DRAFT MINUTES

ECONOMIC DEVELOPMENT COMMITTEE EDC-04-99(min)

Minutes of Committee meeting

Date: Monday 26 July 1999

Time: 12:30 pm to 3:50 pm

Venue: Committee Room 1, National Assembly Building

Attendance

Members

Val Feld (Chair)	Swansea East
Alun Cairns	South West Wales
Ron Davies	Caerphilly
Michael German	South Wales East
Ann Jones	Vale of Clwyd
Rhodri Morgan (AS)	Cardiff West
Phil Williams	South Wales East
Sue Essex	Cardiff North
(attending with the agreement of the Chair)	

Invited to attend

Tom Heffernan	Department of Finance, Republic of Ireland
Denis Malone	Director of the Highlands and Islands Partnership
George Barrett	ECOTEC Ltd
Professor Robert Moore	Liverpool University (experience of the Merseyside Objective 1 programme)
Jeff Andrews	Economic Development Policy Officer, Cardiff County Council

Officials

Michael Cochlin	Director of Economic Development Group
Alan Lansdown	Head of European Affairs Division
Ms Ann Stephenson	Regional Development Division

Secretariat

Helen Usher	Clerk
Vaughan Watkin	(Acting) Deputy Clerk

Chair's Opening Remarks

The Chair welcomed members and guests to the special meeting of the Committee and thanked them for agreeing to attend at short notice. Two members of the Committee (Helen Mary Jones and Brian Hancock) were unable to attend because of prior constituency and holiday commitments and had sent their apologies.

Agenda item 1: Producing and implementing effective strategies

Introduction

1.1 The Chair said that the purpose of the session was to start the detailed consideration of the National Development Strategy and the Objective 1 and Objective 3 consultation documents. The Committee needed to consider what were the key components of an effective strategy to enable them to assess the current proposals to be made. The principles and practical issues surrounding the implementation of the programme also needed to be considered carefully.

1.2 The Chair welcomed Tom Heffernan, Denis Malone, George Barrett, Professor Robert Moore, and Jeff Andrews who were to speak about their experiences of devising, implementing and reviewing similar EC funded strategies (particularly Objective 1). Each was then asked to give a short overview of their particular experience.

Tom Heffernan - Department of Finance, Republic of Ireland

1.3 For the 1994-1999 programme period the whole of Ireland was covered by Objective 1. The total spend was 12bn ecu . Nine sectoral programmes were identified, with human resources and the productive sector being the top two. Over the period, 37 per cent of the programme spending had been related to education, training and human resources.

1.4 The strategy had been very successful and GDP for Ireland was converging with the European average. As a result, not all Ireland was eligible for Objective 1 under the 2000-2006 programme. The National Development Plan for the period required funding of 38 bn punts of which only 3bn punts was EC funded. Local regional authorities and social partners were involved in drawing up this plan.

1.5 The four priority areas for the new programme were economic infrastructure; employment and human resources, productive sector including research and development, and regional programmes (focussing on sub-regional developments and small-scale investments).

1.6 There were many common themes between the Irish programmes and those being prepared for Wales. There was, however, a need to ensure that the priorities and measures were related directly to the problems identified for Wales, just copying what had been successful elsewhere would not necessarily work.

Denis Malone- Director of the Highlands and Islands Partnership

1.7 The total spend on the Highlands and Islands programme was 900mecu, of which 320mecu was EC funded. Although this was smaller than the spend anticipated for Wales, when differences in population were taken into account the level of resources available was very similar.

1.8 Based on the Highland and Island experience, it was essential that EC funding was seen as just one part of the programme. The measures proposed should relate to the problems identified, not just be a means for drawing down EC funds eg rural development and agriculture were important, but there was not much EC funding for these area.

1.9 It was important to focus on what the funds could deliver to the area in question and to ensure targets were realistic. Some of the targets in the consultation documents were far too ambitious. The link between spending and impact on targets could be difficult to establish. The Highlands and Islands programme had spent much money on infrastructure (mainly roads), but it was difficult to see what direct impact this had had on GDP. The new programme would be concentrating more on education and training eg the University of the Isles.

1.10 There was a need for all interested parties (public, private, voluntary) to work in partnership to ensure that the most was made of any funding received.

George Barrett - ECOTEC

1.11 Mr Barrett explained that he had had experience of both the Wales and the Highlands and Islands plans through his work with the Commission.

1.12 Overall, the UK plans were well implemented but they were relatively poorly monitored. They were often not built on a strong strategy, but were a series of measures which allowed funding to be drawn down. They were enabling plans rather than being specific.

1.13 Another problem was the negotiation process. It was often fraught. For example, the Merseyside Plan had been thrown out, not because it was bad, but because there was nothing new in the plan.

1.14 Plans needed to present a vision, an analysis of the issues, a strategy for addressing the issues and details of how this strategy would be implemented. Plans often just reiterated the arguments for eligibility. What was required was an analysis of the causes of the problems, an analysis of the labour market, explanations of what was causing different areas to change (and this would need to be done at sub-regional level), lessons to be learnt from past experiences about what was effective and what was not.

1.15 To sum up, the plan needed three elements:

- clear objectives;
- a reasoned statement of what strategic choices were made and why these had been chosen over the alternatives; and
- an explanation of how the plan fitted in with other policies.

Professor Robert Moore - Liverpool University

1.16 Professor Moore said that the original Merseyside SPD proposal was very much of a compilation of local authority plans. An effective strategy was vital if GDP in Wales was to be improved. The current proposals compared GDP with the UK average.

1.17 There was a need to identify priority areas within the Objective 1 area and to design measures to combat the specific problems of these areas. There was a need to have a good management database and the cost of this should be built into the assumptions on funding. Information on poverty and social exclusion was vital in order to monitor how effective the programme was, and the EC would require hard evidence. This database needed to be set up immediately, it could not wait until the programme started.

1.18 The Chair then opened up the discussion and the following points were made:

- baseline data was required immediately;
- the Objective 1 area was not homogeneous, for example, the Valleys and the coastal plain were very different and even within the Valleys problems varied between areas;

In Ireland,

- certain sectors had been selected and the emphasis was on the need to move to higher skilled and higher technology areas;
- providing a highly-trained workforce was seen as the way to ensure growth both from indigenous businesses and through the attraction of inward investors. Thirty-seven per cent of the programme expenditure had been in investment in human resources;
- an independent analysis was undertaken before planning and the setting of strategies took place. This had broad terms of reference and social partners, regional and local government all had an input;
- coordination of policies was the responsibility of the Ministry of Finance.
- best policy and practice was encouraged;
- there had been a need to prioritise and this had caused tensions, but local government

and four other groups (the employers, unions, agriculture and the voluntary sector) were given a chance to influence policy;
- there were eight regional authorities made up of local authorities and they were responsible for monitoring along with other partners. The regional assemblies were based on NUTS 2 regions and were indirectly elected. They had a role in running and monitoring the programmes;
- the Irish Government provided match funding. Capital funding was provided for gross while generally current funding was provided net. All EC programmes were ring fenced.

In Highlands and Islands,

- the Highland and Islands Partnership comprised 15 or 20 groups and bringing these together was difficult. It was essential that the planning and implementation processes were inclusive. Private sector input was essential;

On the consultation documents,

- George Barrett said that the analysis in the Development Strategy was good. The targets themselves were clear but it was not clear where they had come from or how the strategy would be delivered. Issues which needed to be addressed included the balance between indigenous business and inward investment, between business growth and start-up, between regions and between sectors;
- the Objective 1 document was also quite good, but it needed to be linked more closely with the Development Strategy and demonstrate the integration referred to earlier (analysis, strategy, action).

On monitoring,

- each project needed to have a sponsor who was responsible for its delivery;
- the monitoring committee should have the right to withdraw funding if a project wasn't delivering;
- in Merseyside, local partnerships scored bids for funding and one of the criteria used was past performance;
- in Ireland, micro projects were monitored by the implementing agency and macro projects by a monitoring committee which included government departments, local authorities etc;
- the cost of monitoring was often raised, but any project which was properly managed would routinely produce information which could then be used for external monitoring.

On the balance of investment between people and infrastructure,

- in Ireland before the start of the last Objective 1 programme unemployment stood at 16 per cent with a major social exclusion problem. The programme therefore concentrated on education and training. Now the unemployment rate is six per cent and there are skill shortages. Training is now concentrated on increasing skill levels, particularly management training, and tackling the problems of long-term unemployed people and social exclusion. These programmes are more intensive and require more resources;

- in Western Isles the GDP was very low. The last programme concentrated on physical infrastructure, but this did not really have much impact on GDP. The new programme will concentrate on developing businesses and increasing education and training.

Chair's Summary

1.19 In summing up the Chair said the key challenge for Wales was to determine the balance required between infrastructure, business development, inward investment and investment in people. This issue clearly needed much more debate.

Update from Alan Lansdown

1.20 Alan Lansdown reported back on a meeting with Graham Meadows (EC) in Brussels. The reaction to the proposals had been very positive. There were some comments and he would let the Committee have a detailed note on these. The following points were worth noting:

- it was important to prioritise actions in the early years of the programme;
- it was encouraging to know that the EC recognised that the programmes were not set in stone and that there might need to be changes during the life of the programme to reflect changing circumstances;
- there should be an annual review process which would enable minor changes to be made to the approved programmes;
- there should be a mid-term review which could lead to changes in emphasis in the programme;
- there was a need for policy integration between the different funds;
- there were no preconceived ideas on how much should be used from each fund, this was a matter for member states to decide - but the justification had to be rational and defensible;
- EC was seeking 50:50 split between EC/UK Government with a private sector element of 25 per cent on top of this amount;
- this was open to negotiation, but while 75% funding could be paid on particular schemes, overall the funding had to balance out at 50:50;
- additionality was not discussed explicitly at the meeting, but the 1992 agreement still

applied (ie total expenditure in the Member state on relevant programmes would not drop during the life of the project).

1.21 During discussion the following points were made:

- there was concern that the EC appeared to be looking for greater private sector input and was setting a target that could be too high for Wales;
- in Wales, particularly the Valleys, one of the major problems was the lack of private sector investment. If EC funding was withheld because private investment was not forthcoming the area would be doubly disadvantaged;
- this needed to be negotiated hard with the EC;
- in Merseyside the balance of funding was £800 million EC funded, £800 million public funded, £400 million private sector funding;
- for the Highland and Islands programme the funding was £250 million for each of the three sectors, but negotiations had taken place with the Commission on what classed as private sector input and an agreement had been reached where leverage was used as the basis for the calculation;

Implementation

1.22 Anne Stephenson, who until recently worked in the Welsh European Programme Executive (WEPE) running the Objective 2 programme, explained how the current programmes were administered. A company, WEPE, had been created in 1997 as an initiative of various partners, and was co-owned by the partners. The motivation for change was the need to set in place systems to improve delivery of current programmes and the new Objective 2 programme, and also to broaden participation in the process (previously administered by the Welsh Office). A complex all-Wales database had been established to handle all bids and monitoring of projects. There was recognition that the scale of the new programme meant that new arrangements would be necessary.

Jeff Andrews - Cardiff City and County Council

1.23 The new programme would be four times bigger than those currently administered. There was a need to be more strategic and proactive. Clear financial control was essential, as was consistency of approach. Monitoring and evaluation had to be strengthened and partners had to be more closely involved, particularly those in the private and voluntary sector. Targets were required but there was also a need for the programme to be adaptable - the mid-term review would be very important. Baselines had to be established. The systems for accessing money should be easily understood and transparent.

On the balance between national and local schemes,

- to be effective programmes needed to be properly directed and coordinated and this was usually best done at a national level, but local cooperation was essential and the process had to be inclusive;
- George Barrett explained that in the past action plans had soured relationships. The ground rules for how the programme would be implemented needed to be clear from the start. Local partnerships were often cautious, and this sometimes resulted in them adding their own criteria to project selection and/or projects not being taken forward even though funding had been allocated. There was a need for careful monitoring.
- mini projects should be avoided if possible. Larger strategic projects tended to be better but these might not be achievable if dealing only with local authorities;
- an inclusive process to set priorities was vital eg project selection boards;
- in Ireland, county enterprise boards looked after micro businesses, there was area development management (involving all local partners) for disadvantaged areas, and local authorities dealt with urban and village renewal. The bulk of expenditure was however not at local level but at national (government department) level to maintain the strategy.

On social exclusion,

- in Ireland, community-based initiatives have been used to encourage regeneration. This includes providing access to the labour market. All key partners need to be involved. Problems needed to be caught early. As an example, on early school leavers there was a scheme to encourage them to return to education - by paying them to return - and this prevented more serious problems later;
- mainstream programmes rarely catered for the most excluded and so there was a need for more radical approaches. These had long lead times, often lead to high expectations that could not always be realised, and were expensive. But when they worked they made a real difference to people's lives;

On being proactive,

- the current WEPE secretariat assessed all projects. Of these 60 per cent were accepted and 40 per cent rejected. This was a waste of resources for both the applicant and the secretariat. Merseyside had an officer who was employed to stimulate demand and guide applicants through the process.

On practical arrangements for the new programmes,

- the role of local authorities varied, in some areas they were heavily involved, less so in others;
- it was essential that the administrative arrangements for the new programme were robust and effectively managed. A strong project manager/ chief executive would be needed. The reporting lines would have to be clear. Good practice would be shared and so the capacity of all those involved would be increased;
- the overall effectiveness of the strategy needed to be closely monitored. Evaluations had to be honest and pick up on both good and bad points. Both outputs and outcomes needed to be measured.

Chair's summary

1.24 The Chair said that she had found the discussion very beneficial and felt the Committee Members were now better informed. She stressed that much more work was needed particularly on the key question of implementation. She thanked all those who had shared their experiences with the Committee.

Item 2: Handling of further consideration

2.1 The Chair asked the committee to consider paper 2 and the annex attached and asked for confirmation that the programme for the next three months was reasonable.

2.2 Members confirmed that they were content with the approach subject to:

- consideration being given to including an item on the Assisted Area map at the meeting of 15 September;
- the meeting of 29 September including consideration of childcare and the private sector.

The meeting closed at 3.50 pm

Committee Secretariat 26 July 1999