Review of the
Balance of Competences

Cohesion Report: London – Wales teleconference
17 December 2013

Attendees

Wales Council for Voluntary Action
Wales Social Partners Unit
Engineering Employers Federation
Welsh Local Government Association
Welsh European Funding Office, Welsh Government
Department for Business, Innovation and Skills (London)

The following points were made in discussion held under the Chatham House Rule:

Value of the Funds

- The Welsh economy was performing strongly and was the second best performing region in terms of GVA growth in the most recent figures.
- It was likely that Structural Funds contributed to this performance. Some analysis had concluded that in 2000-06, the Funds had created 115,000 gross jobs and 12,000 gross SMEs, and were responsible for 886,000 interventions benefiting individuals.
- Similar figures were expected for 2007-13 despite the economic downturn during this period.
- The Funds' 7 year planning cycle was positive, as was the way the Funds catalysed partnership working. Both encourage a strategic approach to the use of funds which was now firmly embedded in Wales. Likewise the dialogue with the European Commission encouraged a robust approach to intervention logic and evaluation.
- Finance Wales was a significant intervention which had generated positive outcomes.
- The Funds had facilitated activities engaging with those furthest from the labour market at a community level.
- A lot of manufacturing jobs had been lost in the economic downturn. But it was estimated that 11,000 more jobs would have been lost without interventions such as PROACT which relied on the Structural Funds for its existence.
- Companies had reported benefits of such interventions including customer engagement and diversification of the customer base.
- The Funds supported interventions which were helping individuals into work – case studies exist showing how this is achieved. They were also supporting social enterprises, and promoting community engagement.
- It was argued that the challenges which the Structural Funds address in Wales could be diminished if the way core funding was assigned by HM Treasury was addressed to rectify a disparity which it was argued existed between Wales and Scotland.

- Structural Funds investment was supporting the Welsh industrial strategy, for instance in the case of manufacturing. The investment was supporting businesses in developing their approach to innovation.
- Job creation in manufacturing supported job creation in other parts of the economy. It was estimated that for every manufacturing job created, another four jobs were created in supply chains.
- Challenge from Brussels on specificity and evidence bases had been helpful. Arguably this had led to more robust strategic planning.
- Wales had made huge progress in the use of Structural Funds since 2006 to the extent that the Funds had become drivers of policy, and acted as catalysts for other activity.
- Local authorities had taken a cautious approach with respect to state aid considerations. Structural Funds investments e.g. in skills had supported new businesses rather than unduly distorting markets.
- Some held the view that Structural Funds had not been sufficiently targetted on infrastructure.
- There was a general consensus that it was unlikely that Welsh stakeholders would want responsibility for Structural Fund-type spend to be transferred from the EU to the UK. Unless the Treasury were to enter into a binding contract, the UK would not be able to guarantee funding levels over 7 years in the way the EU was.
- No approach to economic development had yet been successful in addressing the long-term problems of Wales. But it seemed that a sectoral approach had some advantages over a horizontal approach. In Wales there was an attempt to avoid 'spreading the jam too thinly', and the Commission's Smart Specialisation agenda also reflected this approach.

Management

- An independent review had been conducted of the Welsh approach to managing Structural Funds spend. A key recommendation was a move towards a more 'portfolio management' based approach, which was consistent with using Funds in a more concentrated way. The interface between the public and private sector had evolved following devolution and was now more 'immediate'.
- There was some artificiality in the way more developed / transitional and less developed regions were categorised. Cardiff was in the 'more developed' region but generated a 'commuter effect' which had knock-on effects in the less developed region.
- In some ways the division between the two Welsh regions was helpful; in other ways it was a considerable drawback – for example it prevented spend on key infrastructure challenges.
- There was a general preference for targetting Funds on less developed regions which in Wales permitted what was anticipated to be a concentrated, one-off exposure to the Funds leaving a significant legacy.
- There was some tentative agreement that some tapering of Fund levels between different categories of region might be helpful to address the arguably crude nature of e.g. the cut-off between less developed and transition of 75% of average EU GDP. The general view however was that concentrating Funds where most needed was desirable.
- There was some agreement that the bureaucracy around the Funds was excessively complex.
- Guidance documents often contained 'EU jargon' which was unhelpful.

- Attempts at simplification rarely resulted in real simplification ‘on the ground’ – the tendency was for bureaucracy to be passed ‘down the chain’.
- The processes of negotiating and setting up programmes were very bureaucratic. Ideally, bureaucracy should be hidden from those who access the Funds.
- There was ‘micro-management’ around the Funds with some data-collection which appeared to lack real purpose.
- Current Commission proposals for simplification could yield benefits. But there was a deep suspicion that benefits of simplification would not be experienced ‘on the ground’.
- Wales had worked to take forward the simplification agenda including by (i) having single portal; (ii) implementing an effective IT platform; (iii) ‘joining up’ project offices; (iv) ensuring consistency in the approach to evaluation. There was a view that the Commission ought to move quicker in taking similar steps to ensure simplification. But DGs had given explicit commitments to do so.
- Progress could be made simply by adopting modern accounting practices, for example by using SAGE. The current situation led to unnecessary duplication.
- The Commission was attempting to reduce the amount of jargon, but this could cause difficulties at the audit stage if there were differences over the definitions of words.

Future challenges and opportunities

- Opportunities were presented by the ‘reshoring’ agenda which could see supply-chains return to the UK along with associated research and development activity. International cooperation remained key however – for instance Wales had the largest manufacturing centre in the UK in the Airbus plant at Broughton.