

**DRAFT FOR DISCUSSION**

**NATIONAL ASSEMBLY FOR WALES**  
**ECONOMIC DEVELOPMENT COMMITTEE**

**REVIEW OF BUSINESS SUPPORT AND  
DEVELOPMENT SERVICES**

**NOVEMBER 2000**

# CONTENTS

|   | <b>Page</b> |
|---|-------------|
| Executive Summary   | 3           |
| Chapter 1. Introduction                                   | 35          |
| Chapter 2. Need for Change                                | 38          |
| Chapter 3. The Review                                     | 47          |
| Chapter 4. Current Business Support                       | 50          |
| Chapter 5. Findings from the Consultation Process         | 65          |
| Chapter 6. Conclusions                                    | 77          |
| Chapter 7. Summary of Recommendations and Proposed Action | 101         |

## **Executive Summary**

1. Wales' economic performance has been poor for many years. GDP per head in Wales, expressed as a percentage of the figure for the UK as a whole, has been in the low to mid 80s since the 1960s.
2. Economic forecasts predict that the Welsh economy is likely to grow by some 2.5per cent year on year between 2000 and 2005, which will not of itself close the economic gap between Wales and the UK and the EU average.
3. Only business and industry can generate the employment and wealth needed to close this gap but research suggests that the Welsh economy has wide-ranging problems from a weak indigenous base to low activity rates, to low business birth rates/high failure rates to the lack of high tech companies and R & D activities etc.
4. In response to these problems the public sector has developed a range of business support activities aimed broadly at overcoming constraints to business growth and development, stimulating new business formation/improving survival rates and attracting new business activities.
5. The Economic Development Committee is asked to consider many proposals for business services. The Committee has been concerned that often it is being asked to make important recommendations on the basis of inadequate information about the likely economic benefits of the proposals and without a coherent strategic context.

6. The Committee decided that for these reasons, and because of evidence in Wales of concerns about the effectiveness and efficiency and evidence of overlaps between current business support mechanisms, that its first major review should be to look at business support and development services.

### **The Review**

7. The review has covered the wide range of services to start-ups and indigenous businesses and to attract inward investment. It has attempted to map current provision from publicly-funded organisations, the not-for-profit private sector and commercial private sector.

8. The work involved consulting with a wide range of organisations providing business services (including a questionnaire survey) with organisations representing the business user and the users themselves in regional meetings. The Committee also visited the Republic of Ireland and Brussels where they met with representatives of six European regions.

### **The Marketplace for Business Services**

9. There are some 150,000 established businesses in Wales (over 100,000 sole traders or self-employed) and existing services aim to provide assistance to expand this number, improve competitiveness and assist growth. Overall some 14,000 **net** new jobs per annum have been created in Wales in recent years.

10. Inward investment (Foreign Direct Investment - FDI) has been seen as an important contributor to the Welsh economy contributing some 5,000 new jobs per annum in recent years.

11. Given the limitations on public resources it is important that they are deployed to maximum effort. Not all businesses have the potential to make a significant additional contribution to GDP. Some research has sought to identify companies/sectors which might benefit from intervention and the appropriate kinds of business services to help business but this is fragmented and has not led to any generally accepted strategic targets.

### **Current Business Support Provision**

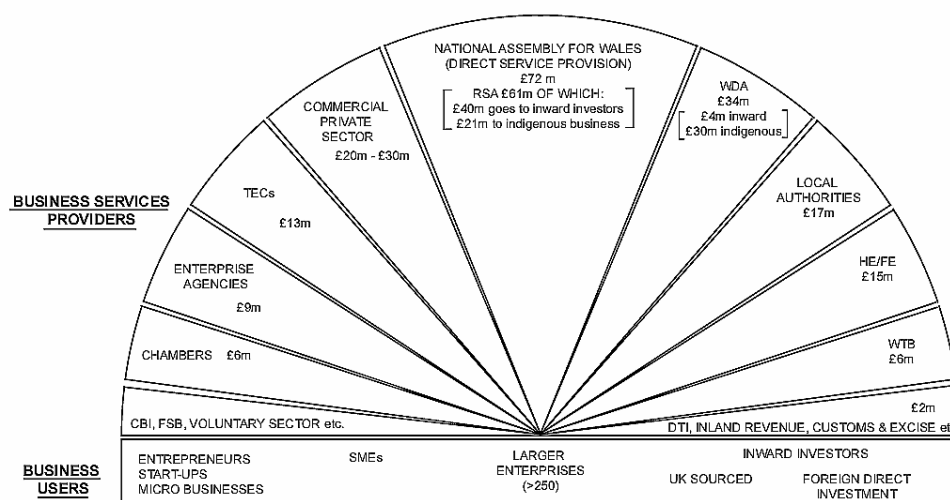
12. The Review confirmed that there is an extensive network of business service deliverers across Wales operating at local, regional and national level. These provide a wide range of services to business:

- More than 55 public sector agencies provide some form of business service involving some £150 million per year of public expenditure. It is estimated that perhaps as many as 500 discrete products or services are offered.

- The major publicly-funded agencies in terms of scale and resources are **The National Assembly for Wales** itself which spends some £72 million per annum, £61 million of which is through Regional Selective Assistance (RSA), the **Welsh Development Agency, Wales Tourist Board, Local Authorities** and **TECs**.
- Other providers include **Further and Higher Education** institutions and some Government Departments (**Department of Trade and Industry, Department of the Environment and the Regions**). A number of government departments and agencies provide advice to business on their particular services, eg **Inland Revenue** and **Customs and Excise**. The **Welsh European Funding Office** manages the European Structural Funds which also contribute to business support programmes.
- Within the not-for-profit sector, **Local Enterprise Agencies** operate on a local basis in many parts of Wales. Others organisations provide services to their members such as **Chambers of Commerce, the Confederation of British Industry (CBI), Federation of Small Business (FSB), Unions,** employers' federations. Organisations within the voluntary sector include local community groups and development trusts, **Community Enterprise,** and the **Wales Co-op Centre** which mostly provide specialist services to specialist types of business.
- The **commercial private sector** such as accountants, consultants, banks, lawyers provide business advice and other services as do other groups eg telecoms providers such as BT, NTL, Orange.

13. Figure 1 illustrates the main business service providers and their approximate scale. It should be noted that the figure for the commercial private sector is an estimate of the scale of activities comparable to the public sector business services eg location advice to inward investors. Overall business-to-business activities are much greater.

**FIGURE 1: ILLUSTRATION OF THE SCALE OF WALES' BUSINESS SERVICES ANNUAL EXPENDITURE**



14. Given the large number of business service providers and the range of products/services available in Wales, the marketplace could be assumed to provide for all the possible needs of business and to offer healthy choice. The Committee found that successful economies such as the Republic of Ireland offer the same kinds of business services as Wales whether related to the development of the indigenous economy or the attraction of inward investment. The services available in other parts of the UK or, indeed, elsewhere in Europe and the world are also similar.

### Support for Indigenous Business

15. The Review suggests that some £105 million per annum of public funding is allocated to indigenous business support including £21 million per annum on RSA and £30 million of WDA activities.

16. However, it also found that any one location may have some 20 publicly-funded or not-for-profit organisations offering business support of some form. Whilst a particular organisation may offer a specialist service eg RSA, there is little client targeting or specialisation. Many organisations claim to offer a wide range of services to businesses from start-ups to larger companies to inward investors.

17. Increasing efforts have been made recently to coordinate services specifically by providing a gateway to business through Business Connect, although this has had varying success in the different regions. However, only a relatively small percentage of business appears to enter the system through Business Connect. There is considerable evidence of confusion and frustration amongst businesses who cannot find easy access to the services on offer or do not know which will suit them best.

### **Services to Inward Investors**

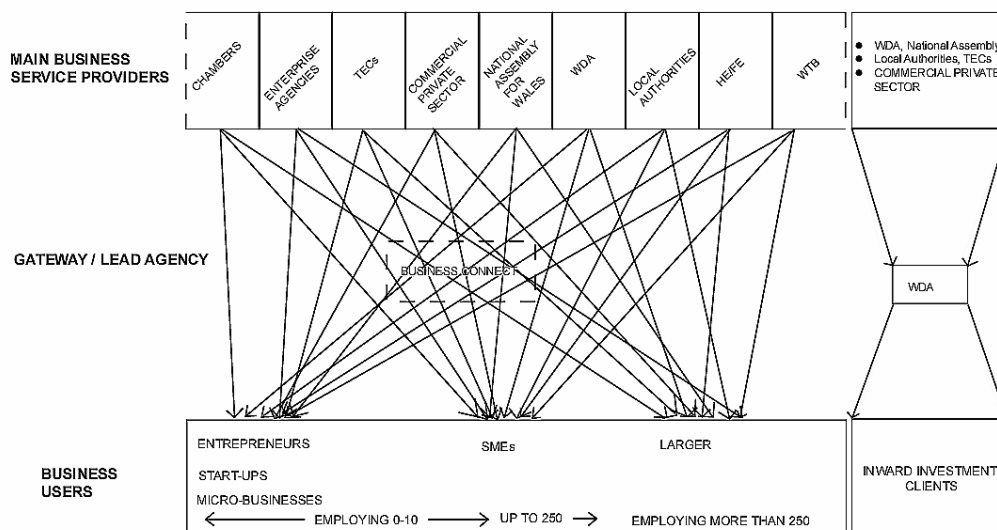
18. Some £45 million per annum of public resource is expended on the inward investment market opportunity primarily from RSA (£40 million) and the International Division of WDA. (This excludes property provision.)

19. The International Division is the accepted gateway and lead agency for inward investment specifically FDI. Team Wales was developed to coordinate Wales' efforts to attract inward investment involving WDA, TECs, Local Authorities and others. However, evidence to the Review suggests that most of the partners believe that it is not working as effectively as it could be at this time and is too loose a partnership to be able to grasp opportunities to the full.

20. **Figure 2** illustrates the network arrangements showing the relatively clear arrangements for inward investment compared with the centred position for indigenous

business.

**FIGURE 2 : ILLUSTRATION OF CURRENT NETWORK ARRANGEMENTS**



## Summary of Findings from the Review Consultation

21. There are a large number of players in the business services field offering a wide range of service “products”. Despite considerable investment in partnership working, there is evidence of a significant lack of co-ordination which leaves considerable confusion.

22. The activities of the main public sector players, including the Assembly and its agencies the WDA and WTB was previously documented. However, the scale of these public sector and other publicly-funded activities and the lack of inter-agency agreement on roles and responsibilities was greater than anticipated. It was also apparent that outside of the WDA and WTB, publicly-funded activities were not operating within any overall agreed plan or framework except that which developed from the partnerships and cooperative activities, some of these led by the Assembly or its agencies. This has resulted in considerable congestion in some service areas.

23. Feedback from the consultation process with business service deliverers suggested that:

- there was dissatisfaction with the scale and nature of required partnership working;



- current partnership working was not achieving the rationalisation and simplification of the system required;
- many specific partnerships such as Team Wales were superficial and had little substance;
- partnerships of agencies with vested interests and competitive pressures were unlikely to agree to genuinely cooperative working and pooling of resources;
- business was dissatisfied with the mechanisms available for it to influence public sector policy and practices;
- business finds it difficult to meet the time and resource demands of current partnership arrangements;
- the existing system encouraged fragmentation; and
- without some agreement on roles and responsibilities, the existing system of bid funding fostered inter-agency competition.

24. Feedback from consultation with service users raised a number of specific issues but included some particular themes such as:

- confusion as to which organisation could best provide the required assistance;
- uncertainty on what help was available;
- concerns that services were not customer focused;
- difficulty in engaging with the appropriate service provider;
- variable quality of response/personnel; and
- frustration over speed of response (particularly for finance schemes).

25. The reviews recently undertaken of business services arrangements in Scotland and North East England identified very similar issues.

26. The visits to Ireland and Brussels where the Committee reviewed the approaches of six other European regions, highlighted a number of policies which could improve services.

- the emphasis being given to the development of an overarching strategic economic framework for economic development albeit under different titles (eg The National Plan - Ireland);
- the resources devoted to research on the economy to understand its strengths and weaknesses, to evaluate outcomes and to inform future strategy;
- the apparent simplicity and clear customer focus of the public sector network to provide business services in Ireland - separate organisations which focus exclusively on small/micro businesses; larger enterprises and those with high growth potential; and inward investment;
- the attention given to monitoring mechanisms to judge the effectiveness of programmes.

### **Recommendations for Change**

27. Taking all these findings together with the emerging concerns about the current business services arrangements in Wales, the Committee agreed on the need to consider three strategic issues:

- the need to define clearly the **roles and responsibilities** of the main providers within the context of a widely-accepted **National Economic Strategy** for Wales and an **Economic Framework** which translates the strategy into action with monitoring and research to allow adjustment of programmes according to regional or sectoral need;
- the need to improve the **effectiveness and efficiency of partnership working, including clarifying roles and responsibilities**; and
- the need to improve **the access to and effectiveness and efficiency of business services**.

28. The Committee considered the current position in Wales and considered how the Assembly, agencies and business could work together to achieve greater economic benefits from current public expenditure to maximise the potential of Welsh business and inward investors. This suggested a range of options for change.

29. The recommended changes are based on some key principles including:

- **that the WDA is Wales' lead economic development agency.** Some criticisms emerged related to its openness in the past to **real** partnership working, the range of its activities and the effectiveness of some of its programmes. However the Committee believes that, in the WDA, Wales has an agency of scale, experience and flexibility which is currently admired more outside Wales than within. Given the recent upheaval associated with the merging of WDA, DBRW and LAW and the need to address the Objective 1 opportunity immediately, the Committee does not believe that dividing the WDA into two separate organisations (as in Ireland) can be justified at this time;
- **the desirability of a single clear gateway** for all businesses to the full range of services underpinned much of the criticism of the existing arrangements. The Committee believes that Business Connect has the potential to become an effective gateway if it is supported by the key agencies and if it is led and managed with clear direction and proper standard setting;
- **the need to retain the vital link between economic development and human resource development** currently provided by TECs by building in partnership with CETW;
- the need to clarify and agree **roles and responsibilities** for all economic development agencies including those over which the National Assembly does not have direct control (through funding or statute) such as local authorities (with their statutory responsibilities) or local Enterprise Agencies and other important service deliverers.

## **Key Recommendations**

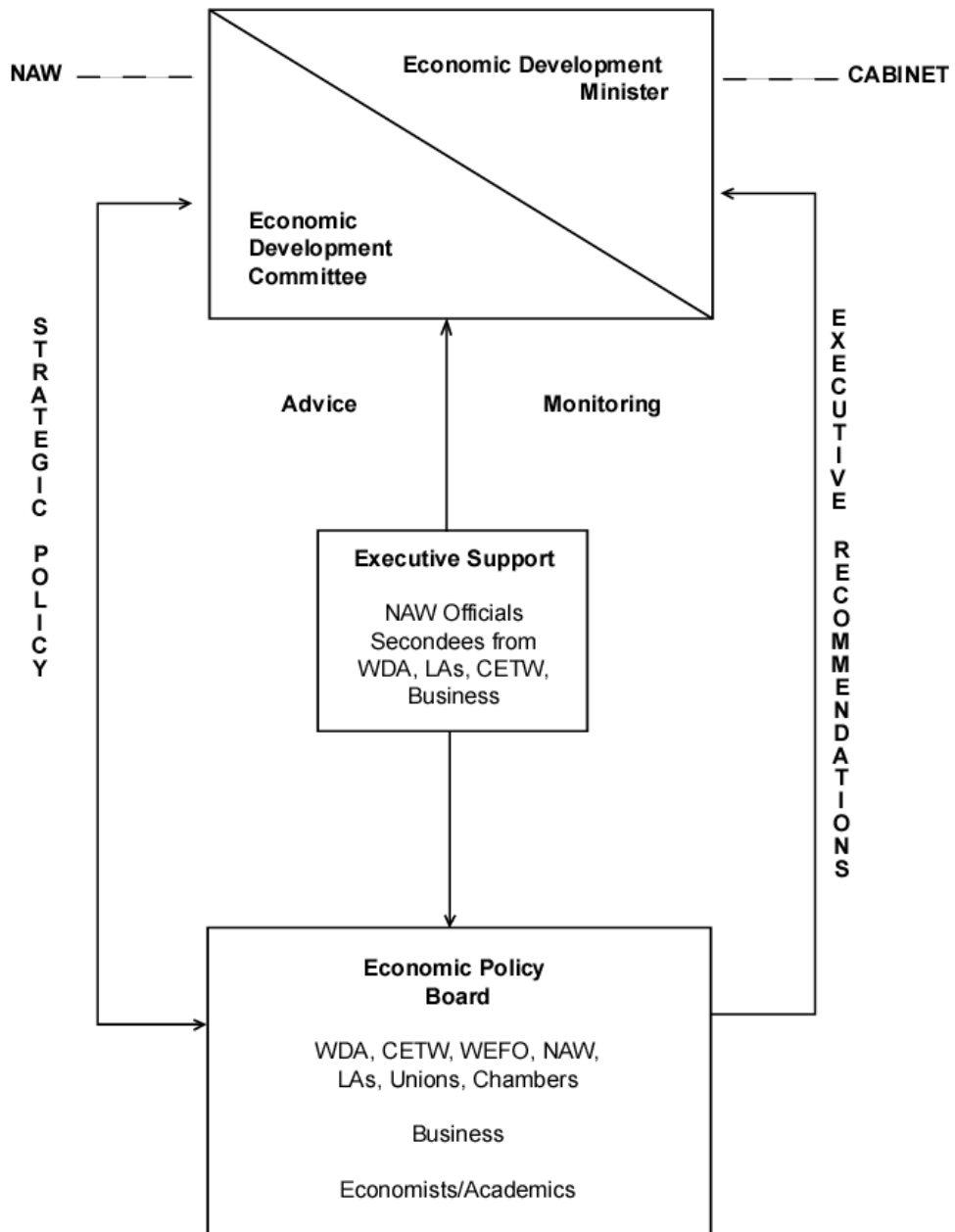
### **Strategic Direction and Roles and Responsibilities**

30. The Committee wishes to draw on the broad model for agreeing roles and responsibilities from the Republic of Ireland, recognising that there are also important differences between Wales and Ireland. Fundamental to this is the development of a widely accepted Economic Strategy and Strategic Framework which defines the roles and responsibilities of the main players and defines strategic objectives. The strategy should encompass support for tourism and agricultural industries.

31. **The Committee recommends** the establishment of an Economic Policy Board a possible model for which is illustrated in Figure 3. The model to be

adopted will need detailed appraisal and will need to take account of the work underway to develop a National Economic Development Strategy.

**FIGURE 3: POSSIBLE MODEL FOR POLICY BOARD**



32. The Board should be small and dynamic, inclusive of the key organisations and of business, and trades unions, represented at senior executive level and including external perspective on the Welsh economy in a global context.

33. In developing a Strategic Framework a requirement will be to define and agree roles and responsibilities, including providing clear guidance to the Assembly sponsored public bodies, and ensuring coherence in the Assembly's own policies and programmes, eg for agriculture and rural development, community regeneration, urban and rural policy and land use policy.

34. The Committee further recommends the establishment of an **Economic Research, Monitoring and Evaluation Unit** underpinning the work of the Policy Board and its executive to develop:

- a detailed understanding of Wales' economy, its strengths and weaknesses, constraints to its development **and** future opportunities; and
- systems to monitor and evaluate the impact of programmes on the achievement of Wales' strategic economic objectives.

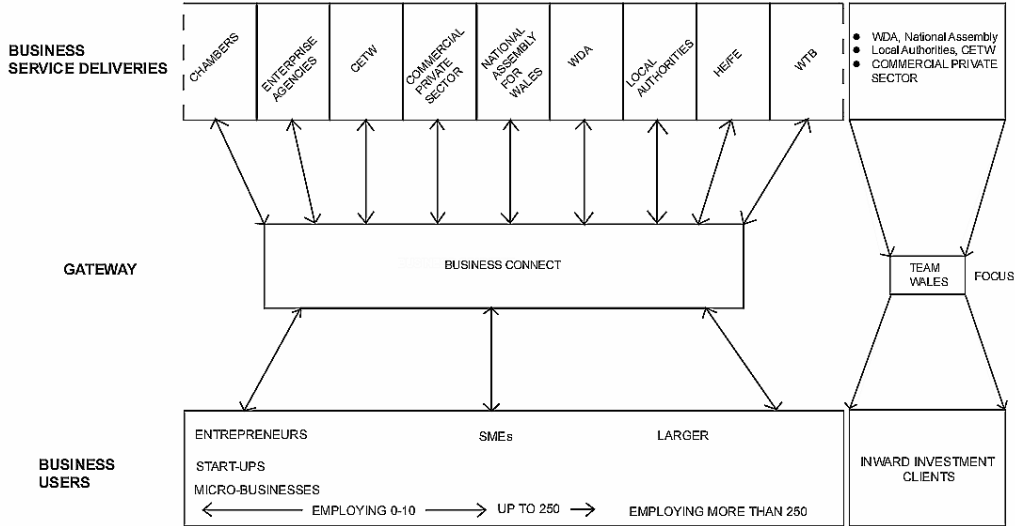
35. The unit should be set up within the National Assembly but through secondment/cooption or contract arrangements it should draw on and co-ordinate the research capacity of WDA, local authorities, universities and the private sector.

36. The National Strategy should be complemented by regional and local economic regeneration strategies, which should seek to implement national actions locally and which would complement and add value to them with initiatives to meet particular local circumstances. Local authorities are well placed to lead the preparation of local strategies through their community leadership and economic regeneration responsibilities. The input of the local private sector, including agricultural and tourism interests, will be crucial.

### **Roles and Responsibilities**

37. Figure 4 illustrates the proposals for the delivery network.

**FIGURE 4 : ILLUSTRATION OF PROPOSED NETWORK ARRANGEMENTS**  
**A FIRST-STOP-SHOP APPROACH**



38. The **gateway** for indigenous businesses of all sizes should be **Business Connect**.

39. The Committee recommends that consideration should be given to a new partnership Board involving the private sector, WDA, CETW and local authorities. A strong presence from the regional consortia is required and the Boards should be chaired by a representative of business. The WDA should be given direct responsibility to oversee and develop Business Connect. It is proposed that Business Connect's role at **national level** should be to:

- agree on the allocation of resources between all-Wales initiatives and the regions;
- agree on core services to be provided by all regions as a condition of Business Connect branding;
- ensure best practice is disseminated across Wales;
- facilitate training of personnel on business needs, service provision and customer care;
- develop quality standards to Business Connect branding; and
- develop methods to monitor and evaluate outcomes.

40. **Business Connect's** primary role at the **regional level** should be to provide the gateway for easy access to all business services and to coordinate service delivery. The Committee believes that there is an urgent need for Business Connect to deliver effectively in **all** regions to provide:

- easy access to all businesses to a full range of appropriate services;
- a comprehensive information and signposting service;
- a shared client management system; and
- common branding.

41. Once this structure has been achieved, which should be within a year, the Committee recommends that responsibility be given to the Business Connect regional consortia to coordinate all client managers within a region:

- to ensure continuity in the client relationship,
- to better coordinate service delivery; and
- to facilitate contracts for the delivery of services with the most appropriate agency (private or public sector).

42. This will encourage the development of specialist knowledge (eg sectoral) within the client manager pool and also allow more effective service quality control through the separation of the specifier/procurer and provider roles. Figure 5 illustrates the proposals for Business Connect. 62.

43. Local delivery of services is vitally important to most SMEs, especially start-ups and micro-enterprises. Business services delivered nationally should be able to be accessed locally, along with other services available in a locality. Access should be simple and easy, for example through a local business centre, branded Business Connect.

- has an active relationship with a specific client manager (with appropriate skills and experience) who is coordinating the delivery of the necessary business services; or
- can readily access through Business Connect the full range of business services with a guarantee of the quality and timeliness of delivery.

44. **Team Wales** should become the focus for inward investment. To improve service and strategic investment, Team Wales should become a formal

partnership of the key agencies, with defined roles and responsibilities for each partner. The expertise and networks of the private sector should be exploited through Team Wales. This would be led by the WDA and include local authorities, CETW and Assembly officials and private sector representatives.

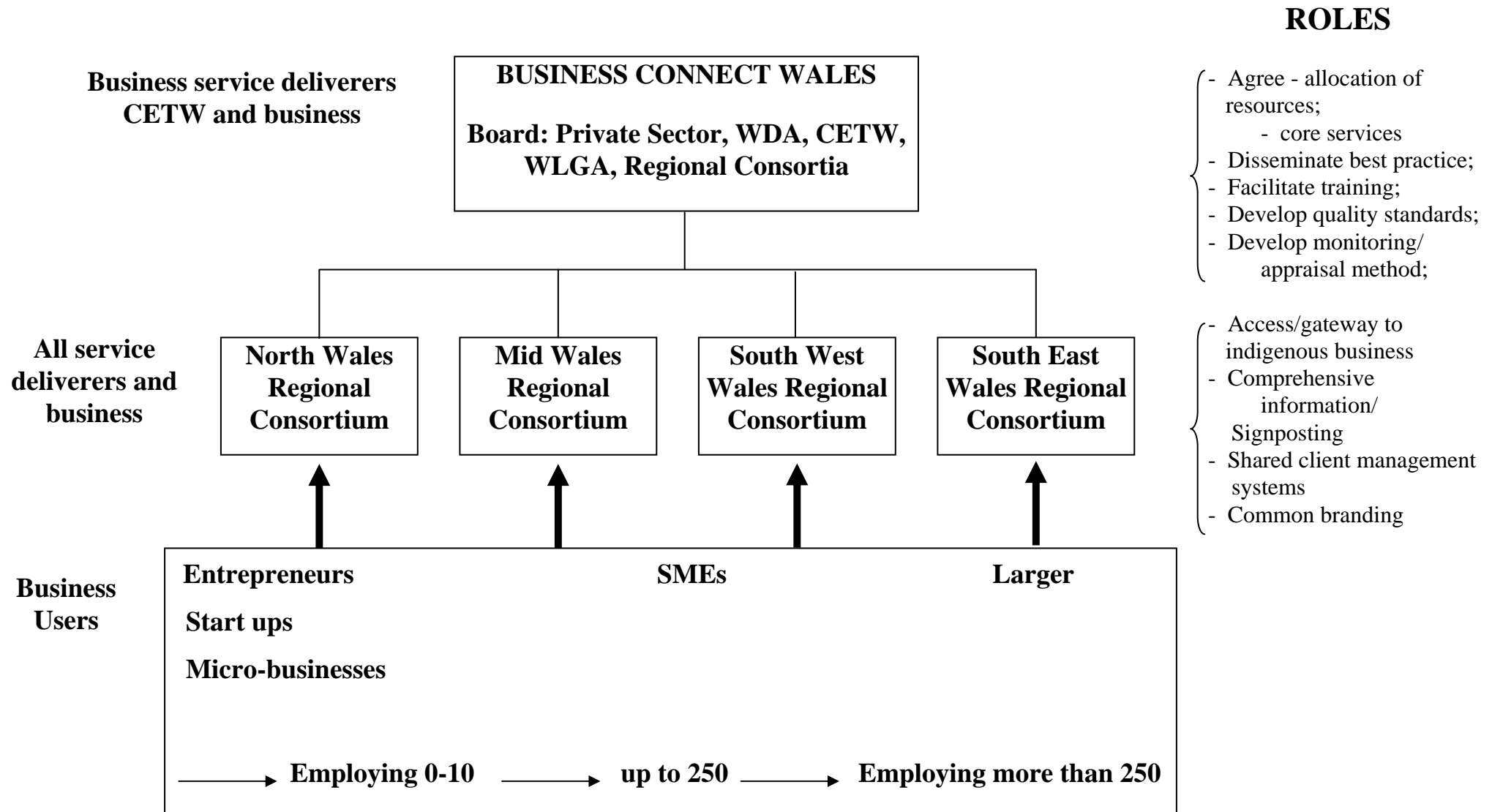
45. The implications of the changes for the main agencies are set out below.

46. The role of **The National Assembly** should be to lead in the development of the Economic Strategy and Framework. It should set policy and ensure that a process is put in place which is inclusive, ongoing and transparent. It should establish mechanisms to improve the evidence base for policy making. The Committee recommends that, with the possible exception of RSA, **the Assembly should withdraw from the direct delivery of business services.**

47. **The WDA** as Wales' lead economic development agency must be directly involved in the development of a shared Economic Strategy and Strategic Framework through the proposed Economic Policy Board. It should become the primary conduit for National Assembly funding for developing both indigenous business and attracting inward investment but the Committee believes that it must become more effective in its partnership working.



# Business Connect Proposals



48. Whilst the Committee rejects the option of splitting the Agency into two separate organisations, it recommends that the WDA should establish a clear internal organisational structure focused on:

- **start-ups and small companies** to include its activities under the Entrepreneurial Action Plan and Business Connect;
- **larger business support services** and specialist cross-cutting initiatives such as innovation/R & D, ICT/e-commerce, supply chain development etc; and
- **new inward investment.**

49. The Agency's key roles should be to:

- lead Wales' efforts to secure inward investment (through Team Wales);
- lead in the coordination and development of business services to indigenous businesses. The Committee believes that the Agency should not directly deliver all services but that it should ensure, through its partners such as local authorities that the most appropriate arrangements are made. Central to this will be enhancing **Business Connect** to become the effective gateway to all business services. The WDA should take direct lead responsibility to ensure that this happens; and
- ensure that the important cross-cutting services such as ICT/e-commerce and others which may emerge from the National Economic Development Strategy are effectively coordinated and delivered. The Agency may deliver some of these services directly, contract out others to the private sector, and/or arrange for services to be delivered locally.

The Agency's activities should clearly deliver the National Economic Development Strategy, have clear outcomes and are delivered through Business Connect.

50. **Local authorities** have an important role to play at local level and should be directly involved in the development of the shared National Economic Strategy and Strategic Framework by feeding local economic strategies into the proposed Economic Policy Board. They should be key partners in Business Connect and Team Wales. At local level local authorities should lead the preparation of local economic regeneration strategies as part of

their community leadership role, ensuring that local needs are met and that there are appropriate linkages between business support and wider issues such as planning, transport and education.

51. The Committee considers that, by agreement with Business Connect partners, local authority support should focus on specific client groups (for example, services to start-ups and micro businesses might be best delivered through a local enterprise agency where one exists or by the local authority where one does not) Local authorities also have a role to ensure that the business community receives appropriate advice on other functions such as land use planning, environmental health and so on.

52. The Council for Education and Training for Wales (CETW) should be full partners in the proposed Economic Policy Board and in Business Connect and Team Wales. It will concentrate on delivering human resource programmes. The further and higher education sectors have an important role but should concentrate on delivery of specialist services to business eg training, technology transfer, research and development spin offs but only deliver general services to business where there is an agreed local need. It is, therefore, important that FHE institutions are partners in Business Connect at regional level.

53. **Wales Tourist Board** should continue to focus on the delivery of specialist services to tourism businesses. However, it should seek to integrate its services with the wider business support available by becoming an active member of the Regional Business Connect consortia and Team Wales. The Wales Tourist Board should not provide general business support services.

54. The appropriate roles for **Local Enterprise Agencies** should emerge from the Business Connect Regional Consortia and local economic strategies but the Committee would like to see Enterprise Agencies give a particular focus on smaller SMEs, particularly start ups and micro businesses. Chambers provide an important awareness raising and co-ordination role and other not-for-profit and voluntary agencies and should also seek to agree any direct service provision through Business Connect.

55. The Committee believes that steps should be taken to signpost the services of other organisations that provide specialist support such as DTI, and advice on compliance with legal requirements and regulations eg Customs and Excise, Inland Revenue, Health and Safety, Equality Commissions etc, through Business Connect.

56. **The Private Sector** must be involved throughout as an equal partner in the Economic Policy Board and in Business Connect and Team Wales, through high level representation and by chairing one or more of these partnerships. In

determining methods to deliver programmes, agencies should seek to exploit and develop the expertise of the private sector such as their international client networks for inward investment, their skills in ITC, marketing, funding etc. Their involvement will be particularly critical to ensuring that services are customer focused and not deliverer led. They should also have involvement in local strategies and delivery.

### **Effective Partnership**

57. The Committee believes that the effectiveness of partnership working and coordinating bodies could be improved by:

- clarifying roles and so avoiding duplication and competition;
- rationalising partnerships wherever possible, giving them realistic goals and making them more action oriented;
- reviewing structures to determine who needs involvement in the decision-making process directly and who could be better involved through genuine consultation outside the partnership;
- channelling funding through partnerships rather than allocating funding competitively to individual agencies eg through the Business Connect boards at national and regional level;
- the development of more formal and informal inter-agency contact at all levels;
- breaking down demarcation to effect understanding and more openness between key agencies eg through secondments or cross-membership of agency boards; and
- confirming Business Connect Regional Consortia as the vehicle for coordination and cooperation of all business services from the public and private sector.
- greater openness and transparency in how organisations operate.

### **Developing Appropriate Programmes**

58. The Committee has sought to focus on strategic issues in this review, for which the National Assembly must take primary responsibility, rather than day-to-day operational issues. However, a number of themes recurred during the consultation relating to programmes which the Committee believes need to be addressed:

- ways to maintain and enhance **business networks** (eg the sectoral fora, business clubs etc) which may be under threat with the demise of TECs;
- the need to ensure appropriate, speedy access to finance across the whole of Wales and particularly though:
  - the introduction of a Tier 3 Enterprise Grant which would provide better access to funding for Welsh SMEs outside the assisted areas (currently under consideration);
  - more effective promotion of RSA to SMEs; and
  - streamlining the RSA appraisal process for SMEs with more localised access and delivery.
  - These same principles should apply to Finance Wales Programmes.
- ways to improve access to business services through regional call centres for out-of-hours enquiries, improvements to the Business Connect website and IT links and through regional networks of local business centres;
- the need to review Wales' inward investment strategy to make it more focused and particularly in relation to the important North American market as the primary source of knowledge-based FDI;
- the coordination and upgrading of ICT infrastructure provision;
- the introduction of a consultancy scheme to give business better access to private sector specialisms and to provide client choice. This should be modelled on the previous DTI Consultancy scheme but with more robust safeguards and providing better access to high quality consultancy firms in the "first division";
- rationalisation of services and "products" being offered in the marketplace, at least in presentational terms, but also to enable the gateway and signposting services to provide a better response; the WDA should set the example in this area;
- the general requirement for organisations to be customer-focussed not product led; this suggests that each organisation should define which client groups it is best placed to serve (eg

start-ups/microbusinesses or larger SMEs etc) and develop services which meet the needs of those groups; and

- the general need for business services to focus on companies and sectors from which the economy has achieved the greatest benefits; joint research at national and regional level should aim to identify specific businesses likely to benefit from either:
  - active client management (probably a relatively small number of companies, perhaps at most 5,000 in total); or
  - provision of specific services on an ad hoc basis.

## **Conclusion**

59. Table 1 summarises the recommendations, indicates the lead agency to take the proposal forward and the approach. The Committee would want to see these recommendations developed by the appropriate agencies and firm proposals brought forward as a matter of urgency.

**FIGURE 6**

**SUMMARY OF THE MAIN RECOMMENDATIONS FROM THE REVIEW**

|    | <b>Recommendation</b>   | <b>Lead Agency</b>                                   | <b>Approach</b>  |
|----|---|--|--|
|    | <b>Strategy, Roles and Responsibilities</b>   |  |  |
| 1. | An <b>Economic Policy Board</b> should be formed as the vehicle to develop Wales’ Economic Strategy and Strategic Framework defining roles and responsibilities and setting clear objectives.   | National Assembly for Wales.                         | Modelled on Irish Forfas board of senior executives from private sector and key public agencies supported by executive body.   |
| 2. | An <b>Economic Research Monitoring and Evaluation Unit</b> should be set up to underpin the work of the Policy Board, develop our understanding of the Welsh economy in its global context and monitor and evaluate strategic objectives. | Initially set up in the National Assembly for Wales. | Coopting/seconding research capability of other agencies specifically WDA, local authorities (WLGA) and HE. Utilising private sector specialisms on commercial basis.            |
| 3. | <b>Roles and Responsibilities</b> should be clearly defined based on the Assembly setting policy, the WDA as Wales’ lead economic development agency and Business Connect as the gateway to all business services.                        | Economic Policy Board.                               | Clear definitions of roles and responsibilities will emerge from the Strategic Framework. With the possible exception of RSA the Assembly should withdraw from service delivery. |

**Cont’d**

|    | <b>Recommendation</b>   | <b>Lead Agency</b>                   | <b>Approach</b>  |
|----|---|--------------------------------------|--|
| 4. | <b>Business Connect</b> through its Regional Consortia, should become the first-stop-shop gateway to all business services for indigenous businesses; | Business Connect.                    | The Regional Consortia should continue to develop the gateway concept with a shared client management system and more effective branding. CETW and WTB need to be fully integrated partners. Business Connect Wales should maintain the involvement of business with local authorities, CETW and other main service deliverers eg Local Enterprise Agencies. |
| 5. | <b>Business Connect Wales Ltd</b> should be reconstituted as a partnership within WDA with more executive support.                                    | WDA                                  | WDA should set up a small working group with Business Connect, WLGA, CETW and businesses to agree and implement the change.  |
| 6. | Through the Business Connect Regional Consortia, <b>coordination of the client manger pool</b> within a region should be developed.                   | Business Connect Regional Consortia. | This could encompass client managers within WDA, local authorities, TECs and LEAs.<br><b>Cont'd</b>  |
| -  | Consultancy scheme to provide better access to  | WDA                                  | A modified version of the  |



|    | <b>Recommendation</b>   | <b>Lead Agency</b>                  | <b>Approach</b>  |
|----|---|-------------------------------------|--|
|    | private sector specialists;   |                                     | previous DTI Consultancy scheme is favoured.   |
|    | - rationalisation of services and “products”;   | All service deliverers.             |  |
|    | - better customer focus of services and agencies;   | All service deliverers.             |  |
|    | - better targeting of companies with potential.   | Business Connect Regional Consortia | Joint research   |
| 7. | Team Wales should be re-established as a small action-oriented team.<br><br>Wales inward investment performance should be reviewed. | WDA<br><br>WDA/Team Wales           | Team Wales should involve local authorities, CETW/HEFCW and specific private sector partners.                    |
| 8. | The WDA should review its internal organisation to focus clearly on:-   | WDA                                 | Roles should evolve through Business Connect Regional Consortia and should be agreed in the Strategic Framework. |
|    | - start-ups and small firms;  |                                     |  |
|    | - larger business services and specialist initiatives; and  |                                     |  |
|    | - inward investment.  |                                     | <b>Cont’d</b>  |

|     | <b>Recommendation</b>   | <b>Lead Agency</b>                                     | <b>Approach</b>                                  |
|-----|---|--|--|
|     | Other agencies should also seek to focus on specific client groups to develop specialist services.                        | All agencies   | Agreed with Business Connect Regional Consortia. |
| 9.  | The private sector must be involved as an equal partner in the Economic Policy Board, in Business Connect and Team Wales. | National Assembly for Wales<br>WDA<br>Business Connect |  |
|     | <b>Partnership Working</b>  |  |  |
| 10. | Recommendations to improve partnership working include:   |  |  |
|     | - more formal and informal inter-agency contact;  | National Assembly for Wales and All.                   |  |
|     | - inter-agency secondment and cross-membership of agency Boards;  | National Assembly for Wales and All.                   |  |
|     | - channelling of funding through partnerships.  | National Assembly for Wales.                           |  |
|     | <b>Service Delivery</b>   |  |  |
| 11. | Recommendations to improve service delivery include:  |  |  |
|     |   |  | <b>Cont'd</b>                                    |

|  | <b>Recommendation</b>   | <b>Lead Agency</b>   | <b>Approach</b>   |
|--|---|--|---|
|  | - maintaining and enhancing business networks and sectoral initiatives under threat with the demise of TECs;          | CETW with WDA  | Local authorities and local Enterprise Agency have also to be involved.                                     |
|  | - introduction of a Tier 3 Enterprise Grant to provide better access to funding for SMEs outside the assisted areas;  | National Assembly for Wales. (already under consideration) | A Tier 3 scheme to meet Wales' strategic objective is required likely to be different to the English model. |
|  | - promoting RSA to SMEs and streamlining the appraisal process with local access;                                     | National Assembly for Wales                                |   |
|  | - establishing regional call-centres, improving the Business Connect website and a network of local business centres. | Business Connect.  | Existing business centres should ideally be rebadged as business Connect.                                   |

## Abbreviations

|       |   |   |
|-------|---|---|
| NAW   | - | National Assembly for Wales;                          |
| WDA   | - | Welsh Development Agency;                             |
| WTB   | - | Wales Tourist Board;                                  |
| WLGA  | - | Welsh Local Government Association;                   |
| CETW  | - | Council for Education and Training for Wales;         |
| WEFO  | - | Welsh European Funding Office;                        |
| LA    | - | Local Authority;                                      |
| TEC   | - | Training and Enterprise Council;                      |
| FSB   | - | Federation of Small Businesses;                       |
| CBI   | - | Confederation of British Industry;                    |
| DTI   | - | Department of Trade and Industry;                     |
| DETR  | - | Department of Environment, Transport and the Regions; |
| RSA   | - | Regional Selective Assistance;                        |
| ICT   | - | Information and Communications Technology;            |
| HEFCW | - | Higher Education Funding Council for Wales;           |
| HEFE  | - | Higher Education/Further Education.                   |

## **BUSINESS SUPPORT AND DEVELOPMENT REVIEW**

### **Chapter 1. Introduction**

1.1 Wales' economic performance has been poor for many years. GDP per head in Wales, expressed as a percentage of the figure for the UK as a whole, has been in the low to mid 80s since the 1960s. While a degree of success has been achieved in reconstructing the economic base following the major job losses in the coal and steel industries, this has not closed the prosperity gap, but merely stopped the gap widening. This weak economic performance has led to West Wales and the Valleys (covering around 64 per cent of the population of Wales) being afforded Objective 1 status by the European Commission. This is a measure of relative economic failure not an award for merit and reflects the fact that Wales is now one of the poorest regions not only of the UK but of the European Union.

1.2 Contributors to the poor overall economic performance are considered to be:

- a weak indigenous business base reflecting the historic dependence on a small number of industrial sectors which have suffered major decline;
- low activity rates;
- low-added-value production;
- too few companies exporting;
- an underdeveloped service sector and few headquarters functions;
- lack of high tech, knowledge-driven industries and low commitment to innovation and R&D;
- low exploitation of the opportunities afforded by information communications technologies;
- low wages;
- no tradition of entrepreneurship/low business birth rates;
- relatively high business failure rates;

- relatively poor growth rates from small company to medium-sized company to Plc;
- undeveloped potential within the tourism industry.

1.3 The recent Welsh SME Survey undertaken by Cardiff University paints a gloomy picture of the SME sector's potential to grow, its willingness to embrace the means for development such as innovation, ICT, skills development and training and the perceived need for improvement in business services.

1.4 On a more positive note, Wales' success in attracting inward investment has compared favourably with other countries and UK regions in terms of job numbers and capital investment.

1.5 The (draft) National Economic Development Strategy says:

"A radical new approach should provide all businesses with a comprehensive range of quality services, but there must also be a special focus on maximising the potential of those companies with real growth potential."

1.6 The Economic Development Committee is asked to consider many proposals for business services. The Committee has been concerned that often it is being asked to make important recommendations on the basis of inadequate information about the likely economic benefits of the proposals and without a coherent strategic context.

1.7 The juxtaposition of a number of events has presented Wales with an opportunity to challenge these economic trends. In particular, the new form of government by the National Assembly for Wales, the establishment of the Council for Education and Training for Wales, the availability of Structural Funds (particularly Objective 1) with the associated requirement for new projects and programmes to stimulate economic performance, and the rapidly changing world markets mean that the time is right for a comprehensive review of policies and processes.

1.8 The Economic Development Committee decided that for these reasons, and because of concerns about the effectiveness and efficiency of (and overlaps between) current business support mechanisms, that its first major review should be of business support and development services.

## Chapter 2. The Need for Change

2.1 The National Assembly for Wales in its document "www.betterwales.com" sets benchmarks for the Welsh economy for 2010. Specific targets include:

- The total number of new businesses should have risen by 35,000 and the number of jobs should have grown by 135,000. The percentage of people of working age who are in employment must have increased, reducing the gap between Wales and the UK. The proportion of the population aged 50 to 59 (in the case of women) and 50 to 64 (in the case of men) who are economically inactive should have fallen from around 40per cent in 1999 to less than 30per cent.
- Business R&D should have grown faster than in the UK as a whole over the decade. The level of innovation throughout the diversified Welsh economy must be amongst the best in the UK.
- We must be more international in outlook... the number of Welsh companies exporting and having links with businesses world-wide must have grown.
- Output per head must have risen from around 83per cent of the UK average in the mid-1990s to at least 90per cent, generating an additional £5 billion at 1997 prices.

2.2 Economic forecasts predict that the Welsh economy is likely to grow by some 2.5 per cent year-on-year between 2000 and 2005, based largely on growth within the service sector, which will not of itself close the economic gap between Wales and the rest of the UK and the EU average.

2.3 To close this gap within a reasonable timescale requires a step change in performance and growth across many areas of the Welsh economy.

### Indigenous Industry

2.4 Figure 2.1 illustrates the make up of the Welsh economy, including both indigenous business and established inward investors.

| <b>Figure 2.1: Current Welsh Firms</b> |             |                    |                 |
|--|-------------|--------------------|-----------------|
|  | <b>Size</b> | <b>No of Firms</b> | <b>per cent</b> |
| Micro                                  | 0           | 105,723            | 69.10           |
|  | 1-4         | 32,469             | 21.22           |

|        |         |       |      |
|--------|---------|-------|------|
|        | 5-10    | 6,916 | 4.52 |
| Small  | 11-19   | 4,590 | 3.00 |
|        | 20-49   | 1,989 | 1.30 |
| Medium | 50-99   | 625   | 0.41 |
|        | 100-249 | 405   | 0.26 |
| Large  | 250-499 | 134   | 0.09 |
|        | 500+    | 144   | 0.09 |

Source: Implementation Plan for Entrepreneurship - 2000

2.5 Clearly not all these companies have the potential to grow and recent work by CELTEC suggests that of the average 14,000 net new jobs created in Wales each year in the recent past some 65 per cent were created by firms employing fewer than 50 employees - some 8,000 jobs per annum. This analysis also suggests that substantially the greatest contribution to net new jobs arises from new business starts. For Wales to achieve a step change in economic performance it needs to address the opportunities to increase new business starts, to maintain existing employment (thereby increasing **net** new jobs) and to encourage growth in established businesses which both increases employment and, through the nature of those activities and the quality of the jobs, increases GDP.

### ***Corporates and Larger SMEs***

2.6 Helping to improve the competitiveness and encouraging the growth of established SMEs and larger businesses could make a significant medium term impact on GDP with a relatively small improvement in their performance.

### ***Business start-ups and entrepreneurial activity***

2.7 This area is failing to make a sufficient contribution to GDP. The recently published Entrepreneurship Action Plan points out that:

"the birth rate of new businesses in Wales compared with the existing stock of businesses is at least 30 per cent behind the UK;

Wales is losing businesses at a significantly faster rate than the UK;

while the UK is a leading entrepreneurial nation in Europe, its performance does not compare with countries like the USA and Canada."

2.8 However, programmes to stimulate greater entrepreneurial activity will need to be sustained and might not be expected to make an immediate impact on the economy.



2.9 Support needs also to be concentrated on particular types of activity and sectors of the economy, notably those with **high growth potential** and **GDP value-adding** potential (likely to include ICT/E-Commerce and knowledge-based businesses). These might also include **established sectors** such as tourism where there is potential and the sector is very important to the sub-regional economy.

### *Tourism*

2.10 Tourism gives some potential for quantitative evaluation. Excluding day visitor figures to determine the contribution to GDP of tourism, the figures suggest that Wales has some potential if it could match the performances of Scotland or Ireland specifically in relation to overseas visitors.

| Figure 2.2: Tourism Revenue as per cent of GDP |          |         |       |
|--|----------|---------|-------|
|  | Scotland | Ireland | Wales |
| All Staying Visitors                           | 4.1      | 6.5     | 4.4   |
| Overseas Visitors                              | 1.6      | 5.0     | 0.6   |

Source: UKTS, IPS 1998; Tourism Facts, Bord Fáilte 1998.

2.11 Figures also suggest that the contribution of staying visitors to Welsh GDP is at best static but more probably declining, while that in Ireland has increased significantly over the past decade.

### **New Inward investment**

2.12 New inward investment has the potential to deliver significant benefits in both the short term and the medium-to-long term. The short term benefits, particularly in job creation, can be realised if more significant investment and employment could be secured. A more fundamental impact could be achieved in the medium-to-long term if more knowledge-driven activities could be attracted, given the potential spin-off benefits for indigenous business.

2.13 There has been some discussion about the value of inward investment. It may be worthwhile recording the views of the OECD which earlier this year stated that Foreign Direct Investment (FDI) is the most important factor in improving economic performance through:

- higher wage rates;
- higher investment rates; and
- higher growth rates in employment than indigenous companies.

2.14 These comments have global relevance - FDI is not just a solution for poor struggling economies. The USA is the largest recipient of FDI and overall employment growth in the USA since 1992 has been greater in foreign-owned companies than in domestic companies. The Republic of Ireland is an example of the enormous impact FDI can have in the short-term on a smaller economy.

2.15 Recent announcements of disinvestment by some major foreign employers should not detract from the contribution which those employers have made to the national, regional and local economies for many years (and hopefully will do in the future), or the value of FDI in general. Rather it indicates the need to continue to renew the FDI stock with new investment and to target the kinds of FDI likely to contribute to the medium/long-term development of the Welsh economy.

2.16 Over recent years FDI has resulted in the creation of some 5,000 new jobs annually. Figure 2.3 illustrates that Wales' ranking as a location for FDI has declined in the recent past, perhaps reflecting the increased activity in the English regions as a result of the formation of the Regional Development Agency network. The changing competitive position of the UK for manufacturing investment as a result of the opening up of central Europe has been dramatically demonstrated by recent announcements by Sony and Panasonic. This affects Wales badly because of its traditional strengths in manufacturing and its relative weakness in service sectors.

2.17 Wales has traditionally been strong in currently depressed markets such as Japan and Korea and relatively weaker in the largest and consistently most buoyant market of the USA. This is not just an issue about quantity but also has implications for the type of investment which Wales is securing. The USA is by far the major source of projects in the knowledge-driven and service sectors such as software, R&D etc. These tend to be smaller in scale than basic manufacturing projects and therefore more likely to locate outside the main urban centres. However, last year Wales had no software or telecoms projects (which accounted for more than 20 per cent of UK projects).

**Figure 2.3 : Wales, Foreign Direct Investment Performance (new jobs)**

| New Jobs Committed by FDI Projects (per cent of UK Total and Ranking) |           |                 |         |           |                 |         |           |                 |         |           |                 |         |
|---|-----------|-----------------|---------|-----------|-----------------|---------|-----------|-----------------|---------|-----------|-----------------|---------|
| UK Regions  | 1995/1996 |                 |         | 1997/1998 |                 |         | 1998/1999 |                 |         | 1999/2000 |                 |         |
|   | New Jobs  | UK Market Share | Ranking | New Jobs  | UK Market Share | Ranking | New Jobs  | UK Market Share | Ranking | New Jobs  | UK Market Share | Ranking |
| Devon/Cornwall  | 1468      | (3.1%)          | 10      | 608       | (1.3%)          | 13      | 541       | (1.2%)          | 13      | -         | -               | -       |
| East  | 372       | (0.8%)          | 12      | 935       | (2.0%)          | 12      | 1411      | (3.1%)          | 12      | 2101      | (4.0%)          | 10      |
| East Midlands   | 1437      | (3.0%)          | 11      | 1686      | (3.6%)          | 11      | 2096      | (4.6%)          | 11      | 325       | (0.6%)          | 12      |
| London  | 2588      | (5.5%)          | 8       | 2898      | (6.2%)          | 7/8     | 4125      | (9.1%)          | 5       | 6614      | (12.5%)         | 2       |
| North East  | 6075      | (12.8%)         | 3       | 2649      | (5.7%)          | 9       | 2304      | (5.1%)          | 10      | 3399      | (6.4%)          | 8       |
| Northern Ireland  | 3741      | (7.9%)          | 6       | 3357      | (7.2%)          | 6       | 3345      | (7.4%)          | 7       | 2353      | (4.5%)          | 9       |
| North West  | 3622      | (7.7%)          | 7       | 4944      | (10.6%)         | 5       | 3249      | (7.2%)          | 8       | 4664      | (8.8%)          | 6       |
| Scotland  | 9092      | (19.2%)         | 1       | 7688      | (16.5%)         | 1       | 6311      | (14.0%)         | 1       | 10804     | (20.5%)         | 1       |
| South East  | 5385      | (11.4%)         | 4       | 5534      | (11.9%)         | 3       | 4597      | (10.2%)         | 4       | 5986      | (11.3%)         | 4       |
| South West/<br>West England   | 250       | (0.5%)          | 13      | 2597      | (5.6%)          | 10      | 2467      | (5.5%)          | 9       | 4805      | (9.2%)          | 5       |
| UK General  | -         | -               |         | 175       | (0.4%)          | 14      | 50        | (0.1%)          | 14      | 0         | (0)             | 13      |
| West Midlands   | 7074      | (15.0%)         | 2       | 5641      | (12.1%)         | 2       | 5478      | (12.1%)         | 3       | 6458      | (12.2%)         | 3       |
| Yorkshire/Humber  | 1764      | (3.7%)          | 9       | 2874      | (6.2%)          | 7/8     | 3626      | (8.0%)          | 6       | 1166      | (2.2%)          | 11      |
| Wales   | 4429      | (9.4%)          | 5       | 4976      | (10.7%)         | 4       | 5591      | (12.4%)         | 2       | 4108      | (7.8%)          | 7       |
| TOTAL   | 47297     | (100.0%)        |         | 46562     | (100.0%)        |         | 45191     | (100.0%)        |         | 52783     | (100.0%)        |         |

Source: Invest UK

## **Broad Conclusions**

2.18 The ambitious targets set by the National Assembly for Wales in "betterwales.com" require the creation of substantial numbers of new jobs and implies increased quality employment and increased activity rates.

2.19 Given the scale of the task and the limitations on public resources, the key will be to deploy those resources in the most beneficial manner to create **high quality** employment opportunities by:

- identifying indigenous businesses with the **potential to grow** and where appropriate public sector intervention will assist by improving competitiveness;
- identifying indigenous businesses where intervention will improve competitiveness and will help to **maintain viability** and secure employment;
- attracting new foreign (and rest of UK) **direct investment** from both established inward investors and new companies;
- stimulating the **formation of new businesses** and assisting their survival through the early years.

## Chapter 3. The Review

3.1 The terms of reference for the review were:

- To identify the current range of business support and development programmes.
- To consider their effectiveness and whether they met the needs of businesses.
- To establish whether the delivery methods were appropriate identifying any scope for improvement and rationalisation.
- In the context of the National Economic Development Strategy, to identify gaps in provision and make recommendations on how objectives could be achieved.

3.2 For the purposes of this review, business support and development services are defined as the provision of relevant information and advice linked to accessing specific and specialist support programmes, initiatives and appropriate consultancy (but excluding provision of property).

### Work undertaken

3.3 The Committee appointed Dr Jim Driscoll, former partner with Price Waterhouse Coopers, to assist them in the review. The review has considered services focussed on indigenous growth **and** inward investment, delivered by both the public and private sectors. It has not sought to add to the extensive research which has been undertaken on Wales' economic problems, but to address the policies, strategies and processes which might improve Wales' economic performance over the coming years.

3.4 The review has involved:

- **considering the future of the TEC enterprise functions.** The Committee made recommendations to the Assembly Secretary in July and these recommendations were accepted by the Assembly Secretary.
- **considering initial proposals for the Development Fund.** The Committee endorsed the proposals in principle in April, but was keen to see more details of how the Fund would work in practice.
- **considering the recent past and current arrangements for providing services** - by the public, private and

community/voluntary sectors - to stimulate or enhance business activity, including attempting to map the current position through a questionnaire survey;

- **consulting a wide range of organisations providing business services** in Wales and reviewing literature and reports relating to their performance and value-for-money;
- **consulting organisations representing business users** of these services and holding direct discussions with users in regional workshops; and
- **reviewing the business services arrangements for some comparator locations** including the **Republic of Ireland, Central Sweden, Flanders, Baden-Wurttemberg, Nord Pas de Calais, Catalonia, Emilia Romagna, Scotland and North East England** and considering the proposals for the **Small Business Service in England**.

Further details can be found in Annex 1.

### 3.5 This report:

- contains conclusions on factors considered to reduce the effectiveness of the existing business services, identifies specific themes which need particular attention, considers options and makes recommendations for change in policy, process and delivery arrangements;
- documents the current arrangements (Chapter 4);
- reports the findings from the consultation process (Chapter 5);
- draws conclusions on factors, considers options for change and makes recommendations (Chapter 6)
- summarises recommendations and proposed action (Chapter 7).

## Chapter 4. Current Business Support

4.1 This chapter describes the current delivery arrangements and the types of support available.

### Service Delivery

4.2 There is an extensive network of business service deliverers across Wales operating at local, regional and national level. Conceptually, these deliverers can be divided into three categories: public, private and voluntary/community, but in practice the divisions are less clear cut. For example TECs are private companies but receive the majority of their funding from the public sector; Enterprise Agencies are also companies, but operate on a not-for-profit basis. In addition many publicly-funded services eg from WDA, WTB, TECs, and DTI are actually delivered through contracts with private sector (commercial) organisations or individuals (business advisers). For the purposes of this review the following categories have been used:

**Publicly-funded** organisations (where at least 80 per cent of net expenditure comes from the public sector) such as the National Assembly, DTI, WDA, WTB, LAs and the TECs;

**Not-for-profit private sector** organisations such as enterprise agencies, trade bodies, unions, chambers, community and voluntary organisations; and

**Commercial private sector** organisations such as consultants, accountants, banks, lawyers.

4.3 There is no comprehensive source of information on the services available to businesses or the total amount spent on providing such services. The following sections contain information gathered from public sources, from the questionnaire sent to service providers and from discussions with providers, but accurate allocation of costs to business services is difficult and there is an element of cross-funding.

### Publicly-funded organisations

4.4 More than **55 public sector agencies** provide some form of business service involving some £150 million per year of public expenditure from sources including the National Assembly, central government for non-devolved matters (notably DTI), local government and the EC. It is estimated that perhaps as many as 500 discrete products or services are offered in the business support market.

4.5 The major publicly-funded agencies in terms of scale and resources are:

The **National Assembly for Wales** which determines policy, monitors burdens on business, provides funding for other agencies and monitors their performance, provides direct assistance through grant schemes such as Regional Selective Assistance, Regional Innovation, SMART and SPUR, advice on exporting and environmental best practice. Direct expenditure is around £72 million per year and 126 direct staff are employed at a total cost of £2.9 million. Regional Selective Assistance, which is the primary route for direct financial support for business, accounts for £61 million of direct expenditure. The Assembly has produced "[www.betterwales.com](http://www.betterwales.com)" which contains the Government's plans for Wales, including those for economic development (referred to earlier in this report).

The **Welsh Development Agency (WDA)** which provides services both to attract new inward investment and in support of new and established businesses (both indigenous and inward investors). Activities include: marketing Wales as an investment location, dealing with enquiries; providing financial, property and project management assistance; assistance for innovation, R&D, technology transfer; ICT services; supply development; Entrepreneurship; market towns initiative; Community Enterprise development; support for Business Connect; energy efficiency programmes; equality programmes; and agri-food programmes. The Agency has a strategic policy division and provides administrative support to many partnerships (such as Business Connect, economic forums). Direct expenditure on business support is £33.5 million per annum, with 292 staff at a cost of £9.1 million. The main source of funding is the National Assembly. Other sources include self-generated revenue and the EC. The Agency produces a Corporate Plan, based on parameters set by the National Assembly. The Agency also produces plans, in conjunction with other relevant partners, on cross-cutting issues such as the Wales Information Society (WIS).

The **Wales Tourist Board (WTB)** which, as well as marketing Wales as a tourist destination, provides grants to the tourist industry and provides general advice and training for tourism businesses. Total expenditure on business support is around £5.7 million, with 17 staff employed at a cost of £0.4 million. The main source of funding is the National Assembly which sets targets for the Board, agrees the Tourism Strategy and the Business Plan. Other sources of funding include the EC and small amounts of revenue.



**Local Authorities** have a statutory responsibility for economic development and are required to produce development plans for their areas. Direct expenditure is around £17 million per year. Funding comes from local revenue, the National Assembly (through unhypothecated Revenue Support Grant) and the EC. The Assembly has no direct control over the amount local authorities spend on economic development activities. Through the WLGA, local authorities have access to research and policy advice.

**Training and Enterprise Councils (TECs)** which provide advice and financial assistance for skills development and training matters, support for company networking and support for start-up/enterprise. Direct expenditure is around £13 million per year. Funding comes primarily from the National Assembly through annually-negotiated contracts for the provision of training and enterprise services, from revenue from services and from the EC. The TECs will be replaced by the Council for Education and Training in Wales (CETW) in April 2001 with their enterprise functions transferring to the WDA.

The **Welsh European Funding Office**, established in April 2000, will administer the European Structural Funds Programmes. Over the lives of the programmes (8 years) European funding of over £1,300 million is available. The Programmes will not assist businesses directly, but will fund deliverers (public, private and voluntary) to provide enhanced services to business. The Programmes are set out in 'Programming Documents' which are agreed with the EC and are managed by partnerships at regional and local level.

4.6 Other providers who are taking on a more significant role include **Further and Higher Education institutions** whose services range from specialist technical advice eg on patents, through collaboration on research or technology transfer projects, to the provision of specialist and general business advice. Some universities have active business schools. Many institutions had difficulties isolating the expenditure on these services (particularly allocating staff and staff costs), but the indications from the returns are that total expenditure on these service exceeds £14 million per annum.

4.7 **Government Departments** also spend significant amounts of money on support for businesses in Wales. The major contributor is the **Department of Trade and Industry** whose remit covers England and Wales for some business-related issues. Other departments and agencies include the **Department for the Environment and the Regions**, the **Inland Revenue** and **Customs and Excise**. Total expenditure is over £4 million (which includes an element of expenditure also accounted for by the National Assembly).

### **Not-for-profit Private Sector**

4.8 **Enterprise Agencies** are not-for-profit private companies which operate on a local basis focusing mainly on SMEs. Across Wales (although not all of Wales is covered) total resources of some £7 million per annum and some 300 staff are directly employed. Funding is from a number of sources including own resources (property rentals, fees for services), local authorities, TECs, EC and private sector sponsorship. In some cases local authorities have ceded their role in servicing SMEs to Enterprise Agencies. TECs have also delivered a large proportion of their enterprise programmes through enterprise agencies.

4.9 Other not-for-profit private sector organisations include Chambers of Commerce, the CBI, employers' federations and the FSB, Unions, and organisations working within the voluntary sector.

4.10 **The community/voluntary sector** also plays a significant role in providing business services. Significant players from the community/voluntary sector include the Welsh Council for Voluntary Action, the Wales Co-op Centre and Community Enterprise. This area has proved very difficult to map and further work is needed.

### **Commercial private sector**

4.11 The commercial private sector provides a range of business services, mostly for profit as part of normal commercial business-to-business activity, but sometimes as loss leaders, general awareness raising, or as part of their

community role. Banks, accountants, consultants, lawyers and others offer a range of services to businesses, both inward investors and indigenous businesses, relating to business start-ups, expansion or acquisition, diversification, funding etc. These services vary from:

- advice on location issues (including financial assistance) for inward investors;
- business planning;
- financial advice and, of course, providing funding in the case of banks, venture capitalist and others such as UK Steel Enterprise, British Coal Enterprise and similar organisations;
- specialist advice and consultancy on a range of issues such as marketing, HR, ICT, performance improvement etc.

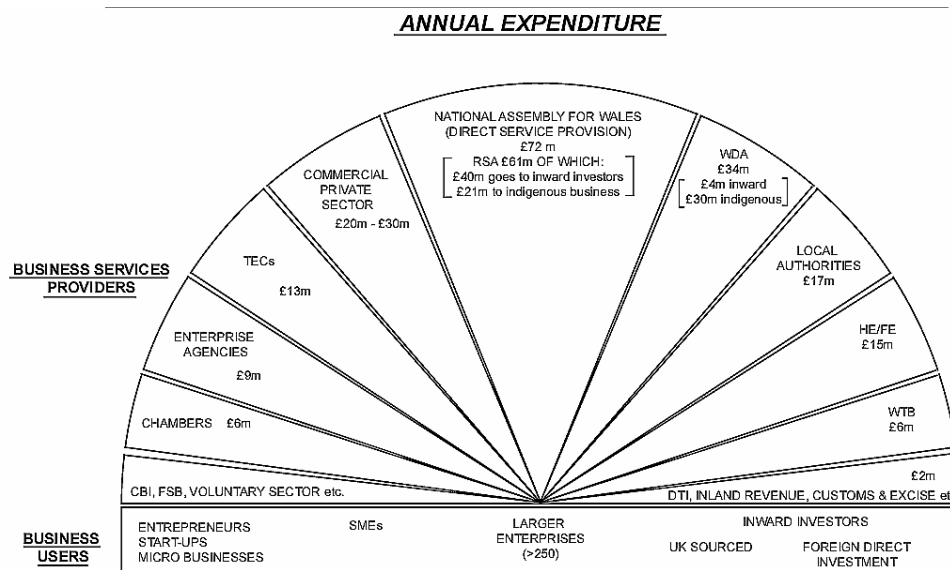
4.12 Other organisations such as telecom providers like BT, NTL, Orange provide advice on specific aspects of ICT for example, as part of their normal commercial promotional activities.

4.13 It is worthwhile noting that many of the publicly-initiated and funded business services are actually delivered through the private sector. For example public agencies such as WDA, WTB, TECs, DTI, Business Connect and others can employ business advisors, counsellors or consultants.

4.14 Outside this involvement it is difficult to assess the scale of the private sector resources providing business services. For example, there are over 700 chartered accountancy practices in Wales. Some 60 responses were received to the questionnaire some of which were from large international financial services firms and all indicated an involvement in business services. They indicated significant revenues from their work advising inward investors on locations, grants etc and specific aspects of indigenous support such as Wales Trade International. Given that many private sector organisations in this field are small it is likely that these figures represent a substantial part of the total indicating perhaps some £20 to £30 million of private sector business services outside mainstream (commercial) activities.

4.15 Figure 4.1 illustrates the main business service providers and the approximate scale of their activities.

**FIGURE 4.1: ILLUSTRATION OF THE SCALE OF WALES' BUSINESS SERVICES ANNUAL EXPENDITURE**



4.16 Given the number of business service providers and the range of products/services available in Wales, the marketplace would appear to be very buoyant providing for all the possible needs of business and offering a healthy choice. Wales has developed a comprehensive range of business service offerings, which superficially mirrors those products offered in other sophisticated developed regions/countries. Successful economies such as the Republic of Ireland offer the same kinds of business services as Wales, whether related to the attraction of inward investment or the development of the indigenous economy. The services available in other parts of the UK, or indeed elsewhere in Europe and the world, are similar. The issue may therefore be how well these services are focussed on strategic objectives and how well they are being delivered to meet the needs of business.

### Coordination

4.17 There are many mechanisms for coordinating the work of the various agencies providing business support:

**Regional Economic Forums** bring together private, public and voluntary sector partners at regional level (North, Mid, South West and South East) to discuss economic matters, priorities for the region, coordination of policies etc. Regional plans are drawn up. The Forums are non-statutory bodies and work by consensus.

**Team Wales** brings together the main public sector organisations who provide inward investment services primarily to address specific inward investment projects on a case by case basis. Team Wales is led and supported by the WDA.

**Business Connect** is a partnership of most of the publicly-funded and not-for-profit organisations and some private sector service providers, and business representatives. There is an all-Wales management board (Business Connect Wales Ltd), set up only in 1998 to address coordination issues, and regional and local consortia. The role is to provide a single "brand" for business services across Wales, provide a gateway to the range of business services on offer, and to act as a focus for co-ordination and co-operation. Annex 2 contains more information on Business Connect.

**Other partnerships** include:

- Wales Information Society (WIS);
- Regional Technology Plan (RTP);
- Agri-Food Partnerships;
- Regional Tourism Companies (membership bodies);
- Wales Tourism Training Forum;
- Objective 1 "Regional" partnerships on a range of issues including Business Support, Entrepreneurship, Innovation and R & D, Exports, Information Technology, Sites/Premises, Funding, Agri-Food etc with local partnerships based on local authorities;
- Objectives 2 and 3 partnerships;
- Sectoral initiatives such as the Opto-electronics Forum, Wales Electronics Forum and the Welsh Automotive Forum.

### **Services to Indigenous Businesses**

4.18 From the analysis of the questionnaire it appears that some £105 million per annum of public funding is allocated to indigenous business support. Of this £21 million is on RSA and £30 million is spent by the WDA.

4.19 From the Review it appears that any particular location in Wales may have some 20 publicly-funded or not-for-profit organisations offering business support of some form. The private sector will also compete in that location for appropriate business.

4.20 Our analysis suggests that, of the public sector business services providers, almost all say they provide services to client groups from start-ups/micro businesses to inward investors. The vast majority deal with businesses employing up to 250 (SMEs) and around half with larger businesses.

4.21 Some of the public sector service providers will offer only specialist services eg RSA from National Assembly, tourism services from WTB.

4.22 Most local authorities say they provide a wide range of services from encouraging entrepreneurship and startups through general business planning and information to specialist services such as ICT or R & D. Over 70 per cent of the local authority respondents to the questionnaire say they provide innovation services.

4.23 The education sector also says it provides business services across the full range.

4.24 A typical region may have some 12 not-for-profit service providers some of which say they provide a wide range of services to the full spectrum of client groups.

4.25 The Review suggests that, for example, in any one location, around 30 different schemes for providing finance (loans and grants) may be available. Obviously some will have a specific focus eg crafts or training.

4.26 As a result, a Business Connect Regional Consortium has as many as 30/40 partners with generally a small representation from the commercial private sector providers.

### **New Inward Investment Services**

4.27 The inward investment service activity is well focussed, with the WDA operating as the lead agency supported primarily by the National Assembly, local authorities and TECs. The WTB provides services to secure tourism-related inward investment again often working with the WDA, National Assembly, local authorities and TECs. Many further and higher education institutions also recorded their involvement in inward investment through research and technology links and the provision of specialist training. The private sector, notably the accountants, banks and management consultants

also provides services to inward investors,. This results from their specialist skills and knowledge relating to international tax, financial assistance, international law, finance etc. Their involvement often results from their international client base which may explore investment options through their professional advisers where these have an overseas presence.

4.28 In total some £45 million of public resource is expended directly on the inward investment market opportunity primarily from RSA (£40m) and the International Division of the WDA. This excludes other forms of expenditure such as property provision.

4.29 In the WDA, Wales has an agency of scale, and experience with wide international coverage to attract investment. It is envied by many other regions.

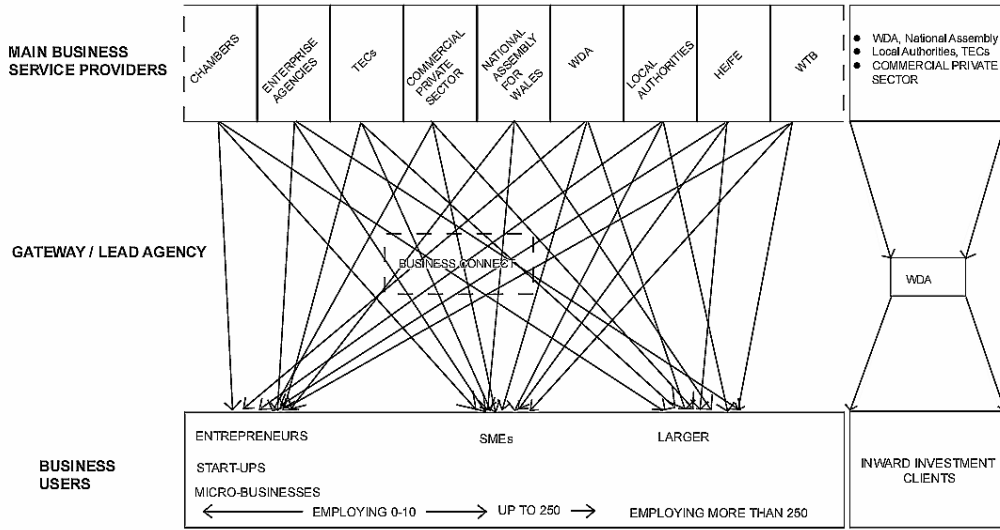
4.30 Wales' decline in market share and the shift in the marketplace from Wales' traditional strengths has been accompanied by a decline in the WDA international budget for attracting inward investment of over 20 per cent over the past 3 years. This needs to be seen in the context of the emerging Regional Development Agency network in England which will mean more resources focussed on inward investment .

## **Conclusions**

4.31 The Review confirmed the view often expressed by both users and service delivery organisations that the business services network is congested and can be confusing with many organisations apparently offering similar services and promoting these to the same users.

4.32 While competition is healthy, given that much of this activity is publicly funded, duplication and overlap is undesirable, and confusion in the mind of the user as to who provides what service is counter-productive. The time pressures on the manager of an SME are such that, when advice or help is sought, it needs to be readily accessible and delivered efficiently and promptly. Equally, because of the number of schemes it is difficult for Business Connect and business services providers to keep up to date with the full range of services being provided, which causes problems for those acting as the gateway for business. Figure 4.2 illustrates what appears to be happening in the marketplace.

**FIGURE 4.2: ILLUSTRATION OF CURRENT NETWORK ARRANGEMENTS**





## Meeting the Needs of Business

4.33 Outside the specialist requirements of potential inward investors, the services needed by businesses to maintain their viability and to assist their growth and development are many and varied reflecting, inter alia:

- the type of business activity;
- the size of the business;
- the stage of development of the business (start-up, expanding/contracting, mature, declining);
- the financial viability of the business;
- the aspirations of the business or its owners;
- the sector and competitive environment in which the business operates;
- the skills profile of the management and workforce and skills deficiencies etc.

4.34 If Wales is to provide the range of services needed to support and develop the business sector these need to be flexible, timely and comprehensive to support businesses of all types and sizes at different stages in their development. For some businesses this may mean simple information provision and general business advice or counselling, but for other businesses, for example technology-based high growth companies, highly specialist advice or support may be required relating to funding, marketing, innovation etc.

4.35 In a perfect market, private sector providers would emerge offering all the services needed by businesses on an acceptable commercial basis and this would be sufficient to create a vibrant Welsh economy. In practice many of the services needed by Welsh business are provided by the private sector and are taken up on a commercial basis. However, there are accepted areas of market failure and weaknesses in the Welsh economy for which public sector intervention is needed if Wales' performance is to be improved. If it is to be cost effective the public sector intervention should:

- **encourage the development of the private sector** to provide as full a range of business services as possible;
- **encourage and stimulate businesses to use appropriate services** to improve their business performance;

- where there is a market failure to **publicly fund the provision of services** which will stimulate economic activity and improve business performance;
- use public funding to provide such services as **efficiently and effectively** as possible either through private sector or public sector providers.
- input on potential growth sectors and have a demonstrable input on Wales' economic performance.

4.36 Significant public sector funding is being expended in this area and a wide range of services is being provided by a number of agencies. However the Welsh economy is not performing satisfactorily and serious questions have emerged about the overall effectiveness and efficiency of the deployment of this public funding.

## Chapter 5 - Findings from the Consultation Process

### Background

5.1 In examining the current arrangements for business services set out in Chapter 4 and trying to reach conclusions on their effectiveness, the Committee was struck by the difficulty in determining whether public resource was being deployed appropriately in relation to **strategic objectives** and **potential economic outcomes**.

5.2 The performance of the Welsh economy is greatly influenced by external factors and hard evidence on the **economic impact** of policies is difficult to obtain and so effectiveness is difficult to measure.

5.3 The Committee was generally content that individual programmes, projects and public sector agencies were being reviewed against agreed outputs. However, the difficulty in identifying what would have happened in hard economic terms without intervention seems to apply to business services perhaps more than to other areas of government intervention.

5.4 This problem is exacerbated by the complex funding arrangements, the number of agencies providing services and the range of services being delivered.

5.5 Given the inadequacy of hard evidence the Committee has relied on consideration of:

- **the informed opinions** received from the wide ranging consultation process;
- **the extensive review of published reports, evaluations and strategy** documents;
- **reviews of this issue undertaken by other regions** (Scotland, the North East of England and England more generally);
- **the experiences of regions visited or consulted:**
  - Republic of Ireland, Central Sweden, Flanders, Baden-Wurttemberg, Nord Pas de Calais, Catalonia, Emilia Romagna.

### Findings

5.6 The following are typical quotations from the consultation process relating to **roles and responsibilities and the importance of a strategic framework for the economy.**

"the National Plan has been fundamental to Ireland's economic regeneration"  
*Forfas, Ireland.*

"a key tool in assisting the Executive [to concentrate on strategic guidance, setting targets and measurable outcomes] should be a fully developed Economic Framework for Scotland. The Framework should incorporate a vision for the future of the Scottish economy..." *Scottish Executive Inquiry into the Delivery of Local Economic Development Services - 2000*

"It is essential to understand what this Plan is and what it isn't. It is the Government of Wales' vision for our country and the vehicle for setting out what it believes success would look like both in the longer and shorter terms."  
*Betterwales.com*

"we don't know enough about what is going on in the Welsh economy and what are the problems of Welsh business" *Trefor Jones, Chair Business Connect Consortium North Wales*

" the detailed strategies for achieving the Assembly's vision over the medium to long term should be clarified in the NEDS document...NEDS should be managed at the national level by a Wales economic development partnership that establishes the priorities and targets and holds to account the primary agencies responsible for delivering the improvements..." *David Evans CEO Council of Welsh TECs (Western Mail)*

" the Association supports the case for a proper national framework which determines key targets and objectives, and which sets out a clear and transparent view of the roles and responsibilities of the various providers and partners in the field of business support" *Welsh Local Government Association*

"We need to develop a strong national framework which allows a demand-led system to develop..[it] would also ensure that full advantage is taken of the resources available to Welsh businesses" *CBI Wales*

5.7 These quotations reflect certain recurring issues:

- **questions about the overall strategic economic objectives**
- **concern that a number of strategic proposals had been produced but few specified how objectives were to be achieved or by whom;**

- **views that until roles and responsibilities are agreed inter-agency competition will continue;**
- **uncertainty about the economic priorities;**
- **concerns about the procedures for the allocation of resources to achieve strategic objectives;**
- **doubts about our understanding of the Welsh economy and therefore our ability to assess its prospects and develop opportunities;**
- **doubts about the level of understanding of the global economy and our ability to develop a robust strategy for the future.**

**5.8 This led the Committee to conclude that a fundamental issue for Wales, if it is to achieve more coherence and better value from its business services, is the better definition of roles and responsibilities of key organisations. This can best be achieved through the development of a widely-accepted National Economic Strategy and an Economic Framework which translates the strategy into action.**

**5.9 The following are quotations from the consultation process relating to partnership and cooperative working and its effectiveness:**

*“The most abused word in Wales is partnership.” Member of Objective 1 Partnership*

*“Public sector people are paid to be at meetings but for businessmen it is a cost.” Partner in large financial services firm.*

*“Wales needs measures which foster real partnership not competition.” Trevor Jones, Chairman of Business Connect Regional Consortium (N Wales).*

*“relationship between politicians, officials and the WDA are not working and it is damaging Wales.” Senior executive of public agency.*

*“the WDA is not inclined to partnership except on its own terms.” Local authority economic development director.*

*“over 60 per cent of my time is spent on partnership working not doing my job.” Chief Executive of agency (confirmed by others).*

“many partnership groups have too many participants with vested interests to make any progress.” *Business Connect Wales partner.*

“intensified partnership working alone is unlikely to deliver a level of rationalisation of services, cost effectiveness and consumer focus that is desirable.” *Scottish Executive Inquiry into the Delivery of Local Economic Development Services - 2000.*

“the WDA has the reputation as a powerful effective economic development agency outside Wales - it is much better thought of outside Wales than inside.” *International economic development consultant.*

“a national plan, or framework, must be developed in such a way that the various players - private and public sector - feel a sense of ownership and commitment which can only come from having a part in its preparation.” *WLGA*

5.10 These quotations reflect certain recurring issues:

- **concerns that key relationships within the Business Services network could be better;**
- **questions about the effectiveness and efficiency of partnership working;**
- **concerns that partnership working cannot be effective whilst there is competition for funds and for roles;**
- **acknowledgement of the varying success of key partnership arrangements such as Business Connect and Regional Economic Forums;**
- **despite high levels of cooperation (in some regions) failure yet to achieve a shared client management system and other basic tools of client coordination;**
- **concerns that the nature and scale of current partnerships and cooperative working is becoming excessive, particularly with Objective 1 activities;**
- **excessive demands on business to participate in partnership/cooperative bodies with no concessions made to the commercial pressures on business;**

- **concern that such partnership working is through large committees which can result either in the status quo or lowest common denominator rather than optimal (best practice) solutions.**

**5.11 The Committee concluded that there are wide-ranging concerns about the effectiveness and efficiency of partnership and cooperative working within the business services network which need to be addressed.**

5.12 Many issues were raised particularly by businesses in the regional focus groups relating to their needs and their experiences of business services. The following are typical quotations from the consultation process relating to the **delivery of business services.**

“there are very few services where business defines the product.”

*Business Connect partner*

“we need centres of excellence - the money is spread too thinly.” *Business executive.*

“[CETW] role in workforce development is especially critical in progressing business development and inward investment objectives.” *David Evans, CEO Council of Welsh TECs (Western Mail).*

“there is congestion in the field of local economic development ..... confusion, overlap, duplication and even active competition between the many agencies involved.”

“a (new) business support service should be introduced .... that merges the services of existing providers.”

*Scottish Executive Inquiry into the Delivery of Local Economic Development Services - 2000.*

“fast track response is needed for grants for small firms for them to take investment decisions. *SME executive*

“the RSA appraisal process is not geared to the size of the grant for small firms.” *SME executive*

“the public sector is competing with the private sector particularly colleges.” *Business consultant*

“services must be provided in the language of the customer. ”*Business executive.*

“WTB does not have the resources to be properly involved through Business Connect.” *Business Connect Partner.*

“training support for using computers and information technology is very hard to find.” *SME executive.*

“there are too many grants but you get passed on from one agency to another.” *SME executive.*

“Both publicly and privately funded support must aim for the highest possible standards in all areas of operation. Whilst the services offered may vary from region to region the quality of those services must not” *CBI Wales*

“some advisors are good but some don’t have the skills and experience to help.” *Larger company executive.*

“the Executive should withdraw from operational programmes and concentrate on strategic guidance, setting targets and measurable outcomes .....” *Scottish Executive Inquiry into the Delivery of Local Economic Development Services - 2000.*

“It is essential that entrepreneurs can access support easily...without having to shop around themselves – a strong brand, providing easy access to independent advice, is needed if the target market is to be reached. Confusion over where to go for advice must be reduced” *CBI Wales*

“the region needs a single gateway to business support for all businesses for all business needs.” *Review of Business Development Infrastructure for the Northeast - March 2000.*

“Business Connect Wales needs more executive resources.” *Bob Forster, former Chairman, Business Connect Wales.*

“the Business Connect partnership in our area is now adopting a single client management system for all the partners and is beginning to coordinate all the deliverers and the programmes” *Business Connect partners*

“the Business Connect brand is so weak that most enquiries still go direct to one of the established agencies and if the enquiry does go to Business Connect it ends up with one agency and never gets referred to a more appropriate one” *Business Connect partner*

“if you know what you want you still get passed from pillar to post before you find the right person to help” *Business person*



“the ICT strategy for Wales is too fragmented with everybody pitching in to grab funding and offer a programme” *IT specialist*

“the ICT/ e-commerce programmes being rolled out are too generalised and going for quantity not quality” *IT specialist*

“local level delivery of services such as exports advice would get much more response.” *business executive.*

“The Objective 1 process is dire for private business.” *Business executive.*

“Services should focus on companies with potential to grow.” *SME business executive.*

“established firms with a good track record should be given priority to safeguard jobs.” *Business executive.*

“innovation needs more support because that will generate growth.” *Business executive.*

“to secure the greatest impact and return from public sector intervention will require the clear targeting of investment.” *Review of Business Development Infrastructure for the Northeast - March 2000.*

“the loss of grant in Mid Wales was very significant and now leaves us worse off than England.” *Business executive.*

“most small firms do not have the ability to link technology features to their business development ..... supply side failure is resulting in many small firms not realising the full potential of ICT.” *FSB.*

“Wales has no image as an investment location for knowledge-driven businesses.” *International inward investor adviser*

A large proportion of firms considered that certain business support functions require significant improvement, the most important being support to access new forms of finance (62%), followed by business training (47per cent) and information and advice (45per cent). *Cardiff University report*

5.13 These quotations reflect certain recurring issues relating to service delivery:

- **questions about the roles of individual agencies and congestion in the marketplace;**

- **concerns that the important relationship between economic development and skills/training will be lost with the demise of the TECs;**
- **a level of dissatisfaction amongst users with the services being offered and about access and the need for more customer focus;**
- **questions about the ineffectiveness of Business Connect in certain areas;**
- **concerns that key cross-cutting initiatives such as WIS are fragmented and ineffective;**
- **questions about where the priority should be given between size of enterprise, type of activity etc;**
- **concerns about the variable quality of services offered;**
- **acknowledgement that there is a plethora of providers and products which confuses both users and deliverers;**
- **questions about the value for money of service provision given the number of organisations involved;**
- **in the face of recent FDI disinvestment and the ambitious targets of betterwales.com, concerns about how Wales' FDI performance can be maintained or upgraded.**

**5.14 Whilst the Committee was anxious to focus on strategic issues in this review, these findings led the Committee to conclude that there were specific areas which needed to be addressed to improve the effectiveness and efficiency of business service delivery.**

## Chapter 6. Conclusions

6.1 The analysis of the current business support arrangements outlined in Chapter 4 suggested congestion at least and fragmentation of delivery amongst many agencies.

6.2 The findings from the consultation process in Chapter 5 indicated important areas of dissatisfaction amongst both business service users and providers. It also suggested that the extensive partnership working taking place was not achieving the rationalisation, focus on the business needs and quality improvement needed from business services.

6.3 From these considerations the Committee concluded that there were three important themes to be addressed if a significant improvement in the business services provision was to be achieved:

- the need for a **widely-accepted National Economic Strategy for Wales** and an **Economic Framework** which translates the Strategy into action and defines roles and responsibilities of main deliverers;
- the need to improve the **effectiveness and efficiency of partnership working**; and
- the need to improve **the responsiveness, effectiveness and efficiency of business service delivery**.

6.4 The Committee considers that if **all** these issues are not addressed then any changes made to the delivery mechanisms and the programmes delivered will result in only temporary improvements; in the medium-to-long term the problems will recur.

6.5 Although these three themes are inter-related, for clarity they are dealt with individually in the following sections.

### Strategy Development

6.6 In the course of the review the Committee met seven EU economic regions/countries to consider their approaches to economic development: Republic of Ireland, Central Sweden, Flanders, Baden-Wurttemberg, Nord Pas de Calais, Catalonia, Emilia Romagna.

6.7 In almost all cases great emphasis was given to the development of an overarching strategic economic framework, albeit under different titles (eg The

National Plan - Ireland). It was also apparent that much more resource was devoted to economic research to understand current strengths and weaknesses, to evaluate programme outcomes, to identify wider global trends and to develop the future strategy. The approaches varied, but in all cases leadership came from government and in nearly all cases an inclusive process had been developed.

6.8 Given the transformation which has been achieved in the economy in a relatively short time, the Committee took particular note of the approach in the Republic of Ireland (outlined in Annex 3) where, for example:

- there was wide participation in the development of the National Plan and agreed objectives for the economy;
- significant resources (£7 million per annum quoted) were devoted to funding research into the economy and related issues much of it through independent bodies (eg Economic and Social Research Institute ESRI); and
- the private sector played an important role in Forfas, the IDA and Enterprise Ireland.

6.9 The Committee was specifically impressed by the depth of strategic thinking underpinning Ireland's inward investment activities (see Annex 3). The impression was given that;

- the types of activities, sectors and even individual companies being targeted by IDA were the result of highly researched analysis of Ireland's economic strengths and weaknesses and of global trends (both commercial and technological);
- the inward investment objectives were integral with overall economic objectives; and
- other aspects of government policy such as education and training, as far as possible, were complementary to economic objectives, for example the focus on language and computing skills to complement the strategic targeting of European shared service centres and software activities.

6.10 The Committee does not believe that it would be possible or appropriate to adopt the Irish approach in its entirety, but was impressed by the underlying principles.

### **The Requirements for Producing a Strategy and Framework**

6.11 Consideration of these issues has led the Committee to conclude that the requirements for producing an economic strategy and framework (which translates the strategy into action) are that it should:

- be widely accepted (owned) by all parties who will be required to implement it or are affected by it;
- be dynamic and evolving;
- be based on robust analysis;
- inform and be informed by regional and local strategies;
- identify priority sectors or markets; and
- be monitored, reviewed and modified regularly in the light of changing circumstances.

6.12 **The Framework** should:

- cover the activities of all relevant organisations (including the private sector);
- specify their roles and responsibilities;
- set out tasks, outcomes and time frames; and
- act as the basis for resource allocation over the medium term.

6.13 For Wales, this suggests a **process** which:

- is inclusive, but with the National Assembly providing the political leadership;
- is on-going; and
- includes research, monitoring and evaluation mechanisms.

### **Current Position**

6.14 Many organisations in Wales have developed strategies and plans. These range from plans for the whole of Wales (such as the National Assembly's BetterWales.com or the draft National Economic Development Strategy), through plans for parts of Wales (such as The European Programme

Documents, Regional Plans, Local Authority Plans), to plans for individual organisations (such as the WDA, WTB or Enterprise Agencies).

6.15 In Annex 4 the requirements for an effective process to develop an Economic Strategy and Strategic Framework are compared with the current position.

6.16 The consultation process and this analysis suggest specific deficiencies in the current arrangements in that:

- the strategies which emerge are not consolidated or widely owned;
- the process is ad hoc not continuous and evolving;
- there is insufficient analysis and understanding of Wales' position in relation to global economic issues; and
- no robust processes are in place to monitor, review and modify the strategy.

## **Conclusions**

6.17 The current strategies and plans provide a basis for a new Strategy, but new systems and structures are required to overcome the deficiencies noted above. These new systems and structures must be led by the Assembly but must develop true partnership working involving the relevant main agencies and particularly business.

6.18 The Assembly should take the lead role in translating the Strategy into a widely-accepted practical Economic Framework. This should cover conventional economic development, as well as other activities which will have a fundamental impact on Wales' economic performance such as education and training (where CETW and HEFCW have critical roles), infrastructure etc. The Framework should cover the activities of all relevant organisations, specify their roles and responsibilities, set out the tasks and outcomes expected. It should inform and be informed by plans produced at regional level by the Economic Forums, and at the local level by local authorities. It must provide the framework for the Assembly's future allocation of resources.

6.19 The Strategy and Framework must be based on robust analysis, evidence from monitoring and evaluation, and expertise and good practice from within Wales and elsewhere.

## **How to produce a National Strategy and Framework: the options for change**

6.20 Options for producing the National Strategy and Framework range from giving responsibility to the National Assembly Cabinet through to allocating the task to an independent body. Four main options have been considered.

### *Option 1 – set up an ad hoc task force (the current method)*

6.21 Adopt the same methodology used to draw up the (draft) National Economic Development Strategy and Single Programming Documents i.e. task forces comprising the National Assembly plus wide ranging external partners. The task force would consult widely on the draft strategy. The Strategy would then be considered by the Economic Development Committee and the Assembly as a whole. The Strategy would be reviewed regularly.

### *Option 2 – give responsibility to the Cabinet*

6.22 Give responsibility for producing the Strategic Vision and Framework to the National Assembly Cabinet (which would mean it being drawn up by officials), or to the WDA as the key all-Wales economic development agency. The Strategy would then be considered by the Economic Development Committee and the Assembly as a whole. The Strategy would be reviewed regularly.

### *Option 3 – set up a Policy Board*

6.23 Establish an Economic Policy Board (with executive support) to provide advice to the Economic Development Committee on Strategy, provide advice to the Economic Development Minister on Strategy and implementation and be responsible for overseeing monitoring and evaluation of progress against the Strategy and recommending modifications to it or programmes within it.

### *Option 4 – establish a new Assembly Sponsored Public Body*

6.24 Set up a new independent body to carry out the function of drawing up and monitoring the strategy and reporting to the Assembly.

## **Recommendations**

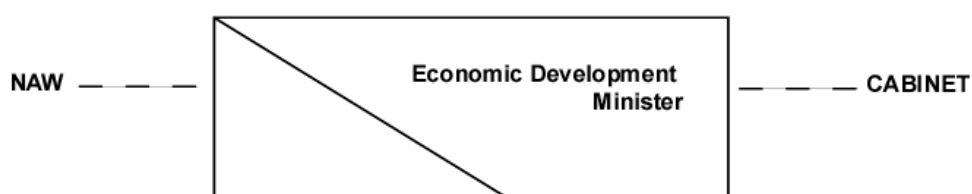
6.25 The Committee has considered the strengths and weaknesses of each of these options set out in the Annex 4. Based on the analysis, it has concluded that the establishment of a Policy Board (Option 3) is most likely to deliver the required outcome because it:

- involves the relevant partners;

- will result in an on-going process;
- clearly identifies the roles for the Assembly and the Economic Development Committee, the Cabinet and the Economic Development Minister;
- will allow regular monitoring and evaluation to take place; and
- provides a forum for recommendations to be considered on allocation of funding.

6.26 The Committee therefore recommends that a **Policy Board and Executive be established** to make recommendations to the Economic Development Committee on the Strategy and report regularly on progress against the Strategy. Figure 6.1 illustrates a possible model for such a Board and Executive.

**FIGURE 3: POSSIBLE MODEL FOR POLICY BOARD**





## Research Monitoring and Evaluation

6.27 Underpinning the development of a successful Strategy and Framework must be robust, preferably independent, economic data and analysis, and evidence from the monitoring and evaluation of programmes. Research is particularly needed into which sectors are likely to have significant growth potential in the future, how to identify high growth companies and what programmes are, or might be, most effective in adding value to businesses and the economy as a whole.

6.28 The Committee considers that extra resources need to be devoted to research and evaluation and has evaluated five options for delivery of robust economic data and analysis. It has concluded that day to day monitoring of programmes should remain with the body responsible for delivering each programme.

### *Option 1 – do nothing*

6.29 The Committee has considered the targets set out in the draft National Economic Development Strategy on a number of occasions and the availability of sufficient data was almost always a limiting factor. The Committee has also recorded its serious concern at being asked to make recommendations on budget allocations without evidence of the relative effectiveness of programmes.

6.30 *‘Do nothing’ is therefore not a tenable option as the current system has failed to deliver the robust information needed for decision making and the performance of the Welsh economy suggests the need for change.*

### *Option 2 – encourage greater cooperation*

6.31 There are currently many people involved in research in various bodies. It would be possible to formalise arrangements between these organisations to allow pooling of resources, dissemination of results etc.

6.32 This would improve the available information, particularly if extra resources were devoted to research and evaluation. It would not however provide independent information and this might prove to be a problem on evaluation. The logistics might result in arrangements being rather formal, which might stifle creativity and independence. Decision-making processes for determining what work was undertaken might be difficult if there were conflicting priorities. There would be no economies of scale.

*Advantages: no disruption, more coordination, better information.*

*Disadvantages: little improvement in independence, potential conflicts of interests, formal mechanisms, no economies of scale.*

*Option 3 – set up a unit in the National Assembly*

6.33 The people currently undertaking this work could be co-located or brought together formally (through transfer or secondment).

6.34 This would make reporting and responsibility lines clearer. The unit would be more likely to be independent, although being based in the Assembly might compromise this. Evaluation would need to be seen to be independent from any programme delivery undertaken by the Assembly and this might be achieved by making reports publicly available. It would be close to the executive for the Policy Board and could have easy access to all the Assembly's information and expertise (eg economists, statisticians).

*Advantages: better information; economies of scale; close cooperation with the policy board; easy access to the Assembly's specialist resources; clear political accountability.*

*Disadvantages: still might not be considered to be sufficiently independent.*

*Option 4 – set up an external unit*

6.35 If the unit was to be an Assembly Sponsored Public Body (ASPB) this would need primary legislation which would be subject to external constraints. (Alternative constitutions might need to be considered.)

6.36 This option would have the advantage of independence. It would be likely to be the most expensive given start up and overhead costs etc and would take time to establish. It would need clear roles and responsibilities and reporting arrangements.

*Advantages: better information; economies of scale; independence.*

*Disadvantages: distance from the policy board; not as accountable; difficulty of establishing an ASPB; cost.*

*Option 5 – contract out the work*

6.37 The Policy Board executive could contract out for research and evaluation (as is done in Ireland).

6.38 This would be possible, and might be the cheapest option, but might compromise flexibility and consistency. There would be a cost to letting and

managing the contracts. This option could however be used to supplement the work of a main unit, particularly for specialist or labour intensive tasks.

*Advantages: better information; cost; independence; flexibility; specialist knowledge.*

*Disadvantages: distance from the policy board; coordination and consistency problems; flexibility; accountability.*

6.39 The Committee recommends initially setting up a unit in the National Assembly in order to get this activity underway. Consideration should be given to involving key partners through secondment or coopting. Opportunities to develop Wales' capacity for this work should be sought through external contracts with public and private agencies. The ESRI model (see Annex 3) should be examined to draw lessons for Wales.

### **The Requirements for Effective Partnership Working**

6.40 Chapter 4 highlighted the scale of partnership work across Wales in the field of economic development. In Chapter 5 the consultation process revealed deep seated concerns about the effectiveness of this partnership and the extent to which partnership working is becoming an end in itself. The reviews of other regions, specifically the Republic of Ireland, suggest that effective partnership working can be achieved and can have a significant impact on economic development.

6.41 The Committee considers that for effective partnership working the following are needed:

- cooperation based on a shared vision for Wales;
- clear definitions of roles and responsibilities of organisations;
- good communication, both formal and informal, between bodies;
- the rationalisation of partnerships wherever possible to minimise the demands on key people;
- partnerships to be action-orientated (be given the responsibility for making decisions rather than just advising);
- participation from all key sectors, but particularly the private sector.

### **Current position**

6.42 Partnership/joint working is commonplace in the business services field and has been increasing in recent years. Perhaps the most significant development was the formation of Business Connect in 1996 .

**Business Connect** is a partnership of most of the leading publicly-funded service providers with business representatives. Its role is to provide a single "brand" for business services across Wales, provide a gateway to the range of business services on offer, and to act as a focus for co-ordination and co-operation.

6.43 There are many other partnerships. There are four **Regional Economic Forums**. The European Commission requires partnerships to be established to manage the Structural Funds Programmes. **Team Wales** seeks to bring together the partners involved in inward investment. Other partnerships cover specific sectors or themes. In most cases these are formal partnerships, meeting regularly to attempt to co-ordinate and/or initiate action, with executive functions provided by one of the partners (often the WDA). Sectoral initiatives involve publicly-funded agencies and businesses from the relevant sector developing programmes aimed at strengthening that sector within Wales through networking, training or other measures.

6.44 During the consultation process it became apparent that many executives of key agencies felt that more constructive relationships between key agencies notably the National Assembly/WDA and WDA with Team Wales partners in relation to inward investment could substantially increase the effectiveness of wider partnership working.

6.45 An analysis of how the current position compares with the requirements is in Annex 5.

## **Conclusions**

6.46 The growth of partnerships seeking to co-ordinate activities and bring together key players is well intended and has significantly contributed to more effective working in key areas. However, the many partnerships resulting from the Objective 1 and other Structural Fund programmes added to the partnerships already formed are creating a further co-ordinating issue. This is stretching the resources of key players, particularly the private sector and those organisations providing executive support to these partnerships. Serious consideration must be given to rationalisation of these partnerships. This might mean that their inclusiveness needs to be restricted to enable them to effect change and mechanisms should be sought to consult widely before change is implemented through smaller, more action-oriented groups. Such an approach could better utilise the limited time available from business.

6.47 The Committee is conscious of the fact that the benefits of partnership working are unlikely to be maximised whilst the system requires agencies to compete both for funding and for clients to achieve their output targets and meet programme objectives. It is felt that the proposals for the development of an agreed Strategy and Strategic Framework clearly defining roles and responsibilities of key agencies and defining common objectives will improve partnership working and reduce some of the interagency competitive pressures. However, the Committee believes that some initiatives could be considered at this stage to improve the atmosphere for partnership working and the effectiveness of the present partnership arrangements. The Committee also believes that this should start with the National Assembly itself.

6.48 The Committee believes that a key constraint on the effective working of many partnerships is their scale (designed to be inclusive). Committees consisting of more than 12 agencies (with their own agenda in many cases) are unlikely to be able to take meaningful decisions and implement actions in a realistic timeframe.

6.49 As a general principle partnerships and coordinating bodies should review their structures to decide who needs to be involved in the decision-making process directly and who could be better involved through genuine consultation outside the partnership. This could be a significant development for business participants. The Sectoral Advisory Forums being introduced in Scotland may be a model.

6.50 The Committee felt that Business Connect has the potential to become an effective vehicle for partnership working in relation to indigenous business services at both the national and regional level.

6.51 It was also felt that strategies to attract specific forms of inward investment (eg sectors or types of activity) require integration of a number of programme areas such as training, promotion, sites and property etc. This requires Team Wales to operate at the strategic level as well as on a project basis.

6.52 There has been considerable emphasis on involving the private sector in partnership but many business people lack the time and resources to participate effectively in existing fora. The Committee therefore wishes to see greater attention given to the constraints on the private sector to ensure effective participation.

## **Recommendations**

6.53 The Committee has debated whether organisations can be **made** to work together more effectively. Imposing new structures is unlikely to achieve real partnership, but conversely, putting in a mechanism for regular communication might start to break down barriers and encourage organisations to work more closely, resulting in real partnerships in the medium term.

6.54 The Committee considers the critical factor in achieving real partnership is getting widespread agreement on common goals, removing unnecessary competition between organisations, and removing a blame culture.

6.55 Other ways in which better cooperation might be achieved include:

- streamlining Business Connect Wales and giving it more specific objectives and more executive support to encourage more effective partnership working while retaining the widely inclusive Business Connect Regional Consortia;
- formalising Team Wales as an action-orientated group (small and focussed) - including the private sector;
- channelling funding through partnerships rather than allocating funding competitively to individual agencies;
- breaking down demarcation to effect understanding and more openness between key agencies eg through secondments ;
- encouraging more informal inter-agency contact at senior levels and with National Assembly officials;
- encouraging the WDA to become a better partner;
- for those regions where co-operation is seen to be less effective, notably South East Wales, the Assembly should encourage better partnership working and, where necessary, use funding sanctions as an incentive to better working;
- partnerships need to be rationalised wherever possible, have realistic terms of reference and become more action-orientated;
- ways must be found to involve CETW and HEFCW fully in key business services partnerships;
- providing capacity building support to the private sector and help to meet the costs of partnership working; and

- reviewing hours of meetings to meet private sector needs.

## **Delivery**

6.55 Chapter 4 highlighted the complex network of the service deliverers and products. Chapter 5 documented the concerns of both users and provider.

### **The Requirements for Effective Delivery**

6.56 The Committee considers that the following are required for effective delivery:

- clear roles and responsibilities for all deliverers;
- a single gateway for businesses;
- accessible services;
- a shared client management system;
- common branding (which could still allow sub-branding);
- effective quality assurance mechanisms;
- flexible customer-led not provider-led services;
- proper coordination between national programmes and local programmes;
- concentration of resources on adding value;
- sustainable services which take full advantage of the capabilities of the private sector; and
- effective monitoring and evaluation mechanisms.

## **Current position**

6.57 Wales has an extensive and sophisticated network of business support services providers comprising publicly-funded organisations, not-for-profit private sector organisations, and the commercial private sector. This network provides a comprehensive range of services at local, regional and national level.

6.58 No notable gaps are apparent in the range of services offered, but there are significant variations in geographical and sectoral coverage, and in the quality of services and depth of provision e.g. Regional Selective Assistance grants are not available throughout Wales, Information Communication Technology (ICT) /e-commerce services are fragmented and their quality is said to be variable. Furthermore, there is congestion in the marketplace for business support services which can be confusing to the user and suggests inefficiency in the use of public funds.

6.59 While inward investment services are clearly focussed on the WDA (and, for tourism-related investment, the WTB), supported by local authorities and TECs, support for indigenous business involves a plethora of organisations, products and services.

6.60 Annex 4 compares the current position with the requirements for effective delivery.

## **Conclusions**

6.61 It is not the role of the National Assembly for Wales to address the detailed day-to-day operational issues of service delivery to businesses. This is the task of the professionals employed in the public, not-for-profit agencies and the private sector. However, it is the Assembly's role to ensure that public resources are used effectively and efficiently and achieve the greatest (in this case economic) benefits.

6.62 The Committee believes that the proposals relating to the development of an agreed Strategy and Strategic Framework and for partnership working will, over time, have a positive influence on the service delivery arrangements and processes. However, the Committee believes that some of the concerns which have emerged from the review relating to service delivery need to be addressed now, not least because of the start of the Structural Funds programmes and the changes which are taking place as a result of the formation of CETW. The concerns relate to the need to:

- maintain or improve Wales' inward investment performance in relation to specific strategic objectives;
- create a simpler gateway for business to all services (available from public, not-for-profit and private sector sources) to ensure that the most appropriate response is forthcoming;
- ensure that all the services are customer-focussed not provider-led and that there is a total commitment to customers by providers;
- better identify the specific needs of businesses and provide the appropriate services without duplication/overlap or wasteful competition;
- target limited resources on companies most likely to benefit and to contribute to Wales' economic prosperity;



- encourage organisations receiving public funding to develop **complementary** roles to meet the needs of business (both general and specialist) and not to ‘compete’ for the same customers offering the same set of generalised services;
- seek to avoid confusion of roles between strategy development, funding, delivery and appraisal which currently permeates the system;
- ensure that, as far as possible given EC constraints, that a business anywhere in Wales with a need can access the full range of business services (both general and specialist) including financial support.

6.63 The Committee believes that the business services network could be simplified and clarified both from a funding viewpoint and in terms of access for business users. The establishment of a simple, effective gateway to all business services which also provides the platform for better coordination of delivery is critical in the Committee’s view. Figure 6.2 illustrates the Committee’s proposals to establish such a gateway.

6.64 It is recognised that Business Connect Wales Ltd has made significant progress in achieving specific objectives relating to, for example, the development of a shared client management system, establishing quality standards etc (see examples in Annex 2). However, the review suggested that the structure of Business Connect Wales Ltd (a company limited by guarantee with a number of constraints relating to employing staff etc) has limited this progress. The Committee therefore recommends a different structure for Business Connect Wales as illustrated in Figure 6.3.

**FIGURE 6.2: ILLUSTRATION OF PROPOSED NETWORK ARRANGEMENTS  
A FIRST-STOP-SHOP APPROACH**

A FIRST-STOP-SHOP APPROACH

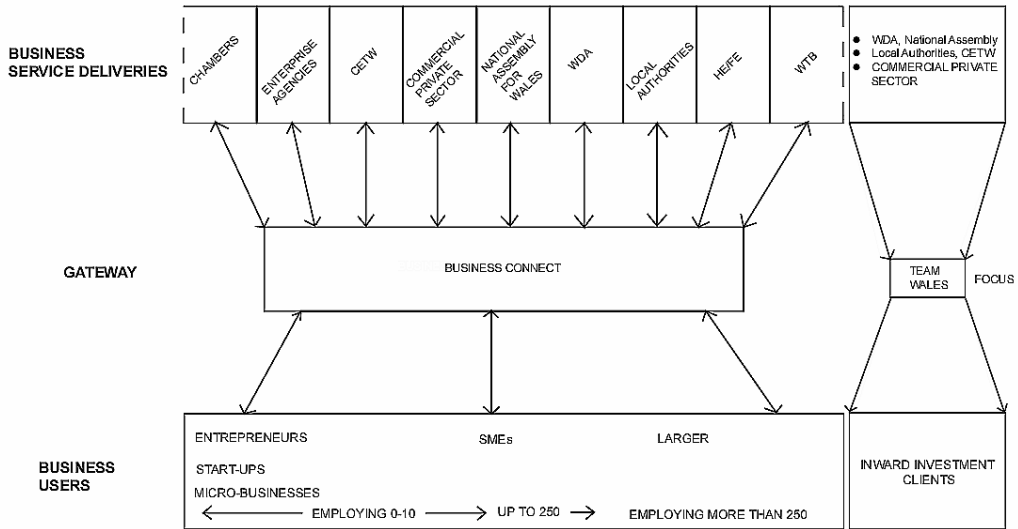
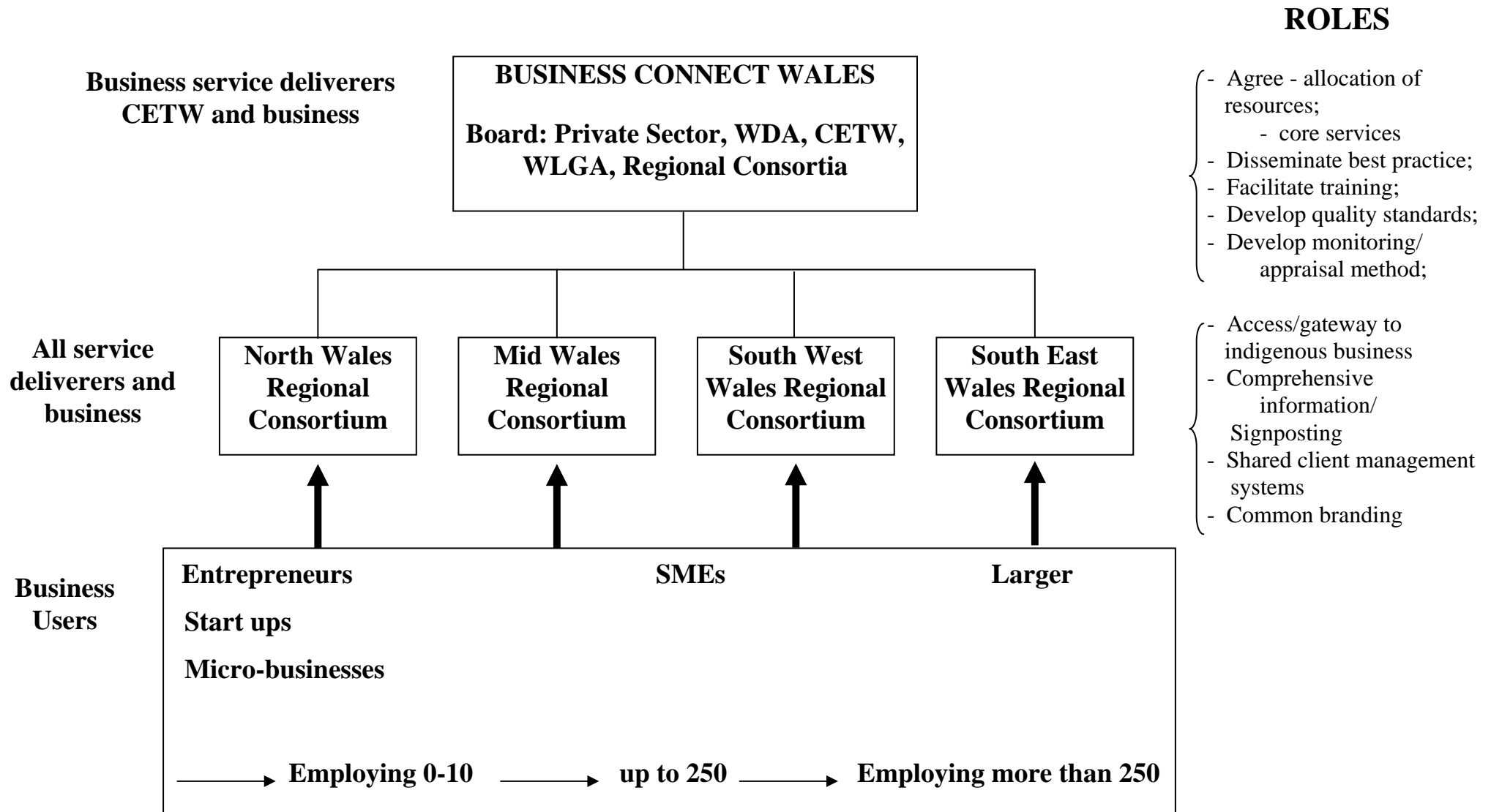


FIGURE 6.3

# Business Connect Proposals



## Chapter 7. Summary of Recommendations and Proposed Action

7.1 The Committee has sought, in this review, to focus on strategic economic development issues for which the National Assembly must take primary responsibility. However, the nature of business services, and the funding and organisational structures that have evolved in Wales, have meant that the Committee has been required to consider the impact of strategic issues on both the tactics being deployed in the business services field and the operational arrangements. In many cases these are undermining the Assembly's ability to choose between competing priorities and to determine the benefits from public investment.

7.2 The Committee is anxious that decisions for change emerge from a proper process of consultation between key players, particularly the professionals employed in the business services organisations and the business users. This will ensure that the changes are practical and will also stimulate the kind of action-focussed, open and constructive partnership working that Wales needs. However, given the urgent need to improve Wales' economic performance the Committee wishes to see the agreed changes implemented in as short a timescale as possible say over the next 12/18 months. This is likely to require temporary arrangements through secondment (say) to get new activities operational ahead of permanent institutional change.

7.3 The recommendations and next steps are dealt with under the following headings:

- **Strategy Development** - the development of an open and transparent process to produce on an ongoing basis:
  - a better understanding of the Welsh economy and future prospects;
  - an Economic Strategy and Strategic Framework;
  - methods to research, monitor and appraise the performance of the Welsh economy.
- **Improved Partnership Working** - specific proposals to immediately improve partnership working and agree roles and responsibilities;
- **Service Delivery** - proposals to improve the efficiency and effectiveness of service delivery.

7.4 The three key requirements under these headings are:

- to establish a mechanism to produce an agreed overarching **Economic Strategy and Strategic Framework**;
- to clearly define **roles and responsibilities**; and
- to develop an **effective gateway** for indigenous businesses to access a full range of **quality** business services.

Other recommendations emerge from these.

### 7.5 **Key Recommendation 1**

The Committee recommends that an **Economic Policy Board and Executive be established** to make recommendations to the Economic Development Committee on the Strategy and to report regularly on progress against the Strategy. The Economic Development Committee would make recommendations to the Minister for Economic Development on the Strategy. The Policy Board would make recommendations to the Minister on the implementation of the Strategy.

#### *Proposed Action*

*The Committee recommends that Assembly officials should form a **small, high level** working group with WDA, CETW, local authorities and business to consider the feasibility and to develop proposals to establish an Economic Policy Board as outlined in Chapter 6, with a fully costed programme for its establishment within the next 12/18 months and, if possible, for it to be operational at least on a temporary basis to produce its first Strategic Framework document by mid 2001.*

*Assembly officials should bring proposals forward within 3 months.*

### 7.6 **Key Recommendation 2**

The Committee recommends the establishment of an **Economic Research, Monitoring and Evaluation Unit** underpinning the work of the Policy Board and its executive to develop:

- a detailed understanding of Wales' economy, its strengths and weaknesses, constraints to its development **and** future opportunities; and

- systems to monitor and evaluate the achievement of Wales' strategic economic objectives.

### ***Proposed Action***

*The unit should be set up within the National Assembly but through secondment/cooption or contract arrangements it should encompass the research capacity of WDA, local authorities, universities and the private sector.*

### **Improved Partnership Working**

7.7 The Committee found this area to be most concerning because even if a robust Economic Framework was to be prepared and the organisational arrangements were sound, without constructive partnership working Wales would not get the optimal benefits from its business services. However, given the present arrangements for bid funding and the output based performance measurement culture it is difficult to make specific recommendations for change.

7.8 The Committee believes that key to both more effective partnership working and delivery of services is clear definition and agreement of roles and responsibilities.

### **7.9 Key Recommendation 3**

The Committee recommends that **roles and responsibilities** should be clearly defined and agreed between the Assembly and the main agencies based on the Assembly setting policy, the WDA as Wales' lead economic development agency and Business Connect as the gateway to all business services. The vital work of CETW must be integrated with the economic development strategy.

### ***Proposed Action***

*The Economic Policy Board should define and agree main roles and responsibilities as part of its development of the Strategic Framework.*

*In more specific terms the Committee's proposals are that:-*

7.10 ***The National Assembly*** should lead in the development of the Economic Strategy and Framework. It should set policy and ensure that a process is put in place which is inclusive, ongoing and transparent. It should establish mechanisms to improve the evidence base for policy making. The Committee recommends that, with the possible exception of RSA and expert advice, the Assembly should withdraw from the direct delivery of business services.

7.11 *The **WDA** is confirmed as Wales' lead economic development agency and has a critical role to play in achieving Wales' strategic objectives. It must therefore be directly involved in the development of a shared Economic Strategy and Strategic Framework through the proposed Economic Policy Board. It should be the primary conduit for National Assembly funding for developing services for both indigenous business and attracting inward investment. This does not mean that the agency should deliver directly the services, but that it should ensure, through its partners, that the most appropriate arrangements are made.*

7.12 ***Business Connect** should become the gateway and co-ordinating vehicle (through the Regional Consortia) for indigenous service delivery encompassing all players including Local Enterprise Agencies, Chambers etc and all sectors eg farming, tourism.*

7.13 **Local authorities** have an important role to play at local level and should be directly involved in the development of the shared Economic Strategy and Strategic Framework through the proposed Economic Policy Board. They should be key partners in Business Connect and Team Wales. By agreement with Business Connect partners, local authorities should focus on specific clients (eg services to start-ups and micro businesses might be best delivered through local enterprise agencies where one exists or by the local authority where one doesn't) and/or the provision of specialist services (eg planning advice).

7.14 **CETW** should be a full partner in the proposed Economic Policy Board and in Business Connect and Team Wales. It will concentrate on delivering human resource programmes. The further and higher education sectors should concentrate on delivery of specialists services to business eg training, technology transfer, and only deliver general services to business where there is an agreed local need. It is therefore important that FHE institutions are partners in Business Connect at regional level.

7.15 The **Wales Tourist Board** should continue to focus on the delivery of specialist services to tourism businesses. However, it should seek to integrate its services with the wider business support available by becoming an active member of the Regional Business Connect consortia and Team Wales. The Committee appreciates that this may have some resource implications and recommends that further funding is made available to exploit the potential of the tourist industry.

7.16 The appropriate roles for **Local Enterprise Agencies** should emerge from the Business Connect Regional Consortia but the Committee feels that they should focus on smaller SMEs, particularly start-ups and micro businesses. Chambers and other non-for-profit and voluntary agencies should also seek to agree their roles through Business Connect.

7.17 The Committee believes that steps should be taken to integrate the services of other government organisations such as DTI, Customs and Excise etc through Business Connect.

*Other broad recommendations to provide better partnership working.*

7.18 The Committee believes that a key constraint on the effective working of many partnerships is their scale.

*As a general principle partnerships and co-ordinating bodies should review their structures to decide who needs to be involved in the decision-making process directly and who could be better involved through genuine consultation outside the partnership.*

7.19 Specific steps which the Committee believes should be taken are:

- *the development of more formal and informal inter-agency contact at all levels eg the Economic Development Minister and chairs/Chief Executives of key agencies, senior officials of National Assembly and senior staff in agencies; and*
- *breaking down demarcation to effect understanding and more openness between key agencies eg through secondments or cross-membership of agency boards.*

#### 7.20 **Key Recommendation 4**

The Committee recommends that Business Connect through its Regional Consortia should become the **first-stop-shop gateway** to **all** business services for indigenous businesses. The Committee believes that there is an urgent need for Business Connect to deliver **effectively in all** regions.

- easy access to all businesses to a full range of services;
- a comprehensive information and signposting service;
- a shared client management system; and
- common branding.

#### ***Proposed Action***

*Formal agreement should be sought on this from all the main agencies.*



## 7.21 **Key Recommendation 5**

To enable more rapid progress to be made, the current structure of **Business Connect Wales Ltd** should be replaced by a partnership organisation formed, with a Board, by WDA, CETW, local authorities and the private sector. A strong presence from the regional consortia is required. The WDA should be given direct executive responsibility for Business Connect. Business Connect's role at **national level** should be to:

- agree on the allocation of resources between all-Wales initiatives and the regions;
- agree on core services to be provided by all regions;
- ensure best practice is disseminated across Wales;
- facilitate training of personnel;
- develop quality standards; and
- develop methods to monitor and appraise outcomes.

### ***Proposed Action***

*WDA should form a small working group involving Business Connect Wales Ltd, Business Connect Regional Consortia, WLGA and CETW. Business must be strongly represented within this group and must have a primary role in the reconstructed Business Connect Wales Board.*

## 7.22 **Key Recommendation 6**

Once the above has been delivered, which should be within a year, consideration should be given to the Business Connect regional consortia leading the coordination of client managers within a region:

- to ensure continuity in the client relationship;
- to better coordinate service delivery; and
- to facilitate contracts for the delivery of services with the most appropriate agency (private or public sector)

This will allow the development of specialist knowledge (eg sectoral) within the client manager pool and also allow more effective service quality control through the separation of procurer and provider roles.

### ***Proposed Action***

*In parallel with the programme to establish Business Connect as the gateway to all services, the feasibility of integrating the client managers within a regional consortia should be investigated and firm proposals brought forward.*

### 7.23 **Key Recommendation 7**

For inward investment, **Team Wales** should become the focus. To allow this, Team Wales should become a formal partnership of the key agencies and the private sector, with defined roles and responsibilities for each partner.

7.24 Wales' inward investment position needs to be reviewed in the light of recent disinvestment decisions but also to recover Wales' ranking within the UK. Performance in the important US market needs to be reappraised with a view to upgrading Wales' performance in attracting new companies in growth sectors.

#### ***Proposed Action***

*Firm plans (fully costed) should be brought forward by the WDA in the short term through discussions with its partners to establish Team Wales as an effective partnership. A review should then be initiated to consider ways to improve Wales' inward investment performance.*

### 7.25 **Key Recommendation 8**

7.26 Whilst the Committee has rejected the idea of splitting the WDA into two separate organisations it believes that there is merit in reviewing the internal organisation to focus clearly on specific client groups.

7.27 The Committee believes that services to larger established firms and the range of cross-cutting and sectoral initiatives which it is believed need to be developed to address market failure need much more effective leadership and partnership working. Strategies such as Wales Information Strategy (WIS) are felt to be uncoordinated and serious doubts have been expressed about their effectiveness.

The **WDA** should establish a clear internal organisational structure focused on:

- **start-ups and small companies** (Small Firms Division) to include its activities under the Entrepreneurial Action Plan;
- **support services for larger businesses and specialist cross-cutting initiatives** such as innovation/R&D, ICT/e-commerce, supply chain development etc; and
- **new inward investment** leading Wales' efforts to secure inward investment (through Team Wales)

### ***Proposed Action***

*WDA following the findings of the second stage of the Quinquennial review should carry out an internal organisational review.*

### **7.28 Key Recommendation 9**

**The Private Sector** must be involved as an equal partner in the Economic Policy Board and in Business Connect and Team Wales, through high level representation and by chairing one or more of these partnerships.

7.29 In determining methods to deliver programmes, agencies should seek to exploit and develop the expertise of the private sector such as their international client networks for inward investment, their skills in ITC, marketing, funding etc.

### ***Proposed Action***

*The Assembly officials should seek senior business executive membership of the Economic Policy Board. The WDA should seek similar involvement in Team Wales and Business Connect.*

### ***Other recommendations for Developing Appropriate Programmes***

7.30 The Committee has sought to focus on strategic issues in this review, for which the National Assembly must take primary responsibility, not day-to-day operational issues. However, specific issues recurred during the consultation relating to programmes which the Committee believes need to be addressed including:

- ways to maintain and enhance **business networks** (eg the sectoral fora and Business Clubs) which may be under threat with the demise of TECs;
- the need to ensure appropriate, speedy access to finance across the whole of Wales and particularly through:
  - the introduction of a Tier 3 Enterprise Grant which would provide better access to funding for Welsh SMEs outside the assisted areas (currently under consideration);
  - more effective promotion of RSA to SMEs; and
  - streamlining the RSA appraisal process for SMEs with more localised access and delivery.

These same principles should apply to **Finance Wales Programmes**.

- ways to improve access to business services through regional call centres for out-of-hours enquiries, improvements to the Business Connect website and through regional networks of local business centres;
- the need to review Wales' inward investment strategy particularly in relation to the important North American market as the primary source of knowledge-based FDI;
- the better coordination and upgrading of the main cross-cutting initiatives such as the Regional Technology Plan and particularly ICT provision;
- the introduction of a consultancy scheme to give business better access to private sector specialisms and to provide client choice. This should be modelled on the previous DTI Consultancy scheme but with more robust safeguards and providing better access to high quality consultancy firms in the "first division";
- rationalisation of services and "products" being offered in the marketplace, at least in presentational terms, but also to enable the gateway and signposting services to provide a better response; the WDA should set the example in this area;
- the general requirement for organisations to be customer-focused not product led; this suggests that each organisation should define which client groups it is best placed to serve (eg start-ups/microbusinesses or larger SMEs etc) and develop services which meet the needs of those groups; and
- the general need for business services to identify on which companies to focus to achieve the greatest benefits; joint research at national and regional level should aim to identify specific businesses likely to benefit from either:
  - active client management (probably a relatively small number of companies, perhaps at most 5,000 in total);
  - provision of specific services on an ad hoc basis.

7.31 The overall objective of these delivery proposals is that any indigenous business either:

- has an active relationship with a specific client manager (with appropriate skills and experience) who is coordinating the delivery of the necessary business services; or
- can readily access through Business Connect the full range of business services with a guarantee of the quality and timeliness of delivery.

7.32 Figure 7.1 summarises the recommendations, indicates the lead agency to take the proposal forward and the approach. The Committee would want to see these recommendations developed by the appropriate agencies and firm proposals brought forward as quickly as possible (generally within three months).

**FIGURE 7.1**

**SUMMARY OF THE MAIN RECOMMENDATIONS FROM THE REVIEW**

|    | <b>Recommendation</b>   | <b>Lead Agency</b>                                   | <b>Approach</b>  |
|----|---|--|--|
|    | <b>Strategy, Roles and Responsibilities</b>   |  |  |
| 1. | An <b>Economic Policy Board</b> should be formed as the vehicle to develop Wales’ Economic Strategy and Strategic Framework defining roles and responsibilities and setting clear objectives.   | National Assembly for Wales.                         | Modelled on Irish Forfas board of senior executives from private sector and key public agencies supported by executive body.   |
| 2. | An <b>Economic Research Monitoring and Evaluation Unit</b> should be set up to underpin the work of the Policy Board, develop our understanding of the Welsh economy in its global context and monitor and evaluate strategic objectives. | Initially set up in the National Assembly for Wales. | Coopting/seconding research capability of other agencies specifically WDA, local authorities (WLGA) and HE. Utilising private sector specialisms on commercial basis.            |
| 3. | <b>Roles and Responsibilities</b> should be clearly defined based on the Assembly setting policy, the WDA as Wales’ lead economic development agency and Business Connect as the gateway to all business services.                        | Economic Policy Board.                               | Clear definitions of roles and responsibilities will emerge from the Strategic Framework. With the possible exception of RSA the Assembly should withdraw from service delivery. |

**Cont’d**

|    | <b>Recommendation</b>   | <b>Lead Agency</b>                   | <b>Approach</b>  |
|----|---|--------------------------------------|--|
| 4. | <b>Business Connect</b> through its Regional Consortia, should become the first-stop-shop gateway to all business services for indigenous businesses; | Business Connect.                    | The Regional Consortia should continue to develop the gateway concept with a shared client management system and more effective branding. CETW and WTB need to be fully integrated partners. Business Connect Wales should maintain the involvement of business with local authorities, CETW and other main service deliverers eg Local Enterprise Agencies. |
| 5. | <b>Business Connect Wales Ltd</b> should be reconstituted as a partnership within WDA with more executive support.                                    | WDA                                  | WDA should set up a small working group with Business Connect, WLGA, CETW and businesses to agree and implement the change.  |
| 6. | Through the Business Connect Regional Consortia, <b>coordination of the client manger pool</b> within a region should be developed.                   | Business Connect Regional Consortia. | This could encompass client managers within WDA, local authorities, TECs and LEAs.<br><b>Cont'd</b>  |
| -  | Consultancy scheme to provide better access to  | WDA                                  | A modified version of the  |

|    | <b>Recommendation</b>   | <b>Lead Agency</b>                  | <b>Approach</b>  |
|----|---|-------------------------------------|--|
|    | private sector specialists;   |                                     | previous DTI Consultancy scheme is favoured.   |
|    | - rationalisation of services and “products”;   | All service deliverers.             |  |
|    | - better customer focus of services and agencies;   | All service deliverers.             |  |
|    | - better targeting of companies with potential.   | Business Connect Regional Consortia | Joint research.  |
| 7. | Team Wales should be re-established as a small action-oriented team.<br><br>Wales inward investment performance should be reviewed. | WDA<br><br>WDA/Team Wales           | Team Wales should involve local authorities, CETW/HEFCW and specific private sector partners.                    |
| 8. | The WDA should review its internal organisation to focus clearly on:-   | WDA                                 | Roles should evolve through Business Connect Regional Consortia and should be agreed in the Strategic Framework. |
|    | - start-ups and small firms;  |                                     |  |
|    | - larger business services and specialist initiatives; and  |                                     |  |
|    | - inward investment.  |                                     | <b>Cont’d</b>  |



|     | <b>Recommendation</b>   | <b>Lead Agency</b>                                     | <b>Approach</b>                                  |
|-----|---|--|--|
|     | Other agencies should also seek to focus on specific client groups to develop specialist services.                        | All agencies   | Agreed with Business Connect Regional Consortia. |
| 9.  | The private sector must be involved as an equal partner in the Economic Policy Board, in Business Connect and Team Wales. | National Assembly for Wales<br>WDA<br>Business Connect |  |
|     | <b>Partnership Working</b>  |  |  |
| 10. | Recommendations to improve partnership working include:   |  |  |
|     | - more formal and informal inter-agency contact;  | National Assembly for Wales and All.                   |  |
|     | - inter-agency secondment and cross-membership of agency Boards;  | National Assembly for Wales.                           |  |
|     | - channelling of funding through partnerships.  | National Assembly for Wales.                           |  |
|     | <b>Service Delivery</b>   |  |  |
| 11. | Recommendations to improve service delivery include:  |  |  |
|     |   |  | <b>Cont'd</b>                                    |

|  | <b>Recommendation</b>   | <b>Lead Agency</b>   | <b>Approach</b>   |
|--|---|--|---|
|  | - maintaining and enhancing business networks and sectoral initiatives under threat with the demise of TECs;          | CETW with WDA  | Local authorities and local Enterprise Agency have also to be involved.                                     |
|  | - introduction of a Tier 3 Enterprise Grant to provide better access to funding for SMEs outside the assisted areas;  | National Assembly for Wales. (already under consideration) | A Tier 3 scheme to meet Wales' strategic objective is required likely to be different to the English model. |
|  | - promoting RSA to SMEs and streamlining the appraisal process with local access;                                     | National Assembly for Wales                                |   |
|  | - establishing regional call-centres, improving the Business Connect website and a network of local business centres. | Business Connect.  | Existing business centres should ideally be rebadged as business Connect.                                   |

## **THE REVIEW**

This annex provides further details of the work carried out as part of the review.

### **Terms of Reference and Expert Adviser**

1. The terms of reference for the Review were considered by the Committee at its meeting on 15 December 1999. The Committee were content with the remit of the review (set out in EDC-12-99(p6)) and agreed to appoint an expert adviser.
2. Dr Jim Driscoll was appointed as the expert adviser in March following an open competition. Dr Driscoll's was formerly a partner with PriceWaterhouseCoopers and his experience includes working with international and indigenous companies in Wales and elsewhere, a period on secondment to the Welsh Office as Industrial Director, and working for British Steel Enterprise.

### **Consideration of the future of the TEC enterprise function**

3. The Committee's first task as part of the review was to make recommendations on the future of the Training and Enterprise Councils' enterprise functions. The TECs will be disbanded at the end of March 2000 and replaced by the Council for Education and Training in Wales (CETW). The training-related functions of the TECs will be transferring to CETW, but the Committee was asked to consider what would be the most appropriate location for the remaining enterprise-related functions. (26 January and 1 March 2000: EDC-02-00(p2) and EDC-04-00(p6))
4. The Committee visited a TEC to discuss with practitioners from all TECs the work which was currently being carried out and options for the future.
5. The Committee was also keen to hear views on options from those who had experience of using and supplying such support and development services. A wide consultation exercise was undertaken. (12 April 2000: EDC-08-00(p6))
6. The results of the consultation were inconclusive and the Committee invited Business Connect Wales (and its Regional Consortia) along with Business Wales and the Federation of Small Businesses to submit further views. Representatives of these organisations discussed proposals with the Committee. (22 June 2000: EDC-11-00(p4)(p5)(p6))

7. Based on these discussions, the Committee recommended to the Assembly Secretary that responsibility for the enterprise functions be transferred to the Welsh Development Agency, but that delivery should continue to be determined at a local level. (6 July 2000: EDC-12-00(p8)). The Assembly Secretary accepted the Committee's recommendations.

#### **Considering Initial Proposals for a Development Fund**

8. The proposals for a Development Fund were considered by the Committee at its meeting on 12 April 2000. The Committee broadly welcomed the proposals. It asked to see further details of how the Fund would work in practice once this was determined. (12 April 2000: EDC-08-00(p4))

#### **Considering the Recent Past and Current Arrangements for Providing Services**

9. One of the main tasks of the review was to map the provision of business support services. This proved to be particularly difficult as there was no central source of comprehensive information. As a result the review team drew up questionnaires which were sent to service providers in both the public (over 225 issued) and private sectors (over 1,200 issued directly and the association of Chartered Accountants also circulated its members in Wales). Questionnaires were also available on the website.
10. The questionnaire sought information on services provided (split between indigenous support and inward investment), spending, size of clients supported, sources of funding and support for other organisations, cooperation, overlap of services and general comments on business support mechanisms.
11. The response was reasonably good from the public sector (almost 40 per cent, but including the main deliverers in terms of expenditure). Over 100 private sector providers responded (and their input and comments were particularly valuable), but this was a small proportion of the estimated well over 1,500 providers.
12. The analysis of the responses allowed broad conclusions to be drawn about the scale of support and the focus of support. (Many organisations cited the difficulty of isolating their business support activities from other activities and splitting expenditure between support for indigenous businesses and inward investors.)

#### **Consulting a Wide Range of Organisations Providing Business Services**

13. The Committee and the review team consulted a large number of organisations providing business services in Wales and elsewhere. Organisations met include: WDA (various divisions including regional offices), WTB, Business Connect, ICT organisations, Business Partnership, Business Partnership adviser, IOD, CBI, FSB, Chambers of Commerce, Enterprise Agencies, WLGA, Local Authorities, CETW, Economic Forums, TECs, Council of Welsh TECs, National Assembly officials, Management Council for Wales, Scottish Executive, Invest UK, researchers and academics.
14. Literature and reports relating to performance and value-for-money were also considered. Similar studies covering support in Scotland, the North East of England and the English proposals for small firms were also considered.

### **Consulting Business Users**

15. The Committee felt it was very important to hear directly from business users. Four regional meetings were held to which business people were invited (over 3,000 invitations were issued). The meetings were held in Swansea, Bangor, Newtown and Cwmbran in October 2000. Over 150 people attended in total.

### **Reviewing the Business Services Arrangements for Some Comparator Locations**

16. The Committee visited the **Republic of Ireland** in September 2000 and held a series of meetings with representatives of the main business service providers, government, partnerships, a research institute, the private sector and an economist from the Bank of Ireland.
17. In October the Committee visited Brussels and held meetings with representatives from various European regions (**Central Sweden, Flanders, Baden-Wurttemberg, Nord Pas de Calais, Catalonia, Emilia Romagna**) and the **European Commission**.

All papers which have been considered at formal Economic Development Committee meetings, and the minutes of those meetings, are publicly available either on the National Assembly for Wales website ([www.wales.gov.uk](http://www.wales.gov.uk)) under Business>Committee Business>Economic Development or by contacting the Committee Clerks.

## **BUSINESS CONNECT**

### **1. Business Connect - purpose**

Launched in 1996 Business Connect is a partnership of public and private sector organisations working together to provide an information, advice and support service for new and small/ medium sized enterprises in Wales. Its main target audience is small firms (employing less than 50). As well as providing easy access for businesses into the wide range of available support via the all Wales **helpline number** - 08457 96 97 98 - Business Connect also aims to assist co-ordination of business services at the local and national level.

### **2. Structure**

Business Connect operates via a network of 33 local business centres, managed on a day to day basis by the local enterprise agencies and local authorities. This network is supplemented by 8 main IT centres. The local centre network is overseen by 4 regional Business Connect partnerships or consortia (with the same boundaries as the WDA and TECs). At the all Wales level, a Management Board, Business Connect Wales Ltd was set up in March 1999 to provide stronger strategic direction to the local network and to help improve overall co-ordination, marketing and quality of business support in Wales. All the main public sector agencies in Wales are represented on the Board as well as business interests (FSB, CBI Wales, etc). A full list of members is attached. Executive support for the Board's work is provided by a small team based in WDA, Cardiff.

### **3. Key services**

Business Connect operates as a 'first stop shop' for businesses seeking information and advice. Enquiries into the 08457 helpline number are automatically routed to the nearest local business centre (or central call centre in North Wales and the Cardiff area) and information and impartial advice/ counselling provided. For advice on ICT issues - and for practical demonstration of relevant equipment - firms are referred to the IT centres. Where appropriate businesses are also referred to other specialist services - for example the export services provided by the National Assembly, for training support to the TECs and so on. Over 22,000 calls were received on the 08457 number in 1999-2000 (over and above those received direct by the centres on local numbers).

### **4. Funding**

The National Assembly provides funding for the work of Business Connect Wales (and through it to the consortia and local centres). For the current year the budget is £2.5 million, to be spent in line with the key objectives and tasks set down in the Management Board's strategic plan for 2000-2001 (underpinned by the business plans of the regional consortia). Inter alia these resources will support the following Business Connect priorities - extra marketing activity at the all Wales and regional level ; further action to raise service quality (staff training; customer satisfaction/quality audit) ; core funding for the IT centres and other IT improvements (especially the full development of a new client management system) ; local co-ordination activity ; and the provision of certain locally-provided business services. National Assembly funding is supplemented significantly by contributions by the main partners (WDA, enterprise agencies, etc).

## **5. Key recent developments**

Business Connect is active on a number of fronts. The following list covers some of the main areas of recent interest :

- a. it has recently launched its own website ([www.businessconnect.org.uk](http://www.businessconnect.org.uk)) providing an ever-expanding body of useful information for small firms in Wales;
- b. it gained useful marketing coverage for its work by part sponsoring the Western Mail's Business Week in Wales in May;
- c. Board members are participating in key developments such as the Objective 1 process ; work to produce an implementation plan for the Entrepreneurship Action Plan ; preparatory work on the establishment of the new Council for Education and Training Wales, as well as contributing to the Committee's current review of business support.
- d. it has worked successfully with National Assembly agriculture colleagues on a new Farmers Helpline (which utilises Business Connect 08457 number to route farming enterprises into the wider business support network);
- e. links are being made to DTIs Small Business Service to ensure effective co-ordination between the two networks and to ensure firms in Wales can readily access the UK wide services the SBS is to offer (eg advice on regulatory issues).

## **Business Connect Strategic Plan (Extract)**

### **PRIMARY STATEMENT**

The underlining philosophy of all the work of Business Connect is that the needs of the customer come first.

### **STATEMENT OF PURPOSE**

Business Connect is the primary first stop for any business in Wales seeking advice and guidance. It offers businesses free, impartial advice, support and referral to quality assured providers. Through the co-ordination of business support on a regional level it seeks to reduce duplication and promote efficiency of provision.

### *POSITION STATEMENT*

Business Connect is the primary first stop for businesses seeking support. Business Connect seeks to position itself at the heart of national strategy development for business support, working with partners to ensure consistency and effectiveness.

- Its core role is to co-ordinate business support. The primary mechanism to achieve this is the assurance of minimum and consistent quality standards across business support, using the Business Connect kite mark brand
- Its core services are provision of impartial advice and sign posting for specialist support
- Its key market focus will be the smaller SMEs and potential business starts of Wales.

### *KEY STRATEGIC AIMS*

- ✓ To improve the quality of the Business Connect service in Wales at all levels.
- ✓ To work with others to create a genuine partnership at local, regional and national level that seeks to provide the best possible support to business. To work with partners to improve quality of all business support services
- ✓ To work with key partners to develop an effective national strategy for indigenous business support in Wales.
- ✓ To reduce duplication and overlap in business support



- ✓ To raise awareness of Business Connect and business support amongst SMEs in Wales
- ✓ To develop a transparent and clear structure for business support in Wales as seen from the perspective of the customer
- ✓ To ensure value for money at all levels within Business Connect.
- ✓ To ensure that all services and products carrying the Business Connect brand are directly related to customer need.

### *CRITICAL SUCCESS FACTORS*

Critical Success Factors (CSFs) offer a qualitative series of benchmarks against which progress can be evaluated. The Board, responsible for the general management of the Business Connect partnership has established CSFs for the three main levels of the service.

#### **Local provision**

The local service offered by Business Connect is the single most important element of the partnership. Local provision is, at its heart, the development of relationships with the client base – those local business and start-ups/Entrepreneurs who seek advice and support. The Critical Success Factors for this provision are:

- Quality and professionalism of advice and staff
- Impartial and free advice without perception of bias.
- Development of trust and empathy with client need
- Awareness of service within business community.
- Strong relationship with service deliverers and knowledge of products and services.

These CSFs will be achieved by the enhancement and development of existing local centres and partnerships. A number of key activities will be anticipated:-

- Awareness raising of BC service
- Regular communication and networking with service deliverers
- Core services – advice, business planning, and referrals.
- Input into the Regional consortia, quality reporting
- Maintenance of client and management information

## **Regional Consortia**

The regional consortia allow a realistic approach to partnership building between organisations involved in business support. The regional level is the most appropriate to bring together service providers to share information and to harmonise delivery, given that many such organisations are non-national and even where this is the case (WDA), the regional groupings maintain significant autonomy. The Critical Success Factors associated with regional consortia are:-

- Broad and inclusive partnership of all key service providers in region
- Effectiveness of local provision
- Strong and effective agreements with partners leading to reduction of duplication and more targeted support for SMEs
- Awareness of BC service in region
- High quality of Business Connect branded services

The functions of the consortia are thus:

- Target setting for and monitoring of local provision
- Maintenance of management information
- Preparation of business plan
- Establishment of agreements with all Business Connect branded organisation and recommendations to Board for approval/ removal of partners.
- Regional marketing
- Quality control of Centres and partners
- Direct and meaningful input from the client base – SMEs – in the region

Each consortium is made up of representatives from partners and clients.

## **All-Wales Management Board**

The All-Wales Management Board has as its central function the effectiveness of the Business Connect partnership and the resultant impact on businesses in Wales. It's Critical success Factors are:-

- Clear strategic vision for Business Connect
- Secure and appropriate funding for the partnership
- Value for money use of public monies
- Quality of provision of all services within business support in Wales
- National awareness of Business Connect
- Leadership within Business Connect, whilst ensuring inclusiveness
- Confidence amongst business support deliverers

- Involvement at the heart of national strategic developments affecting business support.

Thus, the Board's role can be detailed as:-

- Develop and implement strategic goals for the BC network
- Secure and distribute funding according to strategic goals
- Monitor regional consortia
- Develop national partnerships with business support deliverers and contribute meaningfully to strategic developments in Business Support
- Approve all partnerships within Business Connect
- Monitor and evaluate all quality control within BC.
- Collate and evaluate all management information within BC
- Meaningful input of SMEs into strategic and operational decision making.
- National marketing

July 2000

## **BRIEF DESCRIPTION OF THE BUSINESS SUPPORT ARRANGEMENTS IN THE REPUBLIC OF IRELAND**

This annex describes the roles and responsibilities of the main business support organisations in the Republic of Ireland:

- 1) FORFAS
- 2) IDA
- 3) Enterprise Ireland
- 4) City and County Enterprise Boards
- 5) The Economic and Social Research Institute

### **1. FORFÁS**

#### **MISSION STATEMENT**

"Forfás encourages and promotes the development of enterprise, science and technology in Ireland through its own actions, by empowering and supporting the industrial development agencies, Enterprise Ireland and IDA Ireland, and by working with the Minister for, and Department of, Enterprise, Trade & Employment in the formulation of industrial and science policy. "

#### **Functions of Forfás**

Forfás is the National Policy and Advisory Board for Enterprise, Trade, Science, Technology & Innovation in Ireland. It is the body in which the State's legal powers for industrial promotion and technology development have been vested. It is also the body through which powers are delegated to Enterprise Ireland for the promotion of indigenous industry and to IDA Ireland for the promotion of inward investment. The broad functions of Forfás are :

- Advise the Minister on matters relating to the development of industry in the state
- To advise on the development and co-ordination of policy for Enterprise Ireland, IDA Ireland and such other bodies (established by or under statute) as the Minister may by order designate\*
- Encourage the development of industry, technology, marketing and human resources in the State
- Encourage the establishment and development in the State of industrial undertakings from outside the State, and
- Advise and co-ordinate Enterprise Ireland and IDA Ireland in relation to their functions.

## **Board of Directors**

|                                  |  |
|----------------------------------|--|
| <b>Peter Cassells</b>            | Chairman   |
| <b>John Travers</b>              | Chief Executive, Forfas  |
| <b>Sean Dorgan</b>               | Chief Executive, IDA Ireland   |
| <b>Dan Flinter</b>               | Chief Executive, Enterprise Ireland                                  |
| <b>Paul Haran</b>                | Secretary General, Department of Enterprise,<br>Trade and Employment |
| <b>Professor Michael Hillery</b> | Chair of Manufacturing Engineering, University<br>of Limerick        |
| <b>John Lynch</b>                | Director General, FAS  |
| <b>William Murphy</b>            | Partner, Tynan Dillon & Company                                      |
| <b>Feargal O'Rourke</b>          | Partner, Taxation, Price Waterhouse Coopers                          |
| <b>William Scally</b>            | Economist  |
| <b>Professor Yvonne Scannel</b>  | Faculty of Law, Trinity College                                      |

## **The Role of the Enterprise Policy and Planning Division**

- To support the Board of Forfas in providing policy advice to the Minister for Enterprise and Employment on general enterprise development and promotional agency related issues;
- Enterprise policy appraisal and development of longer term strategies for enterprise promotion in Ireland;
- to coordinate and encourage operational consistency between the industrial development agencies;
- to undertake and coordinate surveys at agency and regional level and disseminate the information derived.

## **2. The IDA**

IDA Ireland has national responsibility for securing new investment from overseas in manufacturing and international services sectors and for encouraging existing foreign enterprises in Ireland to expand their businesses.

The business which IDA Ireland seeks to win are internally mobile projects which can operate competitively and profitably from Ireland. This covers a range of sectors such as electronics, pharmaceuticals and healthcare, engineering and international and financial services.

IDA Ireland markets Ireland as an attractive location for overseas investment through its network of offices abroad, emphasising the stability and growing

competitiveness of the Irish economy, the favourable tax regime, financial incentives, the skills base and Ireland's active participation in Europe.

### **Objectives**

To contribute to Ireland's economic development by encouraging the expansion of the existing base of overseas companies in Ireland.

Convincing new overseas companies in manufacturing and internationally traded services of the value of investing in Ireland.

Fostering the national objective of regional industrial development.

### **Ireland's FDI Strategy**

Ireland has identified specific sectors/types of activity to be targeted and attracted to invest in the country to meet its strategic economic objectives.

Figure X shows the growth in employment by foreign owned companies located in Ireland in form of these sectors during the 1990s.

This shows that some 58,000 permanent jobs have been created in activities which generally provide high quality employment such as International Services. Typical of the companies which have invested in Ireland in these sectors are:

*Chemicals and Pharmaceuticals:* Rhone Poulenc, Schering-Plough, Smith Kline Beecham, Warner Lambeit, Novartis.

*Electronics and Engineering:* Intel, IBM, ICL, Iomega, Gateway, Dell, Compaq.

*Financial Services:* Citibank, Chase Manhattan, Bank of America, BNP, Deutschebank.

*International Services:* Microsoft, Oracle, Anderson Consulting, Lucent Technologies, Allied Signal.

Many of these companies are regarded as world leaders in high growth fields.

**Figure X**

**IDA IRELAND**  
**EMPLOYMENT DATA 1990-1999 BY SECTOR**

| <b>SECTOR</b>                        | <b>EMPLOYMENT DATA</b>      | <b>1990</b>   | <b>1991</b>   | <b>1992</b>   | <b>1993</b>   | <b>1994</b>   | <b>1995</b>   | <b>1996</b>   | <b>1997</b>   | <b>1998</b>   | <b>1999</b>   |
|--------------------------------------|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                      |                             |               |               |               |               |               |               |               |               |               |               |
| <b>CHEMICALS AND PHARMACEUTICALS</b> | <b>Permanent Employment</b> | <b>11,084</b> | <b>11,484</b> | <b>12,162</b> | <b>12,871</b> | <b>13,455</b> | <b>14,041</b> | <b>14,935</b> | <b>15,544</b> | <b>16,623</b> | <b>18,172</b> |
| <b>ELECTRONICS &amp; ENGINEERING</b> | <b>Permanent Employment</b> | <b>37,649</b> | <b>38,266</b> | <b>38,658</b> | <b>40,004</b> | <b>42,424</b> | <b>47,127</b> | <b>50,946</b> | <b>56,574</b> | <b>59,082</b> | <b>61,457</b> |
| <b>FINANCIAL SERVICES</b>            | <b>Permanent Employment</b> | <b>660</b>    | <b>991</b>    | <b>1,188</b>  | <b>1,460</b>  | <b>2,032</b>  | <b>2,545</b>  | <b>3,280</b>  | <b>3,812</b>  | <b>4,583</b>  | <b>6,408</b>  |
| <b>INTERNATIONAL SERVICES</b>        | <b>Permanent Employment</b> | <b>6,116</b>  | <b>6,681</b>  | <b>7,137</b>  | <b>8,017</b>  | <b>9,204</b>  | <b>10,453</b> | <b>13,572</b> | <b>17,298</b> | <b>22,694</b> | <b>27,582</b> |

## Enterprise Ireland

Enterprise Ireland is the government organisation charged with assisting the development of Irish enterprise. Our core mission is:

*“to work in partnership with client companies to develop a sustainable competitive advantage, leading to a significant increase in profitable sales, exports and employment”.*

### Who We Work For

Our clients are mainly **Irish manufacturing and internationally traded services** companies employment 10 or more people, and **overseas food and natural resources companies** operating in Ireland. Enterprise Ireland also administers national and EU supports for building technological innovation capability and cooperation between **industry and higher educational institutions**.

We provide a range of services to help international business access and evaluate appropriate and competitive **sources of supply** in Ireland.

### How To Get In Touch With Us

Our range of services in business development, export marketing, technology, enterprise development and business training can be accessed through our network of **13 offices in Ireland** and **30 other offices worldwide**.

Established on 23 July 1998, Enterprise Ireland combines the resources of this former Irish Trade Board. Forbairt and in-company training activities of FAS.

### Supporting The Development of New Fast-growth Businesses

With start-up companies, our focus is very specific. We have a service targeted to meet the needs of high calibre, experienced managers, academics and the entrepreneurs creating and building new companies with significant growth and export potential.

#### Is yours a start-up company:

- in manufacturing or internationally traded services?
- based on technological innovation or exploitable market niche opportunity?



- with credible projected sales of at least £1m and 15/20 jobs by Year 3?
- with longer term potential to significantly exceed these levels?
- with export potential?
- being established by experienced managers, academics or technical graduates?

### **Enterprise Ireland can help:**

- Our multidisciplinary development teams are experienced in helping potential entrepreneurs develop their concepts into commercially viable business plans.
- Our teams advise and assist in all aspects of the crucial start-up phase.
- Our advice and support continues as the new enterprise grows to its full potential.

Enterprise Ireland will assign you a **Development Adviser** who acts as your key point of contact with our team and gives you access to our financial and other supports, including:

- Helping you evaluate and develop your new business concept, including challenging and assisting in formulating the business plan.
- Providing both practical and financial assistance for a feasibility study leading to the business plan.
- Introducing you to potential business partners, investors and financial and legal advisors.
- Financial supports including management development, employment grants, capital grants and equity investment.
- Access to the full range of Enterprise Ireland services such as : overseas offices, specialist technical expertise, market research resources, etc.

If you have the ideas and the experience and are interested in setting up your own business, Enterprise Ireland's **High Potential Start-up teams** will help you explore your potential.

NOTE: Other categories of start-up enterprise may find appropriate supports through their local County Enterprise Boards. In the Shannon Region, contact **Shannon Development**.

Our freephone service Enterprise Link gives information on all aspects of starting up a business and is a point of access to Ireland's full network of supports and resources, including **County Enterprise Boards**.

## **4. City and County Enterprise Boards (CEBs)**

### *What are City and County Enterprise Boards?*

City and County Enterprise Boards (CEBs) are locally controlled enterprise development companies established in each county and urban local authority area in Ireland.

The function of the Boards is to develop indigenous enterprise potential and to stimulate economic activity at local level. This is done primarily by providing financial support, advice and training for the development of micro enterprise. Micro enterprise is generally defined as that in which less than 10 people are employed. CEBs support individuals, firms and community groups provided that the projects have the capacity to achieve commercial viability.

### *Why City and County Enterprise Boards?*

CEBs were established in October 1993. They represent a radical reanalysis of the State's enterprise strategies and a consequent reorganisation of State interventions for the development of micro enterprise. Among other findings, the Community Support Framework 1994-1999, identified a dichotomy in the Irish Industrial sector between the high technology, high productivity foreign-owned sector and a less productive indigenous sector. CEBs were established to develop small local enterprises in both the manufacturing and service sectors.

### **Industrial/Enterprise Policy**

The Operational Programme for Local Urban and Rural Development outlines the main grounds for the establishment of CEBs as a means of eliminating the support gap at the level of micro-enterprise, these are as follows:

- in general, Ireland adopts a relatively interventionist industrial and enterprise development policy. This policy is supported by many elements of the EU Structural Funds. It is now accepted that the principle of such integrated support should be extended to micro enterprise development;
- the potential for employment growth in the services sector warrants an extension of some level of public support beyond the traditional manufacturing and internationally traded services sectors. Notwithstanding the genuine concerns about deadweight and displacement, the challenge of combating high unemployment showed the need for assistance in a controlled way to the services sector;

- the micro business sector, on which the CEB initiative is focused, is an important source of economic activity and employment. It is estimated that employers with less than 10 employees account for nearly 210,000 registered employees, or about 21per cent of all registered private-sector employment in the State. Micro enterprises account for 60per cent of employment in retailing, 40per cent in wholesaling and 36per cent in construction. Although the employment numbers are less significant in manufacturing there is considerable potential for developing sub-supply linkages in this sector leading to employment growth.

### **Local Development Rationale**

It has sometimes been argued that Ireland's highly centralised political and administrative structures have constituted a development obstacle and consequently mainstream industrial development has sometimes been implemented in a way which does not take account of local circumstances.

The CEB initiative represents a significant formal delegation of decision-making regarding resources for enterprise support to a sub-national level. CEBs are local in 3 ways:

- their activities are focused through strategic plans devised at county/city level;
- decision about allocating financial assistance and funding priorities are made within the county;
- the emphasis is on local (ie small) enterprise opportunities.

## **5. The Economic and Social Research Institute (ESRI)**

### **Origin and Structure of the ESRI**

- Founded in 1960 by Ford Foundation grant;
- State took over funding in 1965;
- Today, 35per cent of Funding comes from an annual State grant, balance from:
  - commissioned work;
  - membership;
  - sponsorship;
  - other activities.
- Independent and not-for-profit. Legal basis is a Company, limited by guarantee.

### **Mission and Objectives**

- Conduct and publish research on all the major aspects of Ireland's economy and society;
- Objectives: academic excellence; objectivity; relevance.
- Main aim is publication - funding is a means to that end.

### **Structure**

- About 80 staff - 40 professionals mainly economists and sociologists;
- ruling body is a COUNCIL, representing the public and private sectors and the academic world.

### **Main Areas of Research**

- Economic Forecasting;
- Economic Modelling;

- Environment;
- Energy;
- Public Finance;
- Industrial Policy;
- Functioning of the Labour Market;
- Education and Transitions to Work;
- Poverty and Income Distribution:
  - Microsimulation Modelling;
  - Women and Poverty;
  - Replacement Rates;
  - Low Pay;
  - Effects of Minimum Wage;
  - Basic Income.
- Health;
- Northern Ireland.

### **International Collaboration**

- Extensive contacts with universities and research institutes throughout Europe. Irish Partner in many research networks;
- many projects for the EU and other international bodies (OECD, IMF etc);
- Macro-economic models in:
  - Cohesion countries (Spain, Greece, Portugal);
  - Transition economies (Germany, Romania, Latvia, Slovenia, Czech Republic etc).
- Poverty and Income distribution studies.



## COMPARISON OF CURRENT POSITION WITH IDENTIFIED REQUIREMENTS

Comparisons of the **current position** with the **requirements** for an effective business services network for the three emerging themes of:

- Strategy Development;
- Partnership Working; and
- Delivery.

### 1. Strategy

#### Comparison Of The Requirements For Strategy And The Current Position

The following table compares the current position with the requirements for the strategy, framework and process set out in Chapter 6.

| Requirements   | Current position   |
|--|--|
| The strategy should be widely accepted (owned) by all parties who will be required to implement it or are affected by it and the process for producing it should be inclusive. | Documents such as BetterWales.com and the National Economic Development Strategy have been produced after widespread consultation but there is no widely-owned strategy, for example:<br><br>BetterWales.com doesn't have full political support of all political parties;<br><br>the National Economic Development Strategy is still in draft.<br><br>There is insufficient high level involvement by the private sector. |
| The strategy should be dynamic and evolving and so the process should be on-going.   | BetterWales.com will be reviewed annually, but there is currently no real mechanism for ongoing appraisal. Further work has just started on the National Economic Development Strategy, but current plans do not include proposals for the process to be continuous.   |
| The strategy should be based on robust analysis.   | There is a great deal of research undertaken into the Welsh economy. This ranges from studies by   |



| <b>Requirements</b>  | <b>Current position</b>  |
|--|--|
|  | <p>academics to work carried out within the research and policy units of the National Assembly and WDA.</p> <p>There is currently no mechanism for drawing such research together.</p> <p>Research funding is fragmented and there is duplication which can impose unnecessary burdens on business.</p>  |
| <p>The Strategy should inform and be informed by regional and local strategies.</p>  | <p>There is currently no mechanism for drawing these strategies together.</p>  |
| <p>The Strategy should identify priority sectors and/or markets.</p>   | <p>There are a number of sector-specific strategies, but there is no agreed statement on what types of industries/businesses should be given most assistance and which least. (This contrasts starkly with successful economies such as Ireland).</p>  |
| <p>The Strategy should be monitored, reviewed and modified regularly in the light of changing circumstances.</p>   | <p>Determining the impact of policies on the overall economy is very difficult. There is a great deal of ad hoc evaluation of individual programmes, but few mechanisms for disseminating good practice, and feeding back results into policy changes and the funding prioritisation process.</p>  |
| <p>The Strategy should be translated into a Framework which covers the activities of all relevant organisations by agreement, specifies their roles and responsibilities, sets out tasks and outcomes, and acts as the basis for resource allocation over the medium term.</p> | <p>The National Assembly sets the roles and responsibilities for each of its agencies (these are often determined by statute). These tend to be at high level. Overlap with other bodies (particularly non-ASPBs) is considered only infrequently.</p> <p>Funding is agreed based on the outputs to be delivered. Targets are set. However, there is no real mechanism for comparing and contrasting the bids from different bodies.</p> <p>There are other organisations who provide services who are not subject to direct Assembly control eg Local Authorities, the Welsh European Funding Office, Enterprise Agencies and the voluntary sector. The work of these bodies is not always taken into account.</p> <p>As a result there is currently congestion and probably overlap in delivery, with little specialisation by agencies.</p> |

## 2. Partnership

### Comparison Between The Requirement For More Effective Partnership Working and the Current Position

| Requirement   | Current Position   |
|---|--|
| Cooperation based on a shared vision for Wales  | <p>As discussed previously there is no shared vision for Wales. At regional level, partners, through the Economic Forums, have started to draw up plans for their regions. The progress on this varies between Forums.</p> <p>Business Connect also seeks to achieve common aims at a national, regional and local level, but progress has varied between regions.</p> |
| Clear definitions of roles and responsibilities of organisations  | This is generally lacking, although some progress has been made in some regions on defining which organisation should take the lead for particular sectors.  |
| Good communication, both formal and informal, between bodies  | <p>Most of the partnerships are formal and most communication is formal.</p> <p>Some partnerships are thought to be token rather than real.</p> <p>The relationship between the National Assembly and the WDA is not as effective as it should be.</p> <p>The WDA is not considered by many organisations to be a good partner.</p>                                    |
| The rationalisation of partnerships wherever possible to minimise the demands on key people                       | The number of partnerships is now out of hand. Many overlap and have essentially the same members. The organisation required for these partnerships is also resource intensive. This diverts resources from service delivery.  |
| Partnerships to be action-orientated (be given the responsibility for making decisions rather than just advising) | <p>Many of the partnerships are constituted to improve communication and cooperation rather than to make decisions.</p> <p>Even where decisions can be made there is a feeling that committee-style co-operation needing consensus, without direct reward or sanctions, is leading to <i>acceptable</i> solutions</p>  |

| Requirement   | Current Position  |
|---|---|
|   | <p>rather than <i>optimal</i> (best practice) solutions. An example is the draft Economic Development Strategy which started with radical ideas, but it has been suggested that it was eventually watered down to achieve agreement.</p>  |
| <p>Participation from all key sectors , but particularly the private sector</p> | <p>The Structural Funds partnerships are required to include representatives from the public, private and voluntary sectors. Other partnerships try to achieve a balance. The problem is the small pool from which participants are drawn. The number of partnership spreads the talent too thinly. The time taken for meetings (and often the timing of the meetings) can preclude involvement, particularly of senior businesspeople.</p> <p>Currently the TECs play an important role in many business services partnerships. With the demise of the TECs it is essential that the successor body, CETW, becomes a full participant in the key partnerships.</p> |

### 3. Delivery

#### Comparison Between The Requirement For More Effective Delivery and the Current Position

| Requirement  | Current Position   |
|--|--|
| <p>clear roles and responsibilities for all deliverers</p> | <p>As discussed in previous chapters there is no shared vision for Wales. At regional level, partners, through the Economic Fora, have started to draw up plans for their regions. The progress on this varies between fora.</p> <p>Most organisations do not concentrate on either a particular sector, particular type of assistance, or particular size of company.</p> <p>Businesses find the situation confusing.</p> <p>The private sector tends to concentrate on specific types of business.</p> |

| <b>Requirement</b>                      | <b>Current Position</b>  |
|---|--|
| a single gateway for businesses;        | <p>Business Connect seeks to provide a first-stop shop for smaller businesses. Awareness of Business Connect varies across Wales, as does its reputation. It works well in some areas, less so in others. Much work is being carried out to improve the quality of the service eg by introducing a common client management system, but implementation can be hampered by the fact that the organisation is a voluntary partnership, cannot require organisations to comply and also lacks sufficient executive support.</p> <p>The role of Business Connect is developing, but it needs to be clarified and agreed by all parties.</p> <p>The WDA and National Assembly provide the gateway for Inward Investors.</p> |
| common branding;                        | <p>Members of Business Connect generally brand themselves as their parent organisation (eg business cards will say ‘WDA’ or ‘National Assembly for Wales’).</p> <p>Organisations tend to advertise and market their own products under their own name.</p> <p>This leads to confusion for businesses as to what Business Connect really is.</p>  |
| accessible services;                    | <p>The accessibility of services varies across the country. In many areas there are business centres where Business Connect partners are co-located. These appear to be effective.</p> <p>Most advice services are however limited to office hours.</p> <p>The Business Connect website has improved considerably during the last year and is now a good source of basic advice on what schemes are available. Responses from Business Connect are however reported to be variable. Some programmes are not available across Wales eg RSA, others vary between local authorities, TECs, Enterprise Agencies.</p>   |
| effective quality assurance mechanisms; | <p>Most organisations carry out some sort of quality assurance – many in the form of questionnaires. But these tend to be internal rather than independent. Many businesses however still complain about the quality of</p>  |

| Requirement   | Current Position  |
|---|---|
|   | <p>service they receive.</p> <p>Business Connect is introducing common quality assurance standards.</p> <p>The qualification of advisers is a particular issue. Resources are often spread thinly and this can compromise the quality/experience of advisers which can be employed (particularly true in the field of ICT where skills are very marketable and can demand premium salaries).</p>  |
| flexible customer-led rather and provider-led services;           | <p>Many organisations undertake research into market failure to enable them to meet the needs of businesses. Businesses however still complain that their needs are not being met. It is, however, not always possible to supply their needs – the European State Aids regulations are very restrictive on the types of assistance that can be offered to businesses.</p> <p>There is also a balance to be struck between making funds and services easy for businesses to access and the need for proper accountability for public funds (eg grant applications can be complicated because of the need to demonstrate that a project would not proceed without grant). Feedback suggests that for SMEs the balance has shifted too far to the provider.</p> <p>There is evidence to suggest that much training is delivered because providers can provide it, it meets the demands of students, rather than because it meets the needs of the economy (eg 800 courses for tourism across Wales).</p> |
| a proper balance between national, regional and local programmes; | <p>Programmes are generally delivered at three levels: National, Regional and Local. There is overlap between these programmes which causes confusion. A lack of coordination between national programmes and regional programmes has been cited by some people interviewed as a real problem.</p> <p>Many local programmes aim to provide flexible assistance to local companies, but they are often restricted by the funds available. The variety of schemes available can be confusing to a business wishing to expand.</p>   |

| <b>Requirement</b>                             | <b>Current Position</b>   |
|--|---|
| concentration of resources on adding value;    | <p>There are estimated to be some 500 programmes being delivered. This implies that resources are spread very thinly.</p> <p>There is currently no explicit policy statement on which sectors can add real value to the Welsh economy. More effort is needed to identify businesses with high growth potential.</p> <p>The policy for attracting inward investment has not been sufficiently focused on specific sectors/activities. While Wales has been very successful in the Far East it has performed poorly in the key US market in terms of new companies and knowledge-driven activities such as software. The sustainability of jobs and the potential for knock-on benefits for local companies needs further emphasis.</p> |
| sustainable services;                          | <p>The short term funding of many programmes, notably through EC funding or TEC contracts has led to a plethora of small short-term projects.</p> <p>The private sector is used to deliver services for many agencies, but there is scope for greater use. Services would become more sustainable if the capacity of the private sector was enhanced and links between companies and professional firms developed.</p>  |
| effective monitoring and evaluation mechanisms | <p>Much monitoring and evaluation takes place, but not all of it is independent and there are few mechanisms for disseminating good practice.</p>   |

**Options for Change: Strategic Direction**  
**Strengths and Weaknesses Analysis**

| <b>Options to Develop Strategic Vision and Strategic Economic Framework</b> | <b>Strengths</b>   | <b>Weaknesses</b>  |
|---|--|--|
| 1. Draw together representative Task Forces as and when needed              | Has worked in the past to produce NEDS, ETAG;<br>Can be inclusive of key players including businesses;<br>Only deploys resources when need is perceived so potentially cost-effective.   | Is cumbersome and requires significant effort to put together the Task Force;<br>Difficult to secure meaningful investment from key players particularly private sector;<br>Delivery often seen to come from executive support agency not Task Force;<br>Diverts key agencies from their primary tasks;<br>Cannot provide ongoing monitoring and evaluation. |
| 2. Responsibility of National Assembly Cabinet through Officials (or WDA)   | Provides direct (or indirect in WDA case) all-Wales political control of the process;<br>Provides continuity and potential to develop expertise;<br>Provides direct (or indirect) access to range of Government functions;<br>Minimises costs of the process;<br>Provides independent monitoring and evaluation if NAW exits from delivery (not with WDA). | Not an inclusive process so may not be bought into by key organisations;<br>May not be sufficiently informed by practical issues of delivery on the ground;<br>May not be sufficiently market related.   |

Cont'd

| <b>Options to Develop Strategic Vision and Strategic Economic Framework</b>   | <b>Strengths</b>  | <b>Weaknesses</b>  |
|---|---|--|
| <p>3. Establish Economic Policy Board/Unit with full time executive both drawing from relevant organisations. This might be similar to the policy advisory and co-ordination board in the Republic of Ireland (Forfas) which has a small board of directors (11) drawn from government officials, academics, key agencies and business, and an executive made up of officials. The executive could be made up of secondees with appropriate skills and experience from other organisations.</p> | <p>Establishes permanent continuous approach to strategic issues;<br/>         Allows controlled input from key players at the appropriate levels;<br/>         Establishes accountability for strategy development;<br/>         Enables continuous development of expertise and skills;<br/>         Potentially stops duplication of strategy development efforts.</p> | <p>Requires clear interface with the political processes of the NAW;<br/>         Will have direct costs associated with Board and executive (but these should be partially offset by savings in other organisations);<br/>         Implies visibility of issues which may be politically uncomfortable;<br/>         Monitoring and evaluation may not be seen to be objective.</p>             |
| <p>4. Establish a new independent Assembly Sponsored Public Body to undertake the task.</p>   | <p>Independence.<br/>         Clear role and responsibility.</p>  | <p>Would need primary legislation to establish a new body which would mean delay;<br/>         Costs would be greater (overheads for finance, accommodation, personnel, audit etc);<br/>         Accountability arrangements would need to be established;<br/>         Might not provide the political ownership of the process required;<br/>         Might be too divorced from delivery.</p> |