

Enterprise and Learning Committee

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Structural funds: implementation of the 2007-2013 programmes Further considerations

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Introduction

- I have been asked to provide a brief paper highlighting my views on the Welsh Government's response to the Committee's recommendations and whether any developments have taken place since the Committee last took evidence on Structural Funds.
- I am happy to discuss the various recommendations from the Committee and the responses from the Welsh Assembly Government in more detail at the committee meeting itself. However, I would like to take this opportunity to discuss the main omissions from both reports namely the relative economic performance of Wales since the first round of funding 2000-2006 and, more importantly, current performance data related to the implementation of the current round of European structural funds 2007-2013.

Relative performance of West Wales and the Valleys.

- Figure 1 examines the four UK sub-regions previously in receipt of Objective 1 funding during the period 2000-2008 when West Wales and the Valleys received £1.3 billion of Objective 1 funding and a further £700 million of public matched funding.

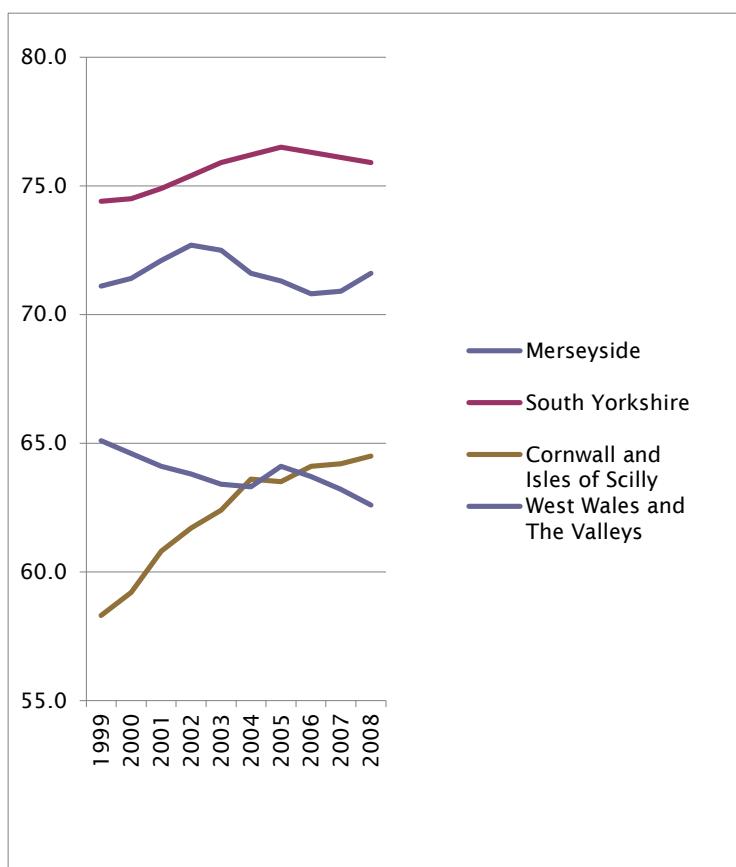


Figure 1

Relative GVA/head of UK Objective 1 regions

- The prosperity of West Wales and the Valleys relative to the UK declined by 3.1 per cent during this period, despite the fact that approximately £2 billion of European and public money was spent in the region. This should be compared to the performance of the other regions that were in receipt of European Objective 1 funding at the time - Cornwall increased its relative prosperity by 9.0 per cent, South Yorkshire by 1.9 per cent and Merseyside by 0.3 per cent.
- In 2003, the Welsh Affairs Select Committee undertook an inquiry to examine European Structural Funds in Wales. At the time, the committee took evidence from representatives from the other three regions on how they were managing the funds. What stood out from the Cornish evidence was the way that they were fully interacting with the private sector in terms of the delivery of the Objective 1 funds. Cornwall – as an English county – also demonstrates that a more local approach to the spending of European funding could be more efficient
- It is worth noting, however, that the prosperity of West Wales and the Valleys that grew between 2004 and 2005, but began to decline again after this period. Could it be that this is linked directly to the decision to abolish the WDA back in 2004, especially as the WDA were responsible for many of the support programmes at that time? No detailed audit or evaluation has been made to determine this.
- An examination of the components that made up the West Wales and the Valleys economy between 2000 and 2008 shows that the overall regional economy has grown by 45.2 per cent, or £7.2 billion (figure 2). However, a quarter of that growth would have come directly from the £2 billion of European and match funding provided for the Objective 1 programme.

	£million	£million
	2000	2008
Agriculture, hunting and forestry	320	81
Fishing	4	14
Mining and quarrying	122	154
Manufacturing	4 237	4 214
Electricity, gas and water supply	355	352
Construction	1 061	1 769
Wholesale and retail trade	1 956	2 861
Hotels and restaurants	646	893
Transport, storage and communication	841	1 201
Financial intermediation	375	774
Real estate, renting & business activities	2 019	3 736
Public administration & defence	1 092	2 018
Education	1 407	2 131
Health and social work	1 861	2 930
Other services ⁵	817	1 226
Total GVA	17 113	24 354

Table 1
Headline GVA by industry, West Wales and the Valleys, 2000, 2008

- Another concern regarding the Welsh economy during the last decade is the performance of the seven counties (Cardiff, Newport, Vale of Glamorgan, Monmouthshire, Powys, Wrexham and Flintshire) that did not receive European funding. Known as East Wales, their collective performance declined by 5.2 per cent over the period 2000-2008. In 2000, the region was almost at the same prosperity level as the UK economy but by 2008, it had declined to 94 per cent of

the UK's average prosperity. Indeed, if we examine the relative performance of the different parts of Wales, we see that growth has been uneven in those counties that make up both East Wales and West Wales and the Valleys (figures 3 and 4). For example, Cardiff and the Vale of Glamorgan remains the only part of Wales that has a higher GVA/head than the Welsh average, although this has been in decline since 2003.

- The two NUTS 3 areas that have experienced the lowest level of growth since 2000 have been outside the Convergence fund areas, namely Powys and Flintshire/Wrexham.
- In 1999, the GVA relative to the rest of the UK for Powys was 75 per cent, as compared to 77 per cent for Wales. In 2008, Powys now has a relative GVA/head of 63.1 per cent as opposed to 74.1 per cent for Wales. Therefore, whilst the Welsh economy has grown by 42 per cent for the period 1999-2008, it has only grown by 26 per cent in Powys. Agriculture, in particular, has been hit hard, with a 76 per cent reduction in its contribution to the local economy
- Flintshire and Wrexham, the two counties in the North East of Wales, have always been seen as the industrial powerhouse of the Welsh economy. With global companies such as Toyota, Airbus and JCB located in the area it has, in the past, been rightly described as one of the main manufacturing regions of the UK. However, the relative prosperity of the region has fallen from 97 per cent in 2000 to 85 per cent in 2008. Not surprisingly, overall GVA has grown by only 29 per cent during 2000-2008
- Within the Convergence area of Wales, whilst the prosperity of Anglesey has grown by over 53 per cent during the period 2000-2008, it remains the poorest part of the UK with relative GDP/head of 55.2 per cent. Whilst the Gwent and Central Valleys are almost amongst the poorest parts of the UK, their relative growth during this period has been lower and there seems to have been little direct effect of Objective 1 expenditure on the economic growth of both areas.

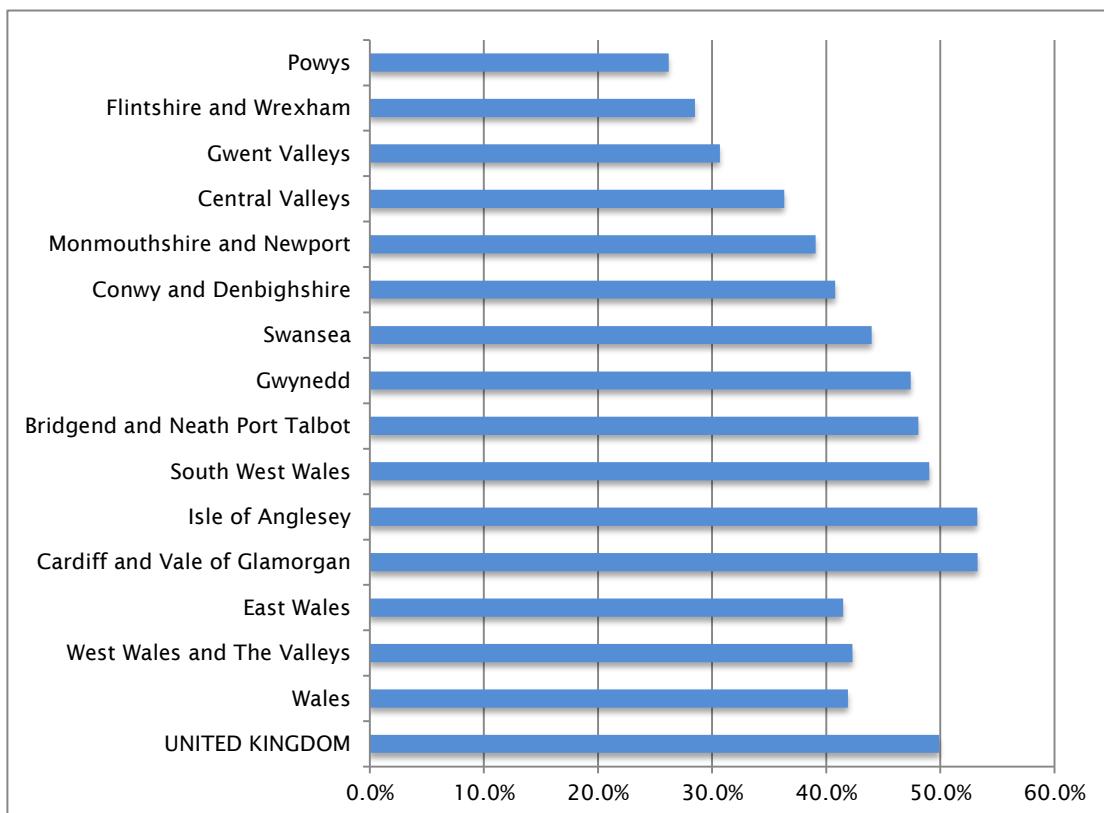


Figure 2
Growth in GVA 2000-2008, by NUTS 3 areas

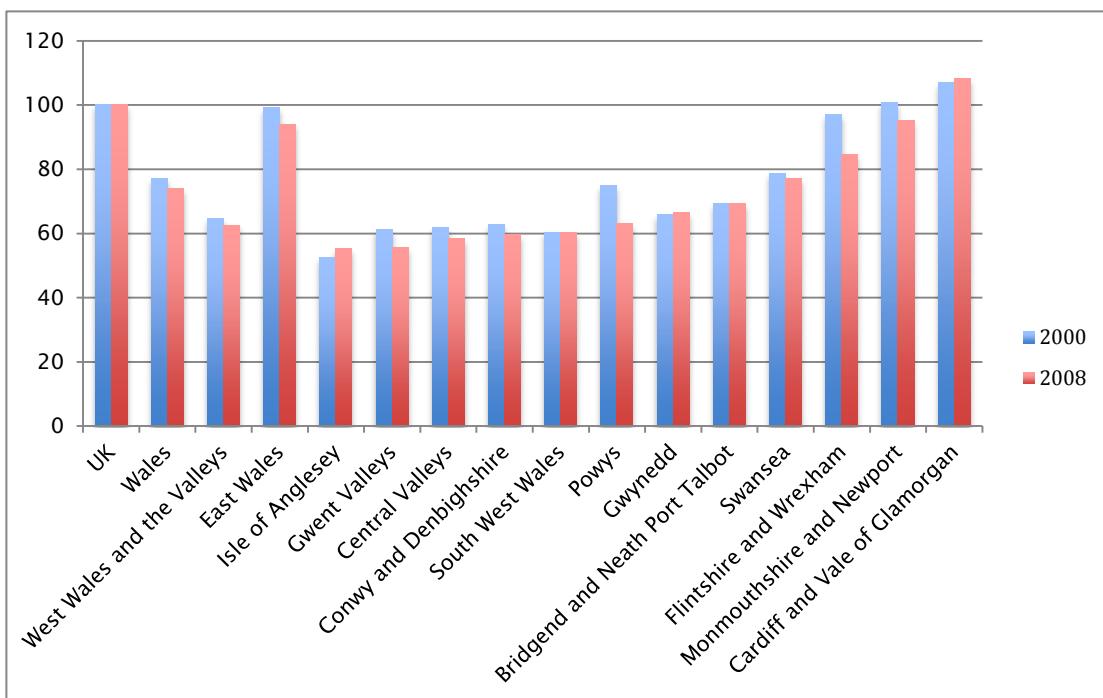


Figure 3
GVA/head for Nuts 3 regions, Wales, 2000,2008

Outputs

- A total of 208 projects have been approved EU funds of £1.47 billion as at 06 January 2011. This represents a total project investment of over £3 billion. Total expenditure for EU projects is some £719 million (EU funds over £361 million) based on claims submitted by sponsors and paid by WEFO.
- In terms of performance to date of the two main programmes (Convergence Funds for West Wales and the Valleys and Competitiveness Funds for East Wales), the latest monitoring data reported to the Programme Monitoring Committee is shown in table 2 below.

	OP target	Progress as of 31-10-2010		
		West Wales and the Valleys	East Wales	West Wales and the Valleys
Total Participants (ESF)	26,600	267,500	23,143	128,824
Employers assisted (ESF)	2,800	20,060	732	2,120
Enterprises assisted (ERDF)	2,180	14,150	640	3,297
Gross Jobs created (ERDF)	2,340	33,200	1,545	3,380
Enterprises created (ERDF)	510	5034	439	858

Table 2
Progress against Programme-level Indicators

- The comparison between the progress of the Competitiveness and Convergence Funds is startling. For example, the Competitiveness Fund has hit 66 per cent of the gross jobs created target as compared to only 10 per cent for the Convergence programme, and 86 per cent of the target for enterprises created as compared to 17 per cent for West Wales and the Valleys. More up to date statistics from WEFO at a local authority level confirm these trends.

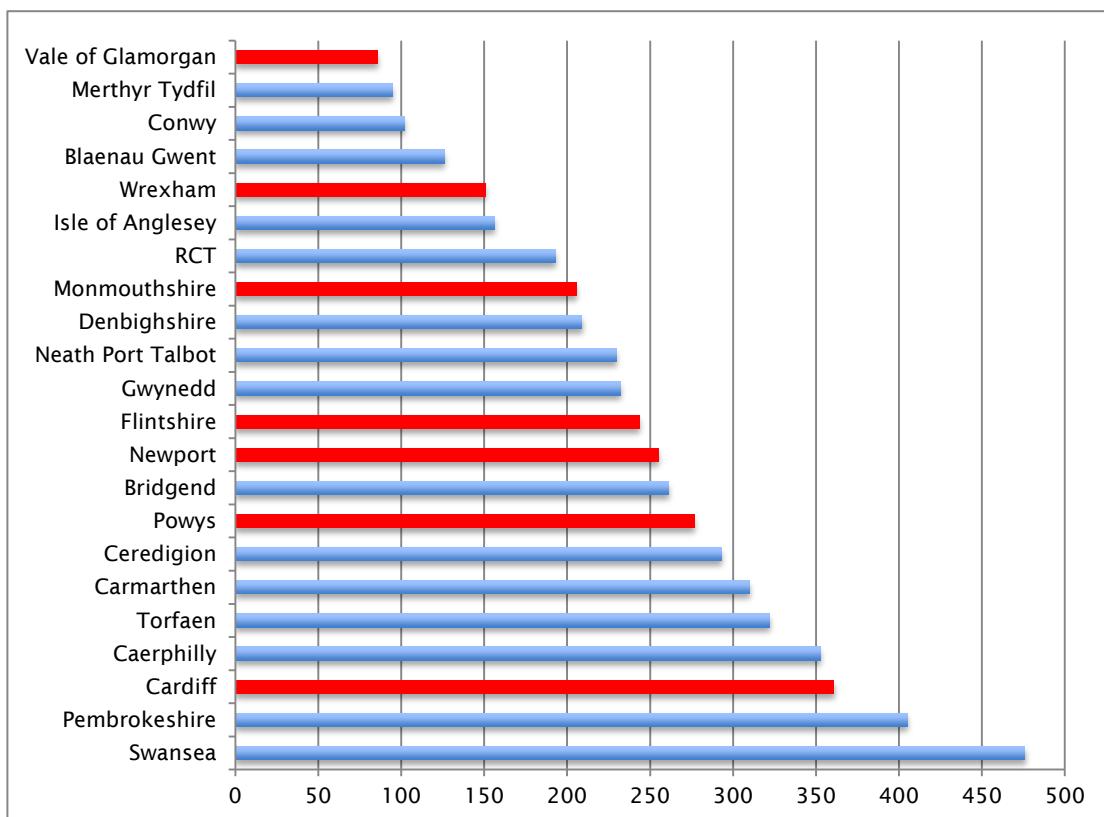


Figure 4
No of jobs created by European Structural Funding, by local authority, Dec 2010

- According to WEFO's latest data for local authorities (which has been updated to 31st Dec 2010), 5,343 jobs have been created as a result of European Structural Funds. Of these, 3,956 jobs have been created in the Convergence region and 1,387 jobs in the Competitiveness region. This is compared to an overall target of 35,540 new jobs.
- What is interesting about these statistics is that whilst East Wales only has access to 6 per cent of the funding available to West Wales and the Valleys, the Competitiveness programme has generated a quarter of all the jobs supported by European money (with 361 jobs created in Cardiff).
- Within the Convergence region, 476 jobs have been created in Swansea (or 12 per cent of the total). In contrast, the Convergence counties with the lowest level of job creation to date are Merthyr Tydfil (95 jobs), Conwy (102 jobs) and Blaenau Gwent (126 jobs)
- 4,549 firms have been assisted (7 or more hours of consultancy or advice) as a result of European Structural Funds. Of these, 83 per cent are based in the Convergence region.
- Over half of the firms assisted in the Convergence region are in five counties, namely Swansea, Gwynedd, Carmarthen, Caerphilly and Ceredigion. Only 67 firms have been assisted in Merthyr Tydfil and only 74 firms in Blaenau Gwent.
- In terms of new firms, 1304 new enterprises have been created across Wales as a result of European Structural Funds as compared to an overall target of 5,544 new enterprises. Of these, a third (439 new firms) have been created in the Competitiveness area, with Cardiff, Newport and Powys in the five top counties for new enterprises. Whilst Swansea has created the most new businesses (117 firms), the counties with the worst entrepreneurial performance are Blaenau Gwent (23 new firms) and Denbighshire (32 new firms).

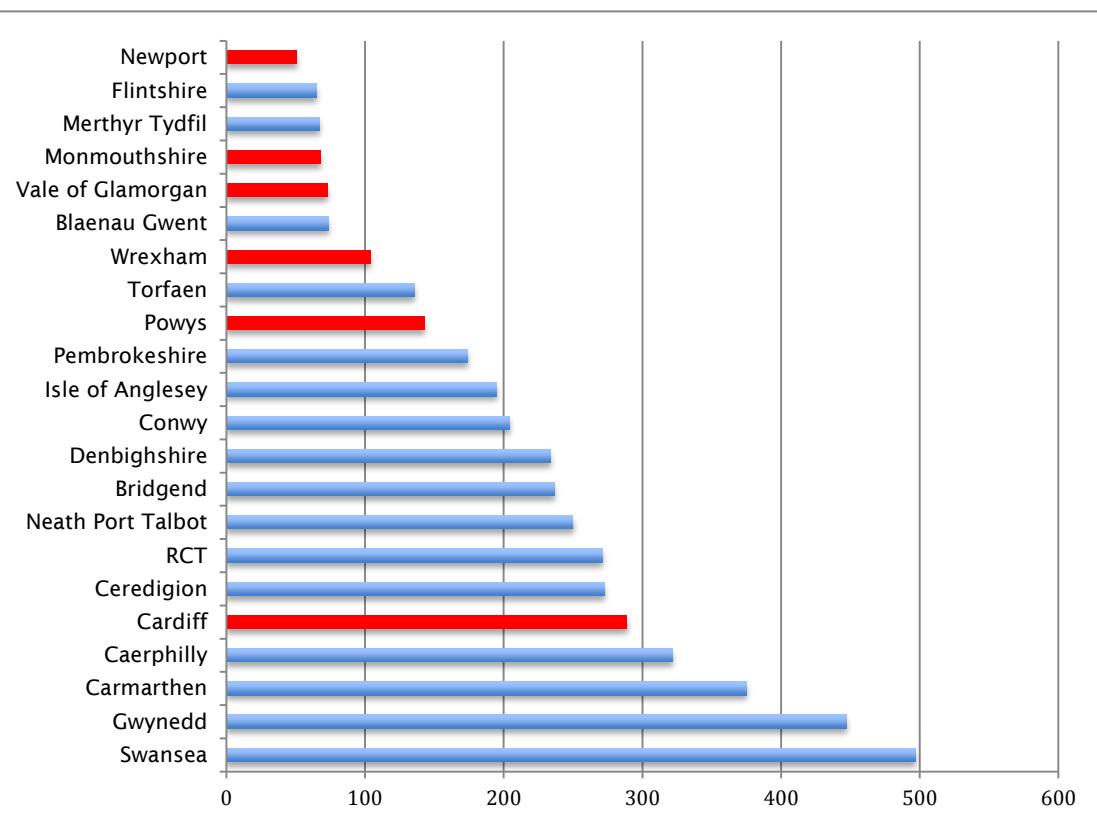


Figure 5: No of enterprises assisted by European Structural Funding, by local authority, Dec 2010

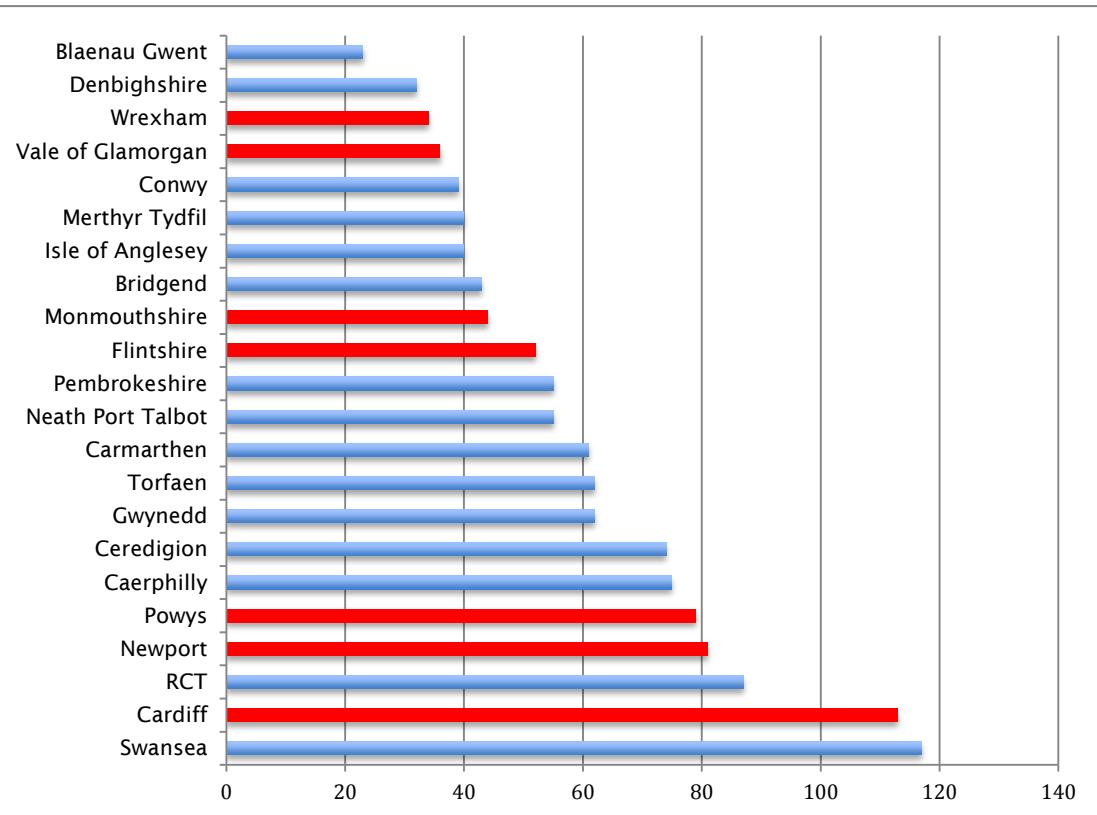


Figure 6: No of new enterprises created by European Structural Funding, by local authority, Dec 2010