

Executive summary

Focus of this research

Resources for Change, with their partners URSUS Consultants, were contracted by the Welsh Government to review how business and the third sector can be supported to improve joint working towards improving the opportunities for delivering integrated natural resource management and delivering an optimal combination of ecosystem services in ways that are as sustainable as possible. Ecosystem Services (ESs) include provisioning, cultural, and regulating services, which could include food, timber, energy, other materials and products, tourism, recreation, health and education services, water quality, flood regulation and waste management. The team was tasked with focusing this piece of research on land based, (as opposed to marine) resources.

This piece of work was commissioned to help build an improved understanding of the role the third sector plays in interventions which work with ecosystem services to deliver a more sustainable approach, and specifically, how third sector works with business to achieve it. A few initial examples (*significantly more are contained later on in this report*) are where third sector organisations work to strengthen the link between the resource, local business and local people by bridging the gap in the market and exploring new opportunities (e.g. Cwm Harry Zero Waste project), taking on smaller scale work than may be viable for a business operating on a wider scale, developing wider social benefits operations (e.g. Cae Post linking waste processing with social support) or using grant funding to explore alternative approaches and opportunities which can form new markets (e.g. The Wildlife Trusts Living Landscapes programme). Many of these require increased risk, which can be supported through grants or other support from large funders or the public sector purse.

The work sought to understand what the motivators, barriers and capacity needs are to improve joint working and to develop a better understanding of the motives and constraints for both sides. From the findings, the report goes on to make suggestions on how to improve joint working so that new initiatives can make use of the learning and deliver stronger, longer lasting and economically viable results.

Note: This work overlaps with a second piece of work being carried out into valuing ecosystems, as well as work on co-production, and a number of other current agendas / research pieces.

Objectives

- Understand and present the existing limitations that prevent the third sector from engaging with business in these activities
- Increase understanding of effective ways of engaging business
- Identify practical ways of overcoming market failures and / or other barriers to increased habitat creation and ecosystem restoration
- Develop skills and understanding in the business and third sectors

Approach

Phase 1

Desk review, scoping interviews, (phone and face to face) and reflection on our own knowledge from other work. This was then presented and discussed with the client.

Phase 2

Follow up interviews at a more local level to investigate aspects of interest plus a small number of site visits. Presentation to the natural resources reference group and a Stakeholder workshop

Finalisation

Follow up investigation of issues raised and cross-referenced with other work

Findings

The **range of relationships** being considered by the third sector working with business is **broad**, but their **practical application is currently limited**.

The **bulk of relationships** are still very “traditional”, ad hoc, opportunistic, or limited to a third sector organisation’s particular objectives.

Very few examples of all the **Ecosystem Approach** principles being applied to **integrated natural resource management** were found and with the exception of the WeCan project, the majority of those being delivered at scale are rurally located.

There are a number of factors which emerge as significant in developing the application of an Ecosystem Approach to integrated natural resource management in Wales.

These are:

- The significant **role of the public sector** in the Welsh economy and as land owners
- The **scale and role of social enterprises**
- The limited number of very large businesses with a Welsh as opposed to UK market focus and therefore interest.

A range of relationship typologies were identified, summarised as:

- Business giving to third sector
- Joint management
- Monitoring
- Developing new business / products
- Improving joint decision making
- Developing good practice
- Joint common agendas
- CSR
- Third sector as business
- Business in third sector
- Branding

The main limiting factors to joint third sector and business working were:

Many of the issues relate to risk and are manifest as:

- Organisational values and ethos of third sector bodies
- Understanding of each other (including trust)
- Poor financial stability of third sector bodies
- Uncertainty of new approaches
- Weak policy and legislative enforcement
- Breadth of the third sector involved in environment, many coming from other sectors and so with less specific environment knowledge
- Lack of supply chain stability
- Lack of business understanding / realism by third sector
- Unrealistic expectations of third sector by business, in terms of quick responses / readymade projects to pick up etc.
- Third sector bodies lack the capacity or scale to deliver for business
- Lack sufficient power and / or control in the market place

In terms of joint working, good examples are particularly evident at the following **geographic scales**:

- The Local community level

- Land holding / owner control
- Area working - partnerships

Analysis of the findings

In summary, the findings suggest that:

- both the term environment and third sector bodies covers a very broad range of organisational types, for many of whom their core purpose is more social and / or socio-economic.
- most of the issues and opportunities identified are generic to third sector private sector joint working
- many of the barriers relate to risk, and how this is manifest
- there are some aspects of Ecosystem Services which have a weaker link to the market and so have to be driven by other interventions, notably legal or funded support. Specifically evident are those benefits which are more removed from day to day life, or for which the benefits accrue over a long time period. Biodiversity is a good example of these
- the limited size of many businesses and the dominance of the public sector in the Welsh economy means that public sector behaviour and especially procurement practices are potentially significant drivers of change
- there is a difference in how third sector and business relationships can be approached in the rural, peri-urban and urban areas of Wales
- there is a clear need for a more integrated approach to use and management of ecosystem services across all sectors

The recommendations

The main opportunities identified for WG intervention are:

The role and influence of the public sector on the economy of Wales clearly identifies the importance of the Welsh Government departments and NRW in taking a leadership role. This equally applies to other public sector bodies in Wales.

Opportunity: To develop a longer term, sustained market for public sector requirements and specifically non-market ecosystem services (specifically biodiversity).

Maintaining consistent policy direction for sustained periods.

Maximising the opportunities on WG and other public sector owned and managed land, especially in relation to procurement practices which favour wider ecosystem benefits and joint working.

Review legislative enforcement.

Invest money raised through resource based activities (e.g. wind generation) back into ecosystems.

PHASE 1- Setting a good example

A significant amount of change can therefore potentially be achieved by the public sectors own behaviours. We propose an Action Learning approach, and whilst the following provides outline phases some aspect may, and should, develop in tandem. If delivery waits to start each new intervention based on the outcome of the previous phase both time, momentum and impact are likely to be lost. The phases are therefore given as a guide, not an absolute process.

Opportunity: Develop good practice on public sector owned land; linked to other interventions identified below, provide supportive environment for other landowners.

Deliverable through for example, a forum, a regular report and regular meeting / briefing sessions. Should not need a new group to be created but could be hosted within existing organisational structures, with allocated funding support.

Participatory grant giving - i.e. a flexible grant programme which allows grants to be developed through co-production in support of ecosystem services (this has been trialled successfully in other settings, notably overseas development).

Fiscal mechanisms – Cascade report.

There is a role for partnership support / brokerage and facilitation at a local level. Whilst this is probably best achieved through independent brokerage, there is a role for key public sector staff in helping to support internalising the process and the results of community and stakeholder engagement into the public sector body delivery and behaviours (demonstrated by South Wales Woodland planning processes).

Opportunity: Building internal staff capacity to provide facilitation, along with reporting routes which allow them to influence organisational behaviour.

External partnerships (Including regional / sub-regional brokerage bodies).

Experience shows these need to be autonomous, with flexibility to trial new agendas and not be constrained by current thinking. This appears to be achieved through a facilitation role external to the public sector (e.g. WeCan; Severn Estuary Partnership; Dyfi Biosphere; Montgomeryshire Wildlife Trust Pumlumon project). They appear to work best when they incorporate all sectors, whilst being independent of any one of them.

PHASE 2- Involving others

Building on the learning and experiences as they develop, public sector bodies can then roll learning out with and through their partners. They can also play a key role as a hub for joint working.

An emerging hypothesis is for supporting integrated sustainable natural resources management which takes an Ecosystem Approach and is guided by collaborative Ecosystem Benefit Analysis. This combines both joint initiatives and activities within single ecosystem service initiatives, resulting in an integrated approach.

For this joint approach (also including public¹ and community sectors) to happen, sub-regions would need an ***ecosystem benefits analysis*** which guides the identification of opportunities which satisfy key areas of need, and which joint ventures / partners can then respond to. This develops from understanding the current ecological context and the administrative and other systems which exist and affect ecosystem services. This could include: cause and effect analysis; critical path analysis of current blockages; Appreciative Inquiry of opportunity and other appropriate methods.

Opportunity: Develop and facilitate a networked approach to ecosystems analysis process and its delivery.

There is a clear opportunity, as set out in the White Paper, to use the Area-based approach to establish a process for ongoing dialogue with various local stakeholders, and to provide a level of clarity and focus for those groups operating with a geographical remit, which likewise can help to steer and prioritise funding.

The immediate concern is to ensure NRW factors these opportunities into the work it is undertaking to organise itself for the implementation of the new statutory duties set out in the White Paper.

Opportunity: Peer to peer networks and providing access to real examples.

This could be delivered through existing network organisations with information support.

Encourage the involvement of business sector representation (including consultants) in third sector networks to encourage cross learning and sharing of knowledge and build trust and understanding.

¹ There may be a value in involving the Wales Audit Office in this to help develop a joined up approach from start to finish.

PHASE 3 – improving and developing tools which enable the market to deliver.

There is a need to develop a common and simple language around ecosystem services, as well as cross cutting tools and approaches to support delivery.

Opportunity: Develop tools to build guidance and understanding.

This might include:

Commissioning toolkits based on real experiences which would be useful for both third sector and business / landowners.

Key delivery organisations (e.g. NRW) to appoint / create eco-system champion/s, within their organisations, through which good practice would be collated and disseminated within and outside those organisations.

The Public sectors own procurement practices are fundamental in driving the market development and there is a need for effective cross cutting procurement practice which can deliver outcomes for a range of benefits and across departmental boundaries .

Opportunity: Improve procurement practices.

The market created by public sector procurement, including downstream supply and sub-contracting to the private sector plays an important role in underpinning the income streams of social enterprises. This is therefore covered by some of the opportunities summarised below.

Opportunity: develop good practice guidance and support development of good practice.

As part of this package of interventions, the following two specific ones have emerged in relation to providing a fiscal environment which reduces risk at critical points in the development of new market initiatives.

Opportunity – A bridging fund

This could offer:

The opportunity to replicate good practice in a higher risk environment where the returns may well be lower due to physical landscape challenges / distances etc.

A reducing /tapered funding stream between grants aid (where the grant restricts the opportunity to sell services) and the service developing its own income stream.

Opportunity - Scaling fund

This could include criteria such as:

Proven intervention which will be taken to scale, based on a hypothesised theory of change.

Potential impact, based on theory of change against system and context analysis.

There is a logic to both of these funds being treated as flexible, and recipients being involved through a process of co-production to develop the intended support and outputs / outcomes.

PHASE 4 – delivering with others

Finally, the Public sector, primarily guided by NRW needs to provide a hub role across sectors in developing ecosystem service based economies.

Opportunity: increase the ecosystem outputs from market interventions.

Especially relevant is the impact on biodiversity and habitat management which cannot be sustained by the market and therefore should be secured through public sector support delivered under long term and framework contracts.

This element is covered by the work being undertaken by Cascade into valuing ecosystems.

Opportunity: Broker joint capability to deliver ecosystems management on a local, regional and national scale.

WG (and its delivery bodies, primarily NRW) support to the development of regional and national brokerage of joint delivery implemented through: procurement practice; brokerage of contracts; funding for the delivery of good ideas brought forward by third and private sector through co-creation; brokerage of regional networks.

Accept that not all ecosystems services will be recognised and supported by the market and allocate public sector funds for long term delivery through framework contracts.

Brokerage of tendering teams of smaller organisations (geographically or thematically) for larger delivery contracts.

Opportunity: Longer term support for partnerships orchestrating an Ecosystem Approach

Opportunity: create supply chains which support an ecosystem approach.

Working through NRW and the third sector invest into alternative supply chains.

This funding should underpin any additional risk due to e.g. length of time to establish, possible lower yields, rather than underpin the core of existing practice.

Progress will be evident when:

- Procurement practices take proper account of ecosystem services benefits delivered by the third sector and reward them financially
- Third sector understand and trust business sector and work with them effectively when appropriate
- Non-market ecosystem services are recognised, valued and funded long term by the public sector
- Effective networked cross-sectoral working is evident at all levels
- There is a fair and true recognition of the role of the public sector purse in Welsh economy and specifically how it relates to and underpins the markets relating to Ecosystem Services.

Opportunities for further work:

- Development of ecosystem analysis process and approach
- Approaches to co-production and participatory grant fund development
- How NRW and WG should be organised to create an enabling environment and specifically their internal organisational, skills and management requirements to facilitate effective delivery of an ecosystem approach
- Trial of fiscal tools (see Cascade report)
- Review of legal context and how it can be strengthened to effect better protection of ecosystem services
- A review of brokerage options for delivery of an ecosystem approach and integrated natural resource management at different decision making and ecosystem scales.