

# **ECONOMIC DEVELOPMENT COMMITTEE**

## **REPORT TO THE ASSEMBLY**

### **Introduction**

1. The Economic Development Committee is one of the Assembly's subject committees. This report is made under Standing Order 9. 9 which allows the Committee to report to the Assembly from time to time on its progress in fulfilling its work programme.
2. The Committee is chaired by Val Feld. Members are Alun Cairns, Ron Davies, Michael German, Brian Hancock, Ann Jones, Helen Mary Jones, Rhodri Morgan and Phil Williams.
3. By the end of March 2000 the Committee will have held eighteen regular meetings (of which three included joint sessions with other subject committees), four joint roadshows (with the regional committees as part of a consultation process for Objective 1 funding) and three informal briefing sessions.

### **Method of working**

4. The Committee has been keen to develop an open and inclusive style of working. It has recognised the need to hear from and work closely with: organisations working within the economic development arena; Assembly sponsored public bodies; Assembly Secretaries; Assembly officials; those with specialist knowledge - eg economists, statisticians, business people; those with experience of implementing similar policies in other regions and countries - eg other Objective 1 areas, other areas of Europe; other Assembly committees; representative bodies; the private and voluntary sectors; and the public. Working with other committees (particularly the regional and Local Government and Environment committees) has been very valuable and is something the Committee is keen to develop.
5. Given the sensitive nature of the matters being dealt with by the Committee, and the new ground in relation to structural funds in particular, there have been occasions when Members would have wished to have received more or earlier information. Ways in which this might be remedied in the future are currently being discussed by the Chair, party spokespeople and the Assembly Secretary.

### **The Committee's remit**

6. The Committee's remit is based on the portfolio of the Assembly Secretary for Economic Development, Rhodri Morgan. This embraces industrial policy & business support (support for indigenous & inward investment and demand side employment issues such as the minimum

wage, working time directive etc); European economic policy (structural funds including monitoring the delivery of the programmes and overseeing the work of the Monitoring Committees and the Executive Agency which are to be established to manage the Objective 1 programme); and tourism. The main public bodies covered are the Welsh Development Agency, the Wales Tourist Board and the Cardiff Bay Development Corporation.

## Priorities

7. There have been a number of very important issues for the Committee to consider during its first nine months. Members agreed that priority should be given to consideration of issues surrounding the Structural Funds, particularly Objective 1. This reflected the vital importance of the opportunity for Wales which could drive forward many aspects of the Assembly's National Economic Development Strategy. Other issues have, therefore, received less detailed scrutiny than Members would otherwise have wished. The Committee's main focus has been on:

- Ensuring that maximum benefit is achieved for Wales from EC Structural Fund programmes, particularly Objective 1, through scrutinising the Executive and officials on the proposals for priorities and measures; the implementation proposals; targets and monitoring and evaluation arrangements; ensuring that sufficient PES cover and match funding is made available in both the first and future years; and receiving reports and scrutinising the progress of negotiations with the EC;
- Scrutinising the funding and work of the Welsh Development Agency, the Wales Tourist Board and the Cardiff Bay Development Corporation;
- Initial consideration of the arrangements for the wind-up of CBDC so as to ensure that both Cardiff and Wales obtain maximum benefit from the expenditure on Cardiff Bay;
- Making recommendations for the allocation of the Assembly's Budget;
- Developing plans for a review of business support and development in Wales, particularly considering the implications of the ETAG report in relation to the future arrangements for delivery of the TECs' skills and enterprise functions. (This review has just started.)

8. Even applying a rigorous order of priorities the Committee was frequently faced with an agenda which included two or three items of the highest importance and it often proved impossible to do justice to all of them. Bearing in mind the small number of AMs and officials, it is recognised that with the present arrangements it will be difficult to resolve this, but the Committee wish to put the problem on record.

9. These priorities underpin the Committee's contribution to achieving the Assembly's goal of sustainable economic growth across Wales and central to the strategy, as outlined in the National Economic Development Strategy, is increasing economic activity, improving skills, and providing jobs through continuing inward investment and development of indigenous

businesses with the overall aim of closing the GDP gap. These are fully consistent with the guiding values and principles which have been endorsed by plenary and reiterated in the Assembly's draft strategic plan.

## **Structural Funds - particularly Objective 1**

### Consideration of draft proposals

10. The Committee first considered the Objectives 1 and 3 draft programme and operational documents, along with the draft National Development Strategy, at its meeting in July 1999. It decided that it was important to hear directly from those who would be affected by the proposals and from those with experience of implementing similar programmes and/or with particular expertise in certain core areas such as equal opportunities, sustainable development and target setting. A decision was made that contributors should, as far as practicable, be external to the process, ie not have been involved in the Task Force which had drafted the proposals.

11. Four roadshows were also held in conjunction with the Assembly's regional committees. Organisations and individuals were invited to submit their views in writing to the committee and then to present briefly these at the meetings. The turnout was encouraging: over 75 organisations submitted responses and over 300 people attended.

12. The Committee also heard from officials who had been, and were still, involved in planning and implementing the Scottish Highlands and Islands, and the Irish Objective 1 programmes, along with consultants who had been involved in the evaluation of the Merseyside programme and other Objective 1 programmes across the UK and Europe.

13. The main issues which emerged were:

- The need for a balance between local prioritisation and development and national strategic planning and monitoring;
- The importance of investment in human resource development;
- The need to encourage and support the private sector's involvement in the programme;
- The need to ensure that all areas within the programme region would benefit from the programme and achievable targets should be set which allowed progress in the different areas of Wales to be monitored.
- The importance of the implementation process, particularly ensuring that small voluntary and private organisations could access funding and play a role in driving the programme forward.

- The importance of ensuring the programmes were properly funded.

14. The Committee made recommendations to the Cabinet based on the information it had received. These were accepted.

### Consideration of implementation issues

15. Once the documents were agreed by the Assembly and sent to the EC, the Committee began to consider the more detailed issues surrounding implementation. These included: delivery mechanisms, appointment of monitoring committee, importance and make-up of partnerships; types of measures and make-up of packages (linkages between local, sub-regional, regional packages, operating aids); information and publicity (getting clear guidance out as soon as possible); setting targets (what level, how detailed, based on what data, whether further data should be collected/obtained); funding (sufficiency and timing).

16. The Committee has been particularly concerned to ensure that there is a shared ownership of the programme. It felt strongly that at all levels there should be equal representation of the private, public and voluntary sectors (the 1/3:1/3:1/3 principle). This has been accepted and implemented. The Committee also feels it is vital that information on the programme is made speedily and easily available.

### Medium-term issues

17. In the medium term the Committee needs to consider how it will monitor the programme, including its relationships with the monitoring committees and the Programme Executive. It has decided to take a strategic approach and resist the temptation to become too involved in detail. It will be considering its role in evaluating how well the programme is delivering the targets set out in the Single Programme Document and the National Development Strategy.

### **Scrutiny of public bodies**

18. The Committee has responsibility for scrutinising the work of, and making recommendations on the budget allocation to, three executive Assembly Sponsored Bodies - the Welsh Development Agency, Wales Tourist Board and Cardiff Bay Development Corporation. The Committee has met the WDA and WTB twice so far (once formally in Committee, once informally for a briefing session) to discuss strategies, priorities, expenditure, and organisation. The Committee will be considering strategic priorities for both organisations on 15 March as well as considering the Tourism Strategy and the Welsh Development Agency's draft Business Plan. The bodies will be attending that meeting.

### **Wind up of Cardiff Bay Development Corporation**

19. The Committee has been concerned about the arrangements for the wind up of CBDC, and for the future development and funding of Cardiff Bay. In considering the issues, the Committee has heard from CBDC, the successor bodies and the Environment Agency. (It has held three joint meetings with the Local Government and Environment Committee.) Some issues are unresolved and will be the subject of further discussion (for instance the use of funding made available to Cardiff CC for the development of the area) to monitor value for money. There is also potential for future liabilities for the Assembly which needs to be closely monitored. The plans for ensuring that the investment made in the Bay will provide significant benefits both for Cardiff, as capital of Wales, and for Wales as a whole will be monitored closely.

## **Budget**

20. The Committee considered the Assembly's draft budget. It was concerned that initially the budget for Economic Development had been cut by £6.6 million and felt that cutting the Economic Development budget sent the wrong messages about how seriously the Assembly took the task of raising the GDP of Wales. It wished to see the cut restored and the additional money targeted at support for indigenous business, particularly in West Wales and the Valleys. The Committee also expressed particular concerns about the sufficiency of funding of Structural Funds programmes, about cuts to the WDA budget, and the size of the budget allocated for Cardiff Bay. The final budget allocated an extra £1.397million for support for innovation and small and medium-sized enterprises.

## **ETAG report**

21. The Committee has a significant interest in the recommendations contained in the ETAG report given the close link between skills, training and economic development. It has therefore spent limited time scrutinising the ETAG report. The Committee's views which were passed to the Post-16 Education Committee were:

- the need for an explicit link between the proposals and the National Economic Development Strategy;
- to the desirability of ensuring that the local and regional organisations proposed by the Report should be compatible with the regional and local strategies developed as part of the Objective 1, 2 and 3 programmes;
- concern about the role and function of the regional organisations;
- the importance of including business in the new structure.

22. The Assembly approved the restructuring plans which will result in the abolition of the TECs. The Economic Development Committee is responsible for making recommendations on

the future management of the TECs' enterprise functions. (This forms part of the review of business support and development.) The Committee has already visited a TEC and heard directly from staff currently responsible for delivering the enterprise programme around Wales. A consultation exercise is also under way. The Committee expects to make recommendations by the end of May.

## **Review of business support and development**

23. The Committee's first formal review is of business support and development. There has been much criticism of the effectiveness and efficiency of, and overlaps between, current business support mechanisms. The Committee felt that with the challenge of delivering the targets set in the National Economic Development Strategy and the Objective 1 Programme it is essential that support mechanisms are as effective and efficient as possible. The remit of the review is:

- To identify the current range of business support and development programmes.
- To consider their effectiveness and whether they meet the needs of businesses.
- To establish whether the delivery methods are appropriate identifying any scope for improvement and rationalisation.
- In the context of the National Economic Development Strategy, to identify gaps in provision and make recommendations on how objectives can be achieved.

24. The Committee has appointed an expert adviser to assist with the review. It will take approximately six months to complete and will include wide consultation, particularly with the private sector.

## **Forward work programme**

25. Oversight of the Objective 1 and other structural funds programmes will remain the Committee's top priority over the foreseeable future. However, Committee can also contribute to the aims and objectives set out in Better Wales in the following ways (but it will be considering carefully its priorities to use to best effect the limited time available to it):

- to ensure a clear vision and plan for economic development across the whole of Wales, both rural and urban areas, by regularly reviewing and improving the National Economic Development Strategy and recommending appropriate targets;
- to ensure that full use is made of European structural funds to bridge the gap between Wales and the rest of the United Kingdom and between west and east Wales and monitoring the implementation, effectiveness and funding of the Structural Fund Programmes;
- to ensure that everyone has the opportunity to participate in the new economy, by

understanding the causes of economic inactivity and considering ways of helping people to rejoin the workforce;

- to promote enterprise and business growth (including community enterprises), through support for the Entrepreneurship Action Plan and as a result of the review of business support and development making recommendations and plans for new programmes. (Most urgently, to consider the future of the TEC enterprise functions and the establishment of a development bank.);
- to ensure that Wales can benefit from information and communication technology, through a review of the plans and strategy for ICT;
- to promote sustainable development, by assisting in the development of an energy policy for Wales, and by considering the sustainability aspects of all policies it considers;
- to raise the profile of Wales, by considering the Branding Wales initiative;
- to promote Wales as a tourist destination and so increase the contribution of tourism to the economy of Wales, by monitoring the effectiveness of the Tourism Strategy and considering options for development of the tourism industry, agri-foods and the cultural industries.

26. In addition the Committee will regularly review the performance of the Welsh Development Agency and the Wales Tourist Board; consider proposals for the Assembly's budget; consider secondary legislation as appropriate; receive regular reports from the Assembly Secretary; review cross cutting issues such as equal opportunities and sustainable development; develop a strong relationship with business (as required by the Assembly's Consultation with Business scheme).

## **Conclusion**

27. The Committee has had a challenging first nine months. The main issues are:

- the need for the Assembly to provide a vision, and clear plans through the National Economic Development Strategy, for ensuring growth throughout all parts of Wales; to tackle low levels of economic activity, low GDP and poverty; and to encourage the growth of (particularly small) businesses;
- the importance of ensuring that the Structural Funds Programmes are adequately funded and effectively implemented and monitored to ensure funding goes to projects that can deliver economic growth;
- the need to build consensus and partnership, particularly into the implementation of the Structural Funds Programmes, and the importance of engaging all parts of the private sector;

- the need to gather data to ensure adequate monitoring of progress and to ensure the adjusting of the programmes to achieve incremental growth.

Economic Development Committee

7 March 2000