Accountability and rural development partnerships

A study of Objective 5b EAGGF funding in South West England

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Abstract

Funding for Rural Development Partnerships has signalled a shift in rural policy, towards actively involving the rural population in determining the direction and implementation of change. However, early experience with partnerships has indicated that the funding bodies have retained significant control. One reason for this is that they are constrained by their accountability requirements. Furthermore, with not all members of the partnership accountable to the same degree, the funding bodies bear a significant proportion of the risk of new ventures which can result in conservative decisions. A study of the EAGGF component of an EU Objective 5b Programme in the South West of England highlights the tensions that can arise in a partnership from existing accounting arrangements. The lack of a trusting relationship between state and citizens resulted in excessively formal accountability requirements, creating difficulties for applicants, and producing risk-averse decisions by state administrative bodies. However, the case study demonstrates that through the development of networks, both accountability and thereby project responsibility and risk could be more widely spread, creating opportunities for locally shaped, novel and flexible development.

Introduction

When the rhetoric of partnerships entered the rural policy domain, there was an expectation that this would result in greater autonomy for those for whom the policies were intended to benefit. There was a presumption that partnerships would be a means by which the state would relinquish some of its responsibilities to private and voluntary sector actors (Edwards et al., 2001). In practice, this does not appear to have occurred to the degree expected. Many commentators, focusing on specific examples of rural partnerships, have suggested that there has been little change in the power relationships, with the state maintaining a high degree of control on the pattern of development (see for example Murdoch and Abram, 1998, Jones and Little, 1999, Storey, 1999). This has led Edwards et al. (2001) to argue that the partnership approach merely marks a shift in the strategy of the state to render society governable, rather than marking a change in governance. The same authors conclude that a reason why power has not been transferred away from the state is because partnerships have no direct accountability to the public. This is a subject worthy of further discussion. Critical accounting studies have identified how accounting techniques determine our means of perceiving and acting upon events and processes (see for example, Roberts (1991), Hopwood and Miller (1994), Munro and Mouritsen (1996)). Consequently, the forms of accountability that are construed in social arrangements do have a direct bearing on their nature and function. Therefore, in this paper we focus on the accountability arrangements for the allocation of EAGGF funding in the Objective 5b programme area in the South West of England and consider how this influenced the funding and development process.

The Objective 5b funding programme was an EU spatially designated rural development programme which operated between 1989 - 1999. In the first Objective 5b programming period (1989-1993), the South West England area designation (covering parts of Devon and Cornwall and the Isles of Scilly) was one of just four designations within the UK. For the second programming period (1994-1999) the number of Objective 5b areas was increased to 11 and the South West England designation was enlarged to cover all of Cornwall and the Isles of Scilly, greater proportions of Devon, and West Somerset. In terms of funding allocated, it became the largest designation in the UK. It was in the second programming period that funding from the Guidance section of the agricultural budget (EAGGF) first became available in conjunction with funding from ERDF and ESF monies. The Ministry of Agriculture, Fisheries and Food (MAFF)[1] was responsible for administering the EAGGF funding in the Objective 5b areas and the experience marked MAFF's initial involvement in a territorially-designated partnership-designed rural development programme.

Objective 5b areas originated from the 1988 reforms of the EU Structural Funds which followed the 1987 Single European Act. The impetus for reform arose from concern that regional disparities throughout the EU could increase with the creation of the internal market. At the same time the need to confront rural problems was recognised, with CAP reform, the increasing number (through enlargement) of less developed rural areas within the EU, and growing environmental pressures on rural areas. (For further details see Midmore (1998), Ward and McNicholas (1998a, 1998b)). Accordingly, the promotion of rural development became one of the six defined objectives in the reformed Structural

Funds programmes. There was both a sector designation (Objective 5a) aimed at speeding up the adjustment of agricultural structures in all areas, and a spatial designation (Objective 5b) targeted at particularly fragile rural economies in specific areas.[2]

Although Objective 5b was an EU initiative, as with all other Structural Funds, it was co-financed by Member State governments. Furthermore, since a specific aim of the programme was that it should be non-formulaic, with individual and appropriate solutions developed for each area, involvement of local government was also required. Hence, a partnership approach between the various bodies was essential. Initially, following the 1988 reforms, the partnership was considered to exist solely between officials in the EU, national and local governments. By 1993, for the second programming period when the concept of participatory development was gaining currency, the partnership principle was extended to include other 'competent authorities and bodies' as determined by the relevant Member State. Notably, the expressed emphasis on community participation was not as great as for the LEADER (Liaisons Entre Actions de Developement de l'Economie Rurale) programme established in 1991. Nonetheless, the degree of participation required in the Objective 5b programme was subject to interpretation, and consequently varied throughout Europe (Lowe *et al*., 1998).

The paper continues by first considering the concepts of accountability which are relevant to rural development programmes. Following, a chronicle of the funding allocation experience in South West England Objective 5b designation provides the basis for a discussion on the influence of accountability demands on the rural development funding process.

2. Accounting for actions

Accountability, in some form, is a feature of all social relations. We give accounts of ourselves to justify our actions and attitudes, and to demonstrate our social competence. (Czarniawska-Joerges, 1996). Although, or because, accountability is a pervasive feature of human life, it is an elusive concept (Day and Klein, 1987). It occurs in many diverse contexts, and a variety of accounting methods can be employed. Whatever the form, accounting is not a neutral device that simply reports; it exerts an influence on the way we understand our social reality and the choices that are open to us (Miller, 1994). Tetlock (1985) has described accountability processes as norm enforcement mechanisms while Munro (1996) holds that accountability is implicated in a massive power struggle. Thus developing a critical awareness of the accountability arrangements within the Objective 5b programme is appropriate for understanding how this approach to rural development actually functions, and for contemplating how rural development partnerships might progress.

Ray (2000) has specified one of the central controversies regarding accountability arrangements for EU rural development programmes, in a discussion of appropriate evaluation procedures. He identifies that there is tension between the requirements of a managerialist state for evaluations to be positivistic and quantitative, and the necessity for participants to be involved in reflective qualitative evaluations as part of an ongoing learning experience. Ray's distinction parallels work in critical accounting. For example, Munro and Mouritsen (1996) provide a collection of research monographs which recognise that accounts can take the form of either a series of coded representations and records, often in the form of numbers, or can be in the figuration of stories or dialogues (p2). The academic base for the coded form is in managerial accounting, and in psychology and sociology for the qualitative form. Roberts (1991) discerns that the two forms of accounting reflect different ontologies. He refers to the quantitative form as *hierarchical* because it is used when agents are accountable to a superordinate. The superordinate determines the purpose of action, with other individuals being merely instrumental in achieving the goal. This can have an individualising effect, causing people to be preoccupied with the image of self as an object of use, and to be either indifferent to others or competing against them. This can be problematic when individual welfare ultimately depends on organised action (Argyris, 1990). By contrast, the accounting done by dialogue and explanation, which Roberts (1991) refers to as the *socialising* form, creates space for an exploration of self and self-purpose. Within this context, individuals have intrinsic, not merely instrumental value and develop an understanding of themselves as distinct but interrelated with others.

The socialising form of accountability appears to be attuned to the values associated with a partnership approach to rural development, in so far as it encourages debate on the purposes of a development, and spurs a process based on co-operation. But socialising forms of accountability tend to be limited to local contexts as the conditions considered necessary for open dialogue are repeated face-to-face interactions and equality of power (Roberts, 1991, p365). Such conditions provide the opportunity for the growth of understanding, and encourage the foundation of trust in individual judgement and behaviour. However, the EU rural development programmes involve principals transferring resources to agents. In principal/agent situations there is an asymmetry of power which is a hindrance to frank communication. Moreover, when there is a distance between participants, impeding face-to-face interchange, the opportunities for trust to develop are limited. It is under such circumstances that hierarchical forms of accountability are utilised, with standards set by the principal, the superordinate. Laughlin (1996) considers that the stringency of the accounting procedures and thereby the degree of control brought to bear by the principal on the agent, can vary particularly with respect to the level of trust between them. He suggests that with low levels of trust, the accountability relationship is more *contractual* in nature, with tightly defined information requirements and projected outcomes. Where there are relatively high levels of trust between the principal and agent, then expectations over conduct and information are less structured and defined. Laughlin (1996) describes this less formal set of accountability relationships as *communal* and associates it with Roberts (1991) definition of socialising accountability. However, although there are clear similarities between the communal and socialising definitions, with both associated with more qualitative accounting structures, Roberts constrains socialising forms to instances where there is equality of power. This is not likely to be the case in a principal and agent hierarchical arrangement. Nonetheless, within Laughlin's communal accountability arrangements, although the agent is working to achieve the intention of the principal, there is some latitude in the means by which the end is achieved, and a qualitative approach to accounting is feasible.

Notwithstanding the ontological foundations of the hierarchical forms of accountability (subordinates being instrumental to the requirements of others), such accounting procedures can be associated with effective organisation in achieving a specific task. However, their organisational strength, lying in clear objectives and well-defined roles for individuals, is dependent on a stable environment. When there is a complex environment and high levels of uncertainty, either about the appropriate end goal, or regarding the means of achieving the end,[3] hierarchical arrangements are less effectual.

Many governments have recognised that the operating environment for the provision of public sector services is complex, and consequently have devolved the management of provision, with significant reforms of the public sector over the last twenty years. Associated with the organisational change have been adjustments to accountability arrangements. In effect, *process accountability* requirements (whereby agents account for their method of provision) have become less contractual in nature. At the same time *performance accountability* requirements (accounting for end results) have become more contractual, with the ubiquitous setting of performance targets. This has led some commentators to suggest that the degree of central political direction over public bureaucracies has increased (Rhodes, 1996, Thomas, 1998). The UK government response to this accusation is that it is performance targets that make devolution politically permissible. Balls (2002) identifies the tension between the desire to devolve flexibility and encourage local innovation. He notes that, often, it is government ministers at the centre who remain accountable to parliament and the public. He consequently argues that devolution of responsibility for local initiatives has to be matched by local accountability (typically, in the form of government set performance targets). The divergence of opinion on whether government has become more centralised or decentralised, would appear to relate to the fact that the *means* of provision have been devolved, but the *ends* have been more clearly specified by central government.

Proponents of endogenous rural development hold that local people are in the best position to determine the form of development for their locality, and therefore should determine the *ends*. But it would appear that the extent to which responsibility to determine the form of development can be devolved is dependent upon the degree to which accountability for the outcomes also can be devolved. Distance between principal and agent, in the rural case between EU taxpayer and rural dweller, means that socialising forms of accountability are not easy to implement. Sometimes institutional arrangements can be established to bridge the distance between principal and agent and allow more socialising accountability arrangements. For example, for some government financed services (e.g. education and health) provided by professionals, there are relevant professional organisations which require individuals to be accountable to them, normally in a non-contractual form. That said, in recent years there has been some erosion in confidence and trust of professional status (particularly by governments), resulting in the more prevalent use of performance targets. The case for performance targets is considered to be particularly strong when there is more than one organisation involved in the provision of a good or service. They have a role in setting common goals and in keeping a line of accountability threading through all the organisations and people involved. Nonetheless, problems can arise because performance measures are normally only surrogates for measuring the desired performance output (Vagneur and Peiperl, 2000) but they become influential in management, resulting in unintended effects (see for example Hopwood (1972)).

The distance between principal and agent is greater for the EU structural programmes than for nationally funded public sector services, and not unexpectedly in the light of the above discussion, performance targets are considered an important accountability tool. Given the objective of the funds to generate economic prosperity, the primary target was set in terms of job creation. Consequently, the success of a programme was to be determined chiefly by the number of new jobs generated matched against a performance target of job creation, with some concern for environmental improvement also expressed. Such an approach has been subject to criticism. Ray (2000) debates whether conventional job creation is synonymous with development, and Midmore (1998) draws attention to the limited information available to evaluate rural development programmes in quantitative terms. For example, the job creative potential of a programme will be highly dependent upon the macroeconomic cycle. The time horizon, within which a programme evaluation takes place, can be too short to capture the full impact of the funds in tangible outputs. Both Midmore (1998) and Ray (2000) make the case for more qualitative approaches to evaluating the success of a programme.

While there are problems with job targets, they do at least have the merit of specifying output in a very general way, allowing partnerships to consider how such jobs might be created. Furthermore, the EU's insistence on locally planned regeneration programmes has at least begun to give people living in an economically depressed area greater involvement in the development process than hitherto. In the early days of Structural Fund programmes, this was not necessarily the case in practice. It has been argued that for the first programming period, EU funds were used by Member States to promote national objectives and that there was no significant shift in the balance of power from national government to the local level (see for example Pearce (2000)). Within the UK, Lloyd and Meegan (1996) argue that national government had a strong hand in steering the use of Structural Funds in urban areas. They record that there was a fissure between the EU and UK perspective on urban regeneration. While the EU was encouraging the establishment of partnerships to develop coherent locally planned regeneration schemes, the UK government wanted to focus on encouraging private sector investment on an individual business basis. Lloyd and Meegan contend that, within the UK, the programme areas were viewed merely as containers to draw down European money to spend on central government approved programmes.

A recognition that not all Member States were fully compliant with the stated intention of an integrated programming approach for the use of funds, resulted in the Commission asking for more detailed information from Member State authorities in the area development plans in the second programming period for Structural Funds. The plans were to be submitted with all related applications for assistance, and together were referred to as the Single Programming Document (SPD). With increased amounts of money being devoted to the Structural Funds programme, there was a greater incentive to ensure that the programmes were effective in achieving the EU's stated aim and mode of helping the depressed regions and promoting cohesion within the EU (Kearney, 1997). The more contractual accounting requirements placed on Member States for the second programming period reflect a lack of faith at the EU level in those implementing the policy to comply with the intended programme construct.

The experience with the management of the Structural Funds in the first programming period effectively illustrates that when an element of mistrust is held by a group or an individual who has endowed resources to another, stricter accounts may be required to reassure the donor that the resources will be used for their intended purpose.

3. The experience of funding allocation in the South West Objective 5b Programme

The Objective 5b programme encouraged area specific approaches to tackling problems in rural areas. For each designated area a development plan setting out the intended use of funds had to be produced by a partnership and formally approved by the Commission before EU funding was released. Each partnership also had to have a monitoring committee to ensure that actual funding allocations kept to the original plan. The formation of the programming document allowed the EU to maintain some control on how the money was spent, but its main intent was to encourage an integrated approach to development in vulnerable areas. Preceding the 1988 reforms, the Structural Funds had been available on an individual project basis and a high degree of autonomy was given to Member States in deciding on the use of funding. The movement towards the programming approach therefore marked an increase in EU influence in promoting integrated development.

There were two main dimensions to the distribution of funding. First was the formation of the Single Programming Document (SPD) which produced the framework within which funding could be allocated. Secondly, there was the administration and decision on applications. Each of these is considered in turn.

The formation of the South West England Single Programming Document

The purpose of the Single Programming Document (SPD) was to outline the economic and social problems in the designated area, and detail how the EU funds (ERDF, ESF and EAGGF) would be used, specifying targets where quantification was possible, with emphasis given to job creation. In addition the SPD had to include an assessment of the environmental situation in the region, an evaluation of the environmental impact of the programme strategy, and measures to ensure compliance with Community environmental rules. EU rules also specified that the SPD had to be drawn up by a consortium, composed of members not solely from central government but also regional bodies (Lowe *et al*., 1998). With overall responsibility for the document lying with the regional Government Office, the initial lead for drafting a plan was taken by local government officers from Cornwall County Council, soon coupled with their counterparts from Devon

County Council. Progressively they were joined by another forty organisations. The Government Departments involved were the Department of Trade and Industry (which had led the original urban Structural Fund bids), the Department of the Environment (with experience of the Single Regeneration Budget) and MAFF (a newcomer to the process of integrated development). Drafting the SPD proved to be a lengthy exercise. In the South West it was a more inclusive process than in many other areas, but there was still a failure to get a significant amount of the private sector involvement because the time demands were high.

The South West England SPD was submitted to the Commission in April 1993, but approval was not immediate. The major criticism was that the SPD reflected only a schedule of proposed projects rather than a coherent regional strategy (DoE, 1997). The UK government had got away with uncoordinated SPDs in the first programming period of the Structural Funds, but in the second programming round the Commission exerted its power and applied pressure for a more integrated approach to be developed. Consultants were brought in to revise and finalise the South West England SPD which, when finally approved, was considered by the Commission to be one of the best Objective 5b SPDs within the UK (CEC, 1999). However, the rewrite delayed the effective start of the programme, which instead of beginning in early 1994, eventually got underway in January 1995. The lag in the start date, caused by EU ex ante accountability requirements, led to frustration within the region. Nevertheless, the South West was no different from other Objective 5b areas of Europe in this respect; for similar reasons none managed to start before 1995 (CEC, 1999).

Five programme priorities were set within the South West England SPD. These were SME development, Agriculture, Tourism, Community Regeneration and Environment. The total amount of EU funding allocated to the South West region was 39.8 million ECUs, with matched funding of 41.1 million ECUs from central government, and 10.9 million ECUs expected from the private sector. In sterling these values have varied over the programming period with currency fluctuations, but total EAGGF funding amounted to around £30 million.

Table 1: ***Percentage of EU funds allocated by Priority and by Fund***

Priority	**ERDF**	**ESF**	**EAGGF**	**All EU Funds**
SME & Business Development	32.0	7.3	-	39.3
Tourism	16.3	3.2	2.4	21.9
Agriculture	-	2.2	8.6	10.8
Community Regeneration	11.6	0.9	0.4	12.9
Environment	5.9	1.1	7.1	14.1
(Technical Assistance)	0.5	0.25	0.25	1.0
TOTAL	66.3	15.0	18.7	100

Source: Single Programming Document, South West Region, 1994.

Table 1 lists the planned allocation of funding according to priority and fund source. The agricultural priority was allocated 10.8% of all funding, mainly from the EAGGF. EAGGF funds were also to be used to meet other priority targets, in particular those for the Environment and so in total, EAGGF monies accounted for 18.7% of EU funding for the region.[4] Integration between the spending of the three funds was envisaged with ERDF monies targeted at infrastructure, non-agricultural job creating investment, and support for local development initiatives. The ESF monies were to be used largely for training, while in the case of the EAGGF, a variety of potential uses for money from the Fund were designated. Within the agricultural priority, EAGGF funding options were divided between those to be used for the adjustment of agricultural structures to raise agricultural productivity and those encouraging diversification.

<u>The administration of EAGGF applications</u>

The administration of the procedure for allocating the EAGGF funds was the responsibility of MAFF. MAFF devolved day-to-day management down to the Farm Rural Conservation Agency (FRCA), an executive agency created in 1997 to carry out work formerly done by the MAFF Land Use Planning Unit. Details on the process of dealing with applications for funding are given in Warren *et al.* (1999).

While the introduction of EAGGF funding within the Objective 5b area was warmly welcomed, the initial experience of applicants for EAGGF funds led to acrimony. Bids for funding were invited from early 1995, and with the programme due to end in December 1999, there was a five-year period within which grants could be awarded. Eighteen months on, in June 1996, only 10% of EAGGF money had been committed. The slow rate of fund allocation raised concern among applicants, a concern that was not abated when by June 1997, mid way through the period, less than 30% of the EAGGF money had been allocated, to a total of 88 projects. There appeared to be no lack of demand for funding, but many project applications were rejected. Consequently an opinion grew within the region that MAFF were being purposely obstructive and that central government was reluctant to provide matched funding. The MEP for Cornwall and West Plymouth, Robin Teverson, took up the issue, and wrote a report (Teverson, 1997) advocating reform of the application procedure. In the same year an interim evaluation (DoE, 1997) was carried out for the whole of the South West Objective 5b programme in compliance with Structural Fund regulations. This confirmed that the percentage of funds allocated (as of March 1997) was lower for the EAGGF source, compared to ERDF and ESF sources. However, this was not a specific South West England issue; a similar situation existed in other UK Objective 5b areas (CEC, 1999). The interim evaluation report also recorded that there was more dissatisfaction with the application process for EAGGF funds than from the other funds. As a result, the Universities of Plymouth and Exeter were asked to investigate the operation of the EAGGF Structural Funds in the South West (Warren *et al*. 1999). This study revealed that applicants found the EAGGF funding system obstructive and secretive. "The basic rules of the game [started] a mystery and emerged over time", one applicant commented, whilst another noted that "They (FRCA) seemed unsure of how to handle this application…there were long silences in the application phase which were frustrating." The report found that there was a perception that administrators' attention to the fine detail of audit requirements was ill matched to the needs of the business community. However, the pedantic approach was not necessarily because of a determined effort by administrators to obstruct, but could have been a result of the inexperience of the administrators with this new process. This finding reinforces one of the arguments of this paper that excessive centralisation, symptomatic of a lack of trust between government and governed, not only hinders the efficient and effective administration of the Structural Funds but also is not conducive to developing the wider, social accountability which is needed in community-led development.

Differences in perception about the grant application form highlight the divergent perspectives on the process by applicants and administrators. Applicants thought the form to be very complicated (DoE, 1997) while the FRCA considered it to be very basic (Warren *et al*., 1999). Indeed it was very similar to the ERDF application form where no problems were apparent; the difficulty seems to have arisen because of differences in the typical user of the form. Generally, ERDF claims were made by large organisations whereas it was individual businesses or consortia of small businesses that typically submitted applications to the EAGGF. Farm businesses found that, by comparison with a normal MAFF form, it was significantly more complicated. A particularly challenging aspect of the application was the requirement for measurable and achievable targets, e.g. the number of jobs that were expected to be created. This had not been required for previous MAFF grant applications and was described as a 'culture shock' for the industry (Warren *et al.* 1999). To some extent this had been anticipated in the design of the scheme, with part of the funding used to establish a network of ‘facilitators’. These were unique to the EAGGF fund, being self-employed individuals contracted to MAFF, to act as catalysts in designing projects, establishing consortia, and providing liaison between applicants, FRCA and MAFF. Not only the applicants, but also the FRCA were challenged, for they were required to demonstrate considerable judgement and discretion in evaluating applications, hence the slow time in processing the application. It may also have been the case that the fund administrators, lacking confidence that the SPD job targets could be reached (because so many factors were beyond their control), focused on ensuring that the application process was conducted to the book. One observer of the funding process noted "…the staff of FRCA are still seen as very pedantic in their work of assessing applications. They are not willing to take any risks" (Warren *et al.* 1999).

Some delay in the processing may also be explained by the need to check that the proposal did not contravene EU rules. With other grants being available to farmers through EAGGF, it was important to establish that there was no duplication of funding (DoE, 1997). In fact, the processing time does not appear to have been significantly longer than for the other funds (DoE, 1997) but the impatience may have been greater because many of the applications were for small sums and the applicants were small businesses. For them, the cost of making the application had not been inconsequential, and the delay had implications for their cash flow and strategic planning (Warren *et al.* 1999). Whatever the reality, the impression frequently given was that MAFF was disinterested and did not want to help. As a consequence, applicants became disillusioned, with some abandoning their proposal. Nevertheless, by the end of the programming period, most funding had been allocated, and for this to have been achieved the process of grant allocation did speed up.

Initial slowness in the funding distribution may have been due in part to insufficient staff being involved in facilitating and administering the procedures in the early stages (Warren *et al.* 1999). Those newly appointed to the task were learning their role. Some people in the region believed that the problem lay with the national government not being fully committed to the programme, and they detected an easing in the funding allocation process with the change in government in May 1997. With hindsight, it seems unlikely that central government up to mid 1997 had been purposely trying to apply the brakes. The fact that the problem lay chiefly with the EAGGF allocation and not ERDF or ESF, suggests that the impediment lay within MAFF rather than in a deliberate attempt by central government to stall the distribution of funds. The risk aversion of fund administrators was manifest not only in the slowness of the allocation process, but also in the type of project supported. At first, MAFF adopted a conservative interpretation of the conditions of funding, confining it to existing agricultural producers only, as previously that had been the condition of EAGGF guidance funds. This was because they had been predominantly concerned with fostering the adjustment of agricultural structures rather than rural development per se.

A turning point in the funding process occurred in early 1998, following concern that the EAGGF funds might be reallocated to the ERDF section if they were not spent. A conference was held to assemble a think tank on how the money might be distributed, which was enthusiastically attended. Following this, money did flow more freely, but it is difficult to verify how relevant the conference was in spurring the change. Notably some very large projects won approval and some projects such as the pioneering ‘Devon Food Links’ project which had struggled to be accepted as a qualifying project in the initial years, was offered more money than it had applied for.

Significantly in the closing years of the programme, the use of ‘umbrella’ projects became more prominent. The precedent was set by the ‘South West Horticulture 2000’ scheme, which was an early applicant to the EAGGF. The project's purpose was to play an important coordinating and facilitating function for growers. Later versions of umbrella projects placed more emphasis on delegated decision-making and grant awarding. An example was the Taste of the West's 'Capital Grant Scheme for Speciality Food Producers'. This was a partnership between the local Training and Enterprise Council and Taste of the West, a cooperative organisation devoted to the promotion of high-quality regional food and drink. The project was granted funds that Taste of the West, as the main agent, administered on behalf of MAFF. Applicants were able to use a considerably simplified application process, with mentoring and encouragement provided throughout the process, and funding decisions were swift. Warren *et al* (1999) commended the use of umbrella schemes, with the delegation of decisions to the lowest possible level of authority, and the consequent responsiveness and flexibility, while conforming to a broader framework of accountability (p70).

While some flexibility in funding allocations occurred in the later stages of the Objective 5b programme, nevertheless the targets set for each priority area were influential. This is apparent from the extent to which funding allocations mirrored the targets set for each priority area. Table 2 indicates that in June 1998, the allocation of funds very closely matched the plan. Although perhaps an administrative success, doggedly sticking to plan is not necessarily the best use of the money. For example, should a weak agricultural project be a recipient at the expense of a good tourism scheme, just so that the SPD is adhered to? The case for strictly adhering to a plan would be greater if there was an expectation of synergy between the five priorities, but given the spatial expanse of the

Objective 5b designation, inter-project benefits were not likely to be considerable. The reason for keeping by the plan would seem to have been driven by the fact that those managing the administration of the funds did not perceive that they had the authority, at least in the early years, to deviate from it. However, by the end of the funding allocation period (31st December 1999), there were some departures from the plan, specifically with a larger proportion of money than arranged going to agricultural projects, and less going to environment focused projects (see Table 2).

Table 2: ***Planned allocation of EAGGF money (as a percentage) and number of projects approved according to priority by 3.6.98, and by the end of the application period on 10.1.00***

Priority	**EAGGF SPD planned allocation**	**Allocation of monies by 3.6.98**	**Allocation of monies by 10.01.00**	**Number of projects supported by end of programme***
Tourism	12.8%	13.7%	12.4%	10
Agriculture	45.9%	45.9%	54.1%	92
Community regeneration	2.1%	2.1%	2.2%	7
Environment	37.9%	36.8%	29.8%	34
(Technical Assistance)	1.3%	1.4%	1.4%	13
	100%			156

*****Since several of the projects are 'umbrella projects' the number of recipients is higher than indicated.

4. Accountability requirements and the funding process

The EAGGF funding of the Objective 5b area programme in the South West was a new experience, not only for MAFF but for the other players as well. The manner in which the funds were allocated was inevitably a function of the organisations and people involved and the constraints within which they operated. Here focus is on the way accountability requirements acted as a norm enforcement mechanism on the funding process.

The Objective 5b programme was creditable for attempting to steer away from policies that merely encouraged rationalisation within the agricultural industry, and was also an alternative to regional development programmes based on large infrastructure projects. Instead the EAGGF funding engaged local actors in a large number of mainly small-scale initiatives. To that extent it represents an endogenous approach to development. However, a deeper interpretation of endogenous development requires local people in the public, private and voluntary sectors to have greater control in determining what is best for themselves, independent of extra-local forces (see for example Ray, 2000). Within such an interpretation, the Objective 5b programme was not a fully endogenous process, with a significant degree of spending control held outside the locality. Although the accounting demands placed by the EU might be depicted as an attempt to wrest some power away from central governments of member states and to channel it down to the local level, nevertheless, the bureaucracy involved in ensuring this, coupled with member state procedures, often led local actors to feel they had little influence. The view of one South West regional partner was that the programme was largely a national matter within which other participants "did what they were told" (Roberts and Hart, 1997, p204).

The disappointment expressed by both local actors and academic commentators with policies which seemingly tend towards an endogenous approach and to a change in governance, but which in practice appear to cede too little power to the local level, are reflected in a dissatisfaction with accountability requirements. Edwards *et al*. (2001) explicitly identify accountability as a central issue in the way power is distributed and Ray (2000) elaborates with respect to evaluation procedures. A partnership approach to development might have been expected to provide a more socialised form of accountability, with local actors having a freer rein in allocating funds. However, permitting funding recipients to be the sole decision makers is akin to the grants being unconditional gift from richer regions of the European Union to the poorer. Given that this is currently not politically acceptable, then some hierarchical form of accountability seems inevitable.

Nonetheless, even within a hierarchical approach of a principal and agent there is, according to Laughlin (1996), still the choice of contractual and communal forms of accountability. Implicitly, the accountability practices for Objective 5b have been criticised for being too contractual in nature. The degree to which they are of a contractual nature can be interpreted as indicating a lack of trust held by the financial donors, that the funding would be used in an appropriate manner. In the case of EAGGF funding a trust deficit seemed to exist at several levels; for example the EU did not trust all member states to implement an integrated planned programme of development, and so required a comprehensive planning document. At the local level there appeared to be a lack of trust in the fund applicants, and to try to redress the problem of asymmetric information there were high data requirements in making an application. Some of these problems are elaborated below before returning to a broader discussion of trust.

Fund administrators would appear to have been engaged in a juggling act, trying to be accountable to the EU demands, to national government ministers, responsive to clients, and responsive to their professional judgements. The data on the EAGGF funding in the South West Objective 5b area (see Table 2) suggest that at least for the first few years the fund administrators felt strictly bound to keeping to the funding allocations that were approved in the SPD. By June 1998 the distribution of funds between the 5 SPD categories mirrored the target allocation precisely. This exactitude could be considered merit worthy, if the initial appropriation of funds between the five categories had been based on sound evidence of need, and moreover from knowledge of potential synergies from such a distribution. But it is unlikely that sufficient information was available to determine the optimal distribution of funds between the categories *a priori*. Within such a light, the adherence to the plan can appear dirigiste and unlikely to be justifiable in terms of maximising the benefits from the total programme funding. This inflexibility may have resulted in less beneficial projects being adopted because they helped a category target to be reached, rather than being justifiable in terms of return on investment. Too little scope seems to have been given for adaptive planning as new information became available with the programme's progression.

The SPD not only specified the required distribution of funds between categories, but also the expected number of jobs to be created as a result of the funding programme. Although the level of the job target was set through negotiations between all parties involved with the development of the SPD, it was the EU that determined that job creation was an appropriate performance measure. For the FRCA people employed at the sharp end with responsibility for assessing applications, mainly from the private sector, the challenge was substantial. Targets for job creation were to be striven for, yet the agency had no control over the quality of the applicants and no effective control over the investment once the funding decision had been made. The success of a funded project was dependent upon its management by the fund applicant(s) and the parameters of the external environment, with the supporting funding bodies having little or no influence. In many public private partnerships, the private company may at least be bound by a legal contract and incentivised by the desire to have the contract renewed, but this was not so within the Objective 5b programme with grants to small businesses and other organisations. Thus with imperfect knowledge on whether a grant applicant will achieve its job target, and only the public sector bodies officially accountable, a proclivity towards caution by the funding agencies, as observed with EAGGF funds becomes understandable. Day and Klein (1987), found that within the public sector when the relationship between inputs and outputs is difficult to discern, there is a tendency for those involved with their provision to be more concerned with accounting for input (p232). Giving greater attention to ensuring that proper procedures are adhered to may be considered a judicious response, when guaranteeing output appears infeasible. This may explain some of the delay in processing EAGGF applications by FRCA/MAFF officials, in association with the fact that they lacked experience in determining market risk. By contrast the two government departments, the DTI and DoE, who administered the other two structural funds in the Objective 5b programme, had knowledge acquired from previous regeneration schemes. Furthermore, they were typically dealing with larger established clients, while MAFF were having to assess more unproven entrepreneurial applicants who were unfamiliar with the funding process. The stress that this situation brought might explain why dealing with the application process with FRCA appeared adversarial to some applicants. Nonetheless it is likely that the procedures were a stumbling block to more effective distribution of the EAGGF funds. The frustration caused by long delays led to some potentially worthwhile projects being withdrawn and others beginning later than originally intended.

The allocation of funding did speed up over the duration of the programme. While this might be explained by administrators becoming more experienced, and by a backlog of applications coming on stream, it is possible that pressure on administrators to ensure that all the funds were spent became a more dominant factor towards the end. The opportunity for political embarrassment if all the EU funding available were not spent[5] could have resulted in concern for ensuring spending targets were met, overriding earlier concerns for procedural accountability. In several respects, therefore, it would appear that accountability requirements may have constrained the funding allocation and, while they may have prevented gross misuse of the funds, clearly their influence was not entirely beneficial to the process.

Nonetheless, within the confines of existing arrangements, a route through some of the impediments to the effective distribution of funds was found with 'umbrella' project arrangements. These occurred when an established organisation such as Taste of the West or Devon County Council was delegated responsibility to allocate a sum of money to small grant applicants for specific purposes. In some cases they also provided support to recipients, often in the form of developing marketing channels and networks. Reducing the effort required from small businesses in making an application is important for encouraging small-scale initiatives that are a vital component of endogenous rural development. Umbrella schemes were also valuable in extending the chain of accountability, first to the organisation administering the project, but more importantly to the receivers of the grant. This occurred simply because the recipient became part of a group, known to the grant awarding body, and known often to similar grant holders as well. Therefore there is a social setting within which the grant recipient is accountable, and in a sense is held to account in that misuse of funds may prejudice receipt of further help from the 'club'. Day and Klein (1987) have suggested, "it may be that informal social sanctions exercised in a face-to-face setting can be as strong (or possibly even stronger) than formal political and legal sanctions exercised in a larger context" (p247). Thus through this arrangement the risks involved to the funding agencies are reduced, because decisions are made with improved information, there is a support network which improves the chance of product success, and a degree of accountability is extended to the funding recipients. This appeared to be a way of bridging some of the distance between donor and recipient of EU Structural Funds.

The experience with umbrella arrangements emphasises the usefulness of networks in finding more effective means of implementing rural development programmes, already identified as important by Murdoch (2000). Umbrella schemes, by extending the line of accountability, spread the risk of funding allocations. This was consequential because, when all the risk and responsibility lay with the state agencies, there were high levels of bureaucracy which impeded the swift and effective distribution of funds. Another value of the umbrella arrangements was that they helped to establish channels of communication between local entrepreneurs and the state, with the organisation distributing the funds able to articulate the general needs of a constituency. Such arrangements can encourage better dialogue and greater understanding between state and citizen. Nonetheless, it is necessary to be aware that if umbrella groups impose their own strategic template on what is funded through, for example, requiring specific memberships or imposing other unreasonable eligibility criteria, then the outcome may be sub-optimal. Indeed, Weber (1968) explained how exclusive social groups can monopolise goods and opportunities, and consequently argued that the impersonal order of hierarchical rules can offer forms of protection for the individual.

5. Conclusion

The accountability requirements for the Objective 5b programme caused difficulties in the allocation of EAGGF funds in the South West. The contractual accounting demands appear to lead to too much bureaucracy and conservatism, at least in its first three years of its operation. But the growth in more contractual forms of accountability within society has been a response to the increase in the specialisation of functions within economies. Interdependencies between people have become more complex and extended over larger social spaces (Elias, 1994, p448) and as a result people are less likely to personally know those with whom there lives are closely interlinked through the economic system.

Quantitative measures of performance and formalised assessment have come to be seen as necessary when principals and agents are unfamiliar with each other, for in such situations stocks of social capital are low and there is little or no trust. Furthermore, output targets are considered to have a key co-ordinating function when several organisations are involved in delivering a service. But a real strain experienced with contractual forms of accountability at the public policy level has been their implicit tendency to differentiate between policy and operations in cases where policy and its administration are not rigidly separable. Thomas (1998, p373) expresses precisely why this is a problem: "a great deal of policy making consists of diffuse, interactive processes of social learning in which modifications to existing policies and programs are made on the basis of administrative experience". Certainly for a rural development programme the way forward is not entirely clear at its beginning, its progress being dependent on the wants, actions and interactions of many people and organisations. Thus contractual forms of accountability would seem less suitable than more flexible communal forms. Nevertheless for communal forms of accountability to be feasible, trust between individuals and organisations is required. But trust is not something that can be established by dictum, but grows from relational experience and reputation.

The experience of distributing EAGGF Objective 5b funds in the South West illustrates that when a significantly different form of policy is introduced, it takes time for those involved to learn a new modus operandi. In addition, in the case of policies designed to encourage more endogenous processes of development, there is a need to develop networks and relationships. When principals and agents are unknown to each other then it is unsurprising that there is wariness, particularly when the administrative body is more accountable to society than the recipients of the funds. The umbrella project arrangements under EAGGF funding illustrated a means by which accountability could be spread through the partnership and provide conducive conditions for trust to develop. Within a partnership, holding recipients to account can play a part in establishing trust., spreading risk and thereby freeing funds for novel projects.

The South West of England experience demonstrates that even within the confines of its existing accountability structures the programme helped to develop networks through which channels of 'trust' could be established, paving the way for more flexible forms of accountability. In the Objective 5b programme, MAFF proved willing to relinquish some responsibility to umbrella organisations. An evolutionary perspective on policy development might suggest that state agencies may cede more control with the further development of trust and understanding. Nonetheless, there may always be a role for state agencies not only as facilitators but also to ensure equity. A balance is required between citizen involvement to inform and implement policy and state involvement to ensure that locally driven partnerships are not unfair on local people who happen to be excluded from their decision-making processes. This view is in line with Evans (1995) who makes the case for the state to have *embedded autonomy*. He suggests that it is necessary for the state to be integrated, embedded, within society and its economic activity in order to gain the required information to have appropriate policies. Yet at the same time the state needs to be autonomous with regard to guaranteeing even-handedness.

From our study of EAGGF Objective 5b funding in one region, it would appear that an initial problem with rural development partnerships is that because of a lack of a trusting relationship between state and citizens (and indeed between state and supra-national state), the accountability requirements have been too contractual. This has brought difficulties, as it can be hard to fulfil contractual requirements in an uncertain environment. Superimposed on this problem has been the fact that the requirements for accountability have been confined mainly to the state administrative bodies. An inevitable outcome of this has been their reluctance to take risks with funding. The development of networks provides a way in which accountability can be extended to other partners, creating the opportunity for more communal forms of accountability to become more acceptable. Moreover, they provide a way in which not only the risk associated with a new project is reduced, but also for the risk to be spread between partners, thus allowing less conservative projects to be funded.

Defining the appropriate accountability requirements for a rural development partnership is beyond the scope of this paper. However, we can conclude that a rural development partnership is more likely to be effective in achieving novel and flexible development paths if the partners share the risk in the same way as business partners share risk. Accountability requirements are influential in determining where responsibility and risk falls. To spread risk it seems necessary to extend accountability requirements to all partners. Given that development is an explorative process, communal forms of accountability are more appropriate and for these to be acceptable greater familiarity and understanding between partners is required. Initial attempts at rural development partnerships have laid the foundations for this.

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[1] The Ministry of Agriculture, Fisheries and Food was the government department responsible for the agricultural sector, preceding the establishment of the Department of Environment, Food and Rural Affairs (DEFRA).

[2] Some rural areas also became eligible for Community assistance if they lay within an Objective 1 region, designated where the average per capita GDP was less than 75% of the Community average.

[3] In practice there may not be a sharp distinction between means and end. Within a learning environment, the means may be considered as an end.

[4] This matches with the average for all UK Objective 5b areas.

[5] This was particularly in view of the damaging effects of the BSE crisis on agriculture in the region.