



## Feasibility assessment

**Title of research: A Framework for Regional Investment in Wales Consultation: Securing Wales' Future**

**Publication date: 2020**

### Short summary of report:

The consultation document sets out the Welsh Government's proposed approach to the future of regional investment outside the European Union. The document proposes a new and flexible National Framework for regional economic investment with the Well-being of Future Generations Act at its heart.

The stated aim is to deliver evidence-based and better targeted investments that will achieve real change by capturing the importance of place and people, together with a commitment to decentralise funding and decision-making closer to the people it aims to benefit.

The consultation restates the Welsh Government's demand for continued devolved funding for regional investment of at least the level that Wales currently receives from the European Union (EU).

The proposed framework includes four broad investment priority areas.

The ambition from Welsh Government is to develop an approach which is rooted in communities, shaped by landscape and with real social purpose whilst being outward looking, open to new ideas and opportunities - and ready to compete on a global platform.

There are thirteen consultation questions. The consultation closes on May 22<sup>nd</sup> 2020.

### Feasibility assessment by panel of how this will feed into the project work:

The Framework for Regional Investment that will result from the consultation will form the basis on which the Welsh Government proposes to invest in economic development from 1 January 2021. It is therefore an important contextual document, setting the proposed direction of travel for measures that may support the development of entrepreneurial activity in rural Wales. The main caveat is that plans by UK Government have not been explicit and may override the Wales aspirations.

The document makes no mention of the importance of short supply chains but does recognise the importance of local enterprises grounded in communities. The rationale for this focus is

explained by the need to grow more micro enterprises into medium sized firms that will be retained in Wales.

The need for innovation is highlighted and should, as proposals develop, provide a window of opportunity for projects such as Arsyllfa to pilot new approaches. A clear recognition of locally based innovation and nurturing an enterprise culture at local level will need to be argued for. At present the consultation is only explicit about this support at a national scale.

The consultation alludes to a future model for community led local development and explicitly says that it wants to support young people, especially those in rural areas who feel compelled to move for education and/or work. These aspects of the consultation provide some openings for piloting new rurally based initiatives.

### **What are its characteristics and how can they be applied to this project?**

The consultation proposes the development of a National Framework to deliver benefits across Wales, including rural Wales. The devolved approach it says will empower regions to develop their own distinctive strengths and opportunities. There is no explicit reference to rural Wales and its distinct needs, but regional frameworks are expected in the proposals to reflect the opportunities and challenges of their areas.

The proposed framework is seen to be place and people-based which empowers communities of all kinds to co-produce innovative solutions to the challenges they experience. Regions and communities will be empowered to develop their own portfolios of actions that work together to deliver the best results according to their needs and strengths.

The consultation states that the aim is to create economic development post-Brexit that will address challenges and drive opportunities in Wales with creativity and ambition. Innovation is seen as important and alongside research, technologies (including digital), entrepreneurship, and recognising and addressing inequality and sustainability run through all four themes. Although innovation at a local scale is not mentioned, there is scope to bring together the ambition of a locally rooted economy with the aspiration to be creative.

A table outlining a future community-led local development model is included in the document but not expanded upon. The model is intended to apply across Wales, in urban, rural, post-industrial and coastal areas. The distinction between a community approach aimed at supporting vulnerable groups and one aimed at enterprises still remains to be teased out.

The consultation recognises the importance of the Welsh language. It is a horizontal measure and has its own consultation question. The importance of the Welsh language as a driver of economic development is not recognised.

### **How can these principles and values interact with fostering an entrepreneurial culture?**

There is a clear aspiration within the consultation document to drive growth in a way which is both sustainable and inclusive by supporting entrepreneurs, start-ups and businesses to increase prosperity. The aim is to increase the number and size of enterprises and new start-ups (including social businesses, services, and those in the foundational economy) across Wales in a sustainable manner, particularly in areas of greatest need. The document says that the aspiration is to encourage the creation and sustainability of more enterprises which

are owned by local people and employ local staff. Evidence shows that these businesses generate beneficial economic outcomes and are more likely to stay in Wales. The framework aims to grow new start-ups into medium sized firms, grounded in local communities.

Access to finance is seen as key and existing channels such as the Development Bank of Wales and the Social Business Growth Fund are seen as important in this respect.

Support for entrepreneurship is used as an example of an aspect of investment that needs to be retained at national level to benefit from economies of scale or to take advantage of specific technical expertise, not necessarily replicated across all regions. How this should be done and the role of nurturing innovation entrepreneurial activity at a local level, as has been achieved under LEADER, is not covered in the document.

## **Key findings**

The consultation is based on four broad investment priority areas. Commitments are made about how the framework will be delivered, monitored and evaluated.

A socio-economic analysis accompanies the consultation which sets out an evidence base for investment for each of the four investment priority areas.

The priority investment areas are:

- Productive and competitive businesses.
- Reducing the factors that lead to income inequality.
- Supporting the transition to a zero-carbon economy.
- Healthier, fairer, more sustainable communities.

The proposal is to support productive and competitive businesses and social enterprises through the creation of high-quality jobs, strengthening productivity and competitiveness. The aim is to increase the number and size of enterprises and new start-ups (including social businesses, services, and those in the foundational economy) across Wales in a sustainable manner. The consultation proposes that the priority for this intervention should be areas of greatest need. Succession and the retention of home-grown businesses are proposed priorities with particular focus on progression into productive medium sized firms that are grounded in their local communities.

Ensuring that Welsh businesses are competitive at home and across the world is a priority objective which requires investment in skills and training, access to finance as well as support for research and innovation.

Fair work is a central tenet of the proposed National Framework. This involves supporting people into work and preparing people for future challenges through qualifications and skills. The consultation recognises that a balance needs to be struck between continuing efforts to raise labour market participation levels whilst, at the same time, increasing the quality of employment in line with Fair Work definitions. Under-represented groups are a particular focus with a key objective being to reduce pay disparities for gender, race, and people with disabilities.

The third priority is to support the transition to a zero-carbon economy. The key proposed objective is to make it easier for renewable energies to reach the market as part of a smarter energy system.

The Welsh Government wants all new energy developments in Wales to have an element of local ownership to help ensure that communities retain the benefits from the transition to a cleaner energy system. The aspiration is to help communities to be powered, in the longer term, by locally generated energy as part of a smarter, flexible energy system. Objectives include, an increase in electric vehicles, reducing housing emissions through behavioural changes, energy efficiency and low carbon heating measures and farm energy efficiencies including through increasing tree cover, reducing peatland carbon loss and building carbon stores within biomass. New skills will be needed to achieve the vision of a greener Wales.

The fourth investment priority area is to achieve healthier, fairer and more sustainable communities. The consultation points out that Welsh communities can be vibrant, creative, resilient, and rich in human capital. It recognises that, as well as addressing deficits, it is vital to build on assets and seize opportunities which can benefit a community, including supporting those who are already doing so. The proposed objectives include measures to empower vulnerable groups and to support communities to get involved, find solutions and make decisions. The consultation is clear that investment should empower urban, rural and coastal communities to identify and develop solutions to the social and economic barriers they face to prosperity, shaping their local places to drive new economic opportunity and foster the development of mental and physical health. Greater connectivity through social networks for communities is important to enable communities to function.

The consultation recognises the importance of the creative industries as being integral to promoting a strong sense of people and place.

The importance of providing sustainable economic opportunities for young people, especially in rural areas is highlighted. The aspiration is to ensure that a positive future is made possible within their local areas, irrespective of rurality or location, without necessarily requiring movement to cities in Wales or beyond.

A common set of indicators, applied across a national framework, is recommended for monitoring the proposed investment. Indicators will be aligned with the structure for measurement of progress toward the well-being goals under the Well-being of Future Generations Act. The proposed evaluation should provide an understanding of how the intervention was or is being implemented, its effects, for whom, how and why and the longer-term difference made.

The delivery of a future National Framework is proposed to be based on:

- i. Outcomes. Built around the Well-being of Future Generations Act.
- ii. Decentralisation of funding and decision-making closer to the people they aim to benefit in all parts of Wales.
- iii. Integration of policies and wider opportunities for investments in Wales, the UK and internationally, including City and Growth Deals.
- iv. A single fund on a multi-annual basis.
- v. Horizontal themes including equality, sustainable development and the Welsh language.
- vi. Collaborative working across borders, within and beyond Wales, to strengthen Wales's reputation as an outward looking, innovative nation.
- vii. Ensuring that regions and local areas have the necessary capability and capacity to maximise the opportunities from regional economic investment.
- viii. Simpler and more proportionate framework based on a set of rules which build on best practice for simplification, proportionality, transparency, and value for money.

A place-based approach will be central to the delivery of future investment.

The proposed national framework will keep the best of past programmes:

- Multi-annual financing to provide longer-term investment planning certainty.
- Equality, human rights and protection of the environment.
- Aligning investments with wider Welsh Government policy to ensure better strategic join up and value for money.
- Working collaboratively across the UK, Europe and internationally.

## Conclusions

1. The consultation is important because the proposed National Framework that will follow will dictate how investment in economic development, including to entrepreneurs in rural areas, will be developed and delivered. The consultation provides the first indications of some priority areas that could be developed into programmes pertinent to Arsyllfa.
2. The vision that investment should be rooted in communities and shaped by landscape provides scope for initiatives such as Arsyllfa to pilot locally initiated approaches to the fostering of entrepreneurial activity.
3. Rural Wales and the opportunities it affords is only explicitly mentioned in relation to young people. The implication is the regional frameworks will be expected to reflect the situations in their areas.
4. Support for entrepreneurs is seen as a nationally delivered investment. Whether there is an opportunity to develop mechanisms for local nurturing of enterprise, using language and culture as a driving force remains to be argued for. The legacy of LEADER could be something that Arsyllfa promotes in this respect.

## Appendices

1. Appendix A - Framework for Regional Investment in Wales Consultation: Securing Wales' Future
  2. Appendix B - Socio- economic analysis of Wales
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