

Pwyllgor Menter a Dysgu
Enterprise and Learning Committee
Bae Caerdydd / Cardiff Bay
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National Assembly for Wales

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Annwyl Ieuan

Implementation of the Economic Renewal Programme

As you are aware, the Enterprise and Learning Committee has recently completed its scrutiny of the Welsh Government's approach to implementing, monitoring and evaluating its Economic Renewal Programme. We are grateful to you, to the Deputy Minister for Science, Innovation and Skills and your colleagues for contributing to our inquiry, as we are to all those other individuals and organisations who submitted evidence.

We appreciate that these are still early days in the delivery of the Economic Renewal Programme but stakeholders are eagerly awaiting the detail of the next stages of the process. Speed and flexibility in rolling out that detail will be key. That is why the Committee has decided not to compile the customary report of our findings, but to publish for your immediate attention a letter which outlines ten main issues that we believe require Government action.

All the written and oral evidence we received to our inquiry can be viewed on our website on <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-els-home/bus-committees-third-els-agendas.htm>

1. Communication with business

We understand that the Welsh Government has not published the responses it received to the consultation process on the Economic Renewal Programme or even the list of those individuals and organisations that responded. Several witnesses expressed concerns that because it spells out such major changes, the final Programme document should have been subject to further discussion.

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At the time we were taking evidence in October, concern was expressed that there was little detail available to businesses - particularly small and medium-sized enterprises - on how to access support following changes to policy, such as the withdrawal of Flexible Support for Business and the Single Investment Fund. You acknowledged this lack of communication when you gave evidence to us on 20 October.

The need for greater speediness of response from Welsh Government departments was another concern that was raised by witnesses, as was the need to engage with businesses across the board - from large “anchor” companies to small enterprises.

Recommendation 1

We recommend that the Welsh Assembly Government should now more properly engage stakeholders in the implementation of its Economic Renewal Programme and should publicise and market its new arrangements for future business support quickly and effectively, particularly in the context of this current economic climate.

2. Grants to loans approach

Witnesses generally agreed with the principle of the Welsh Government moving towards a loan-based system of business support, but there were concerns that in changing from a grant culture, small businesses in particular should not be left high and dry.

Recommendation 2

We recommend that in the short term the Welsh Assembly Government should consider providing tapered funding to reduce the level of grant support available as projects and businesses mature.

3. Innovation and commercialisation

We heard from business people that speed to market (“velocity” as Simon Gibson called it) was crucial for ensuring that innovation can be commercialised successfully. Wesley Clover, for example, adopts a demand-driven as opposed to supply-led approach to commercialisation, and uses a highly intensive graduate entrepreneurship scheme to cultivate the business leaders - and companies - of the future. Such an approach could also, of course, be applied to a further education and workplace context.

Recommendation 3

We recommend that in implementing its Economic Renewal Programme the Welsh Assembly Government should place a stronger emphasis on encouraging innovation and commercialisation of research into marketable products and should set targets for the percentage of Gross Value Added that will be generated by research and development.

The Committee was interested to see the recent launch of Big Ideas Wales as part of the Welsh Government's Youth Entrepreneurship Strategy.

Recommendation 4

We recommend that in order to identify and nurture young entrepreneurs the Welsh Assembly Government should channel resources into schemes for encouraging more productive collaborations between higher and further education institutions and commercial advisers, for example, establishing a boot camp for apprentices.

Lack of venture capital was cited as a major barrier to individuals and companies being enabled to take risks and innovate. We received a number of suggestions for addressing that problem.

Recommendation 5

We recommend that Welsh Ministers should consider the merits of establishing a bond market for the Welsh economy. We also recommend that Welsh Ministers should consider establishing a business community bank in Wales that would be specifically aimed at turning innovation into commercialisation, rather than focused solely on generating financial returns.

4. International Business Wales

It was felt by some witnesses that the abolition of International Business Wales could create uncertainty for the business community in the short-term.

Recommendation 6

We recommend that the Welsh Assembly Government should clarify and communicate to the sector how it will be helping Welsh businesses export into new markets abroad, and conversely, how it will attract and brand inward investment.

5. Improving Wales's infrastructure

CBI Wales told us that it was more important for the Welsh Government to be improving the general business environment in Wales as opposed to having a direct intervention in business support.

We believe it is essential from both a social justice and economic sense that all households and businesses in Wales have access to next generation broadband. We appreciate that the role of the Welsh Government in providing broadband is not straightforward because it is caught up in European state aid rules, and public intervention in the market can be problematic. Yet we are not clear which kind of business model the Welsh Government is planning for the roll-out of next generation broadband and what role the private sector will play in that process.

When we took evidence earlier this year as part of our inquiry into the current EU Structural Funds Programmes, the South West Regional Development Agency told us that it was using EU Convergence Funds to finance a next generation broadband network for the whole of Cornwall and Isles of Scilly. The RDA had sought a private investor through an open competition, which was won by BT. The full details of the project were included in the RDA's supplementary evidence to us and are available on our website.

We also heard during our current inquiry about the Utah Telecommunications Open Infrastructure Agency (UTOPIA) in the USA where local councils have installed and own the network of fibre-optic cables over which 16 commercial operators pay to provide their services to households.

Recommendation 7

We recommend that Welsh Ministers should consider public/private partnerships such as those developed by the South West Regional Development Agency and by the UTOPIA network in the USA as a means of providing a next generation broadband network for the whole of Wales, and should undertake a cost-benefit analysis of the various approaches before deciding on a way forward.

CBI Wales made the point that it is not just broadband that is important for economic growth but also the transport, health, education, waste and utility infrastructure. We would therefore be interested to hear your ideas on how and when the proposed Wales Infrastructure Plan will be developed.

Recommendation 8

We recommend that the proposed Wales Infrastructure Plan should adopt a long-term planning horizon to integrate economic policies with those for transport and energy and with the Wales Spatial Plan; that it should include funding mechanisms, milestones and timescales for delivery; and should be subject to early and meaningful engagement with stakeholders.

6. The Manufacturing Strategy

You explained in your oral evidence to us the reasons why the publication of the Manufacturing Strategy has been delayed over the past few years.

We were also concerned that the Welsh Manufacturing Forum appears to have run out of steam. We were encouraged to read from your written evidence that you see a continuing role for the Forum, and we look forward to seeing the promised Manufacturing Strategy published soon. However, we perceive changes will be needed in how the Manufacturing Forum is resourced and focused in future.

Recommendation 9

We recommend that the Welsh Assembly Government should consider restructuring the Manufacturing Forum to work closely with the proposed sector panels in ensuring there are tools and techniques in place for analysing data and trends and making informed decisions about the future, without any duplication of work.

7. Skills gap

The Welsh Government's intended approach to skills development is to take forward the "For Our Future" Higher Education Strategy Action Plan and to implement an updated "Skills that Work for Wales" action plan. We heard during our inquiry how important it is to improve the leadership and management skills in Welsh businesses, particularly in smaller enterprises where managers often have to perform more than one role. We were therefore concerned to hear from the Federation of Small Businesses that only a couple of the sector skills councils have so far engaged with them or their members.

Similarly, we were concerned to learn from our questioning of one of the sector skills councils that out of 15 further education colleges only two were considered to be achieving good success/activity with employer groups under the Pathway to Apprenticeships scheme.

Recommendation 10

We recommend the Welsh Assembly Government should be more active in fostering better engagement between employers, education institutions and the sector skills councils on identifying which skills are needed to drive the Welsh economy forward and aligning courses and curricula accordingly.

8. Mind-sets

We heard from several witnesses that the success of the Economic Renewal Programme will hinge on changing the culture or mind-sets of Welsh Ministers and officials in the Welsh Government and their methods of working.

We understand that the six integrated sector teams are expected to be in place by the end of this year and that a panel of sector representatives and experts will then be recruited to help develop three-year sector plans.

We welcome the proposed impetus for implementing the new Programme as we are aware that it has taken the Welsh Government far too long to act on important pieces of work. The report on Commercialisation in Wales published in July 2007 by the independent task and finish group is a case in point, and we have expressed our concern about lack of progress in implementing that report's recommendations in previous inquiries by this Committee.

We are still unclear, however, as to how delivery of the Economic Renewal Programme will be any different if the Welsh Government's senior

management team will essentially remain the same, albeit within yet another new departmental structure. We would therefore welcome further clarification on this.

While most witnesses agreed with the proposed “whole government” approach to implementing the Economic Renewal Programme, there is currently no understanding of how that will work in practice.

Recommendation 11

We note the change in name of the Business Partnership Council to the Council for Economic Renewal and we recommend that Welsh Ministers should now consider a re-energised, re-focused and more effective role for the Council, with dedicated senior level support, in working with the sector panels and holding the Welsh Assembly Government to account in delivering sustainable economic development throughout all its departments.

9. Monitoring

We appreciate that the Welsh Government has specified a number of dates by which specific elements of the Economic Renewal Programme will be in place, and that you will soon be publishing a framework for measuring the performance of the Programme. However, we heard from some witnesses that longer-term targets need to be set – stabilising or even increasing the amount of Gross Domestic Product contributed by manufacturing, for example, or increasing the level of exports from Wales.

We agree with the Welsh Government’s own admission that the Economic Renewal Programme will require a change in approach to monitoring and evaluation, but we would like to see further detail on how this will work in practice.

Recommendation 12

We recommend that quantifiable targets and measures should be developed with the sector panels as part of a more dynamic performance management framework for regularly monitoring the implementation and effectiveness of the Economic Renewal Programme. We also recommend that the Welsh Assembly Government should regularly publish, at least once a year, a detailed assessment of its progress against the targets and measures.

Concerning the evaluation of the Technium network, for example, we were told by the Deputy Minister that it would be an internal review by Welsh Government officials. We believe that a more rigorous approach is required. As Simon Gibson told us, “techniums started out as a very good idea around the exploitation of intellectual property, and they ended up being a bad idea focused on property.”

Since we took oral evidence from you on 20 October it has come to light that DTZ was commissioned by the Economic Advice Division in the Department

of the First Minister to undertake a £90,000 two-stage evaluation of the Technium network.

Recommendation 13

We recommend that Welsh Ministers clarify the status of, and relationship between, the internal review and external evaluation of the Technium network, and how the outcomes of those reviews will be taken forward.

10. Timescales

Several witnesses to this inquiry stressed the importance of looking ahead over the next 10 to 20 years, particularly if Wales is to move towards a low carbon, green economy.

Recommendation 14

We recommend that the Welsh Assembly Government should plan for the next 20 years at least in developing its economic policies, and that its various programmes, such as Economic Renewal, EU Structural Funds and Work-Based Learning, should all be aligned to achieve a shared vision for a sustainable future economy.

Finally, I wish to thank you and your officials again for your contribution to our inquiry. We appreciate this is a challenging Programme to deliver, and in such difficult economic circumstances.

We would be grateful to receive your formal response to our recommendations as soon as possible. We shall publish this letter as well as your response, and we plan to hold a further session with you and the Deputy Minister for Science, Innovation and Skills in the spring term to scrutinise further your progress in implementing the Economic Renewal Programme.

Yours sincerely



Gareth Jones AM
Committee Chair

cc. Lesley Griffiths AM
Deputy Minister for Science, Innovation and Skills