a local level on 5 cycles) will need to factor in and support these longer term goals / plans.

**Question 2: Do you support our proposals for some investments to be led by the community in which the activity takes place?**

Generally NRW is very supportive of this approach, however we also recognise that communities do not always have the required experience or skills to deliver complex schemes. Capacity building and having the ability to collaborate with others is key. Community led projects can often depend on the skills and experience of a few key people in an area so getting the training, advice and guidance offer right will be important at the national level filtering down to local level. This is particularly the case in the marine environment as the logistics are often very complex and therefore more ambitious community led initiatives are likely to need logistical support from other bodies. We would also expect to see links to the Area Statements as these have been developed with communities in those places and using SoNaRR evidence.

**Question 3: Do you agree that we should continue to increase our use of repayable finance where this is viable and, where it is not, that models of combined support that maximise the repayable element should be developed?**

Yes we do support this. We recognise the value of cash injection in supporting innovation and repayable finance can be particularly useful in driving entrepreneurialism where the public sector cannot sustain long term. Looking at a Welsh example, the repayable finance has been very successful for the tourism industry over the last few years as it gives the applicant more ownership of what they are applying for. Tourism grants that operated on repayment finance delivered a 70/30 split between loan and grant so that anyone applying (and able to prove the viability of their business) would get 100% of the money needed which allows greater investment and growth.

Careful implementation is needed though and there is a need to look at viability not just from the economic perspective but from the sustainable perspective. If eligibility is dependent on business viability (like it is currently for tourism) then a lot of SME's / businesses managed for outcomes beyond pure economics may be overlooked. We would also support consideration of funding to enable sectors in transitioning to meet regulatory compliance (e.g. dairy).

Some sectors are more able (and economically viable overall), even at a national priorities level, to work in this way than others so gradual implementation that fits circumstance with progression to wider use is key.

#### **Question 4: What are your views on our plans for the transition period?**

We welcome a transition period, rather than a 'cliff edge' scenario, and the transition plans appear logical although more detail is needed. The plans assume that the Regional Economic Frameworks will be up and running by January 2021, plus time will also be needed to fully establish CJs, especially considering the need to look at alignment of policy and purpose at the national through to the local level.

Consideration is also needed around how looking at 2021 alone fits the multi annual framework. Keeping work going on the ground is important, but also having a mechanism to start moving forward in this time frame is also important or momentum against targets and direction of travel may be stifled e.g. CAP Agri environment in Wales annual funding means that for certain aspects (e.g. Glastir advanced) no additional windows for new agreements have been opened over recent years, with current agreements been rolled over. This is different from what is occurring in the other devolved areas, who have multi year budgets and are actively recruiting against targets. If there was a delay for what ever reason we could see the same happening in Wales.

#### **Question 5: How best can we integrate the horizontal themes of equality, sustainable development, gender mainstreaming and the Welsh Language into investments delivered at national, regional and local levels?**

Integration can be best achieved by ensuring that the Well-being of Future Generations act, and in particular, the SD principle, is built into the development and consideration of all investment proposals from the outset, at the local, regional and national level. Embedding these ways of working as a matter of course, and not as a "tick box exercise" is vitally important to ensuring horizontal integration. We would also expect regional bodies to be subject to the biodiversity duty under Section 6 of the Environment (Wales) Act.

There are already established processes to assist with policy integration – including Strategic Environmental Assessment, Health Impact Assessment and Equality Impact Assessment which we would strongly advocate would be a necessary part of this process.

At the local and regional level, Area Statements will provide an important evidence base to support the development of regional investment plans. These provide important evidence on the opportunities to contribute to the sustainable management of natural resources in each Area, as well as key data on the resilience of ecosystems and the benefits they provide.

**Question 6: How best can we increase the use of the Welsh language through our proposals for regional investment, and ensure it is treated no less favourably than the English language?**

As noted in our 'Brexit and Our Land' consultation response, there is an opportunity with the proposed Economic Resilience scheme to use the “Cymru Wales” Nation brand in conjunction with sustainable brand values in the land management sector. This could facilitate integration of high quality products such as food and fibre and the ways in which our natural resources are managed for the benefit of future generations. It also has the potential to better integrate regulation, incentives and best practice across the land management sector.

**Question 7: What are your views on the proposed delivery model for the strengthening of partnerships, co-operation and trade across borders, within the UK and with international partners?**

We are very supportive of having cross border delivery models. This is an important area, especially as so many of the supply chains in Wales operate at a UK if not EU level and this must be recognised to ensure the future viability of key economic supply chains (food is very tangled with EU supply chains). Natural resources and potential impacts on them are not constrained by political boundaries. NRW has to consider cross-border issues and working in our role and remit, particularly across to Ireland, as well as to England. Regulation differences between Wales and the rest of the UK will also potentially become increasingly impactful. Getting a strong framework in place would support co-operation to happen more effectively will be beneficial to delivery and outcomes.

In the future, it will be UK government on behalf of the whole of the UK who will be negotiating trade deals so keeping an integrated approach within this delivery model will allow Wales to maximise trade opportunities and sustainable growth.

**Question 8: What do you think of the proposed strategic objectives across the four investment priority areas? Are there other objectives that should be considered?**

We are broadly in agreement with the proposed strategic objectives and their ambition. However we feel there is a need to significantly increase the embedding of ecosystem resilience, the Sustainable Management of Natural Resources across delivery and the use of Green Growth and developing the Circular Economy, as this will ultimately deliver benefits for our economy, society and environment.

This framework has to deliver against the 4 pillars of sustainability economic, social, cultural and environmental otherwise aspirations for welsh language and poverty may not be met. These priorities cannot be met at the expense of the Sustainable Management of Natural Resources. The WG Natural Resources Policy (NRP) draws on evidence from the first [State of Natural Resources Report \(SoNaRR\)](#) and recognises the clear business case for investing in our natural resources as a cost effective approach to bringing prosperity to the whole of Wales and delivering on 'Prosperity for All - the national strategy'. We would want to see a stronger emphasis on the three national priorities as identified in the NRP for the management of our natural resources:

- Delivering nature-based solutions;
- Increasing renewable energy and resource efficiency; and,
- Taking a place-based approach.

The strategic objective for the zero carbon economy priority "improve biodiversity and reverse green house gas emission effects" could be better worded to reflect the role of the environment in managing carbon. What form of indicator would you use to assess against a strategic objective of "reverse greenhouse gas effects"? A project in Wales cannot demonstrate its reversed global warming or sea level rise. "Restore and enhance biodiversity and ecosystem resilience to increase the role of the environment in mitigating greenhouse gas emissions and their effects" or something similar would be a better objective and would be able to have clear indicators. Also to note that NRW are about to publish a report on the carbon storage in the welsh marine environment – the data suggests that the marine environment in Wales stores almost 170% as much as welsh woodland and many welsh marine habitats have high sequestration potential within soils and sediments. Planting trees and restoring peatland is important, but there is growing evidence of the role the marine environment has to play in carbon management.

We welcome the zero-carbon economy priority, but this is a focus on mitigation, we also need to see more opportunities for adaption in the framework, delivering on WG's Climate Change Adaption Plan and National Strategy for Flood and Coastal Erosion Risk Management in Wales. Communities will need to adapt in response to climate change and there are significant opportunities (such as new green areas, making space for water) that this Framework could support. The activities identified in the Climate Change Action Plan will contribute towards economic resilience:

- protecting people, communities, buildings and infrastructure from flooding,
- protecting water supplies from drought and low river flows,
- tackling land management practices that exacerbate climate risks,
- managing risks to ecosystems and agricultural businesses

The strategic objective for the productive and competitive business priority "enhance research and innovation capacity to increase the success of research institutions in attracting funding to Wales and support business innovation to translate innovation into new and improved commercial products" - this objective should include more sustainable practises, not just new and improved. For example, in the Brexit and our seas consultation, we made the following point: Future funding should incentivise sustainable fishing and promote research into innovative gears and methods, promote industry collaboration with academia to address priority research needs and promote the development and adoption of technology, for example the Remote Electronic Monitoring initiative development, testing and adoption.

NRW is currently engaging with WG on the Sustainable Farming Scheme which considers a new Land Management Programme consisting of an Economic Resilience scheme and a Public Goods scheme. It is important that any proposed schemes are integrated to ensure cumulative benefits.

**Question 9: Which indicators do you think should be used to measure progress towards achieving the proposed strategic objectives?**

We would like to see measures that bring in the sustainability potential for the applicant and the wider supply chain. The usual economic measures of jobs created / jobs safeguarded that are used in traditional economic development schemes in Wales naturally concentrate activity towards large businesses and projects.

Sustainability indicators would allow a project to be assessed against the positive impact it would have in its local setting, the local community as well as the overall supply chain in which it operates.

This links back to the “focus on outcomes not outputs” reasoning behind the RBA model and the fact that a beneficial outcome is a sustainable outcome (WFG)

Indicators should be flexible to encourage innovative and ambitious projects that address the climate and nature emergencies to be supported. Indicators based around purely economic factors do not take into account the importance of natural resources for the long-term sustainability of any economic gains. Indicators should align with broader policies / strategies.

**Question 10: What are your views on the approach described in ‘Fair, transparent, and consistent rules’?**

We support the aim to have a set of simplified, proportional, flexible and less bureaucratic rules for investment, managing risk so that innovation and creativity can be supported.

We agree on a stronger emphasis on delivering outcomes and aligning with wider government policies. We would welcome rules that better facilitate collaborative working and sharing of money within a partnership.

The use of flat rates / unit costs are useful to reduce admin costs and when looking at larger scale / general schemes with wide uptake but they do inhibit the provision of tailored support to meet individual circumstance.

See also our comments in Q13 about trying to move past some of the barriers between CAP and ESIF towards a more integrated model of support.

**Question 11: Should the capacity to deliver the monitoring and evaluation proposals be prioritised?**

Yes, we agree that creating an effective monitoring and evaluation system that is outcomes focussed and aligned with WFG should be a priority.

We support the use of an evidence-based approach and applying proportionality. Historically the EU monitoring requirements have typically been standard KPI / tick box exercises that can be overly burdensome for smaller scale investments and present a barrier to more innovative solutions and outcomes.

**Question 12: Do you agree with the proposal outlined for development of monitoring and evaluation at the regional and local level?**

Yes, we support a co-ordinated and collaborative system of monitoring and evaluation activities at both national and regional levels, although note the point about proportionality. WFG should be the starting point and end point re monitoring and evaluating for this programme. Picking up the other specifics of Environment Act/Section 6 and other legislation along the way. But all policy and programmes in Wales should be about maximising contribution across all 7 well-being goals in an integrated way. We would hope to see direct association between the structural funding, economic activity and environmental improvements linked to future SoNaRR reports.

We do also need to make sure that different additional regional indicators don't inhibit cross-border working (within Wales as well as UK)

**Question 13: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this consultation to address them.**

We think there is a need to consider the synergy between ESIF and CAP Funds. In the past Wales has always kept the two Funds mostly separate. Whereas England used to ring-fence a portion of their ERDF and combine it with their CAP RDPE to deliver economic growth for rural areas in compliment to CAP Pillar 1.

With CAP focusing on the agri / land use sector for primary production and small scale diversification only, and ESIF providing most of the supply chain funding and wider R&D and innovation projects, at lot of the strategic opportunities were never realised for the two sectors (farming and forestry) that make up the majority of land use in Wales and are the caretakers of our natural resources.

The supply chains directly linked to land use, agriculture and forestry, are foundational for a lot of larger economic sectors – Food & Drink, timber, energy, tourism. Also the health and well-being delivered in terms of access and landscape value and the breadth of SME's that are supported by natural resource use, providing jobs in key geographical areas, would suggest synergy between the replacements for two of the biggest Funds in Wales would be beneficial. This could have positive impacts on vertical supply chain integration and circular economy thinking.

Whilst this consultation is specifically looking at ESIF and not CAP, it's important to note that CAP used to deliver some vital elements of rural economic development including diversification, advice and guidance and training needs plus some SME supply chain investment funds. This whole element of CAP is not being considered in the proposals or budget for the CAP replacement policy (Sustainable Farming Scheme). Rural areas and businesses tend to be overlooked by economic funding for two reasons, (1) primary production businesses could only apply for CAP and when they diversified were encouraged to do so under one businesses operation, (2) rural areas are full of SME's that find it difficult to complete for funding in previous economic schemes where jobs created / safeguarded has been the central criteria for an application. The proportionality of investment and it's impact on the local community and economy is an issue that has not yet been resolved.

How will the funding be allocated to different sectors / regions? Will there be ring fencing, but the administration of the scheme will be consistent? In other areas, marine could miss out with a single fund approach, because results indicators are often skewed towards those indicators that are easy to prove in terrestrial environments. We want to see a strong focus on activity between sectors as well as with-in sectors to reduce a silo thinking and to encourage a whole system scale approach. Post Brexit and Covid-19 we need to to drive real change and ways of working, to embed green recovery and growth that supports a resilient ecosystem and a resilient economy and that will necessitate co-operation and engagement from all parts of the supply chain.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please let us know by ticking the appropriate box.

If responding by post or email, please include your name, organisation (if applicable), phone number and address along with your response. Thank you.



Name:

Organisation:

Phone number:

Address: