

ECONOMIC DEVELOPMENT COMMITTEE EDC 04-01 (p2)

Date:	7 March 2001, 2:00pm – 5:30pm
Venue:	Committee Room 1, National Assembly Building
Title:	WELSH DEVELOPMENT AGENCY: DRAFT STRATEGIC GUIDANCE LETTER

Purpose

1. To seek the Committee's views on the Welsh Development Agency's draft Strategic Guidance letter (attached at annex 1).

Action

2. The draft letter gives the WDA broad guidance on its strategic direction, and incorporates three sections:-

* Operational Principles

* General Operational Priorities

* Specific Operational Priorities

The Minister would welcome the Committee's opinions on whether the items included in these sections are appropriate, and whether there are other principles and/or priorities which could usefully be added. Committee members can provide their views directly to the Minister - to be received no later than 9am March 12th 2001.

Background

3. At around March each year, the WDA's Strategic Guidance letter is issued, formerly by the Secretary of State for Wales and now by the Minister for Economic Development, following consultation with the Economic Development Committee.
4. The Strategic Guidance letter marks the beginning of the WDA's planning cycle, setting the strategic framework within which the Agency's next Corporate Plan (that for 2002-03 to 2004-05) will be worked up. That Plan will then inform the Agency's next Business Plan (2002-03). For more details of the Agency's planning cycle, please refer to the diagram at annex 2.
5. Last year's Strategic Guidance letter (a copy of which is at annex 3), informed the Agency's Corporate Plan 2001-02 to 2003-04, which in turn has informed the Agency's Business Plan 2001-02. The Committee is invited to note this today (see Committee Paper EDC-04-01(p.YZ)).

Proposed Strategic Framework

6. The draft Strategic Guidance letter (at annex 1) draws on the Assembly's key strategic documents, in particular the commitments in *Putting Wales First: A Partnership for the People of Wales*, *BetterWales.com* and the emerging *National Economic Development Strategy*.
7. The letter obviously cannot take into account the outcome of the Committee's own *Review of Business Support and Development Services*. This Review, together with the WDA's *Quinquennial Review* and the continuing evolution of the *National Economic Development Strategy*, could fundamentally alter the strategic framework within which the Agency operates.
8. Given these potential changes, the Minister for Economic Development proposes to treat this Strategic Guidance as interim, on the understanding that, should major changes come about in the Agency's strategic framework, further guidance will be issued later this year.
9. Paragraph 17 of the draft Strategic Guidance letter refers to the development of new strategic targets for the WDA, which will reflect the broad range of Agency activity and feed into the National Economic Development Strategy. Agency and Assembly officials have begun working on these, and the Committee will have the opportunity to consider proposals in the context of the Agency's draft Corporate Plan (in July). This work has not been carried out in time to influence the output targets for the financial year 2001-02, which relate to specific Agency activity as detailed in its draft Business Plan. The Minister for Economic Development will shortly be announcing targets for 2001-02.

Compliance

10. The WDA was established by the Welsh Development Agency Act 1975 (as amended by the Government of Wales Act). Powers under that Act have been transferred to the Assembly and delegated to the Minister for Economic Development and his staff.
11. There is no statutory provision for the issuing of Strategic Guidance to the WDA. However, to do

so is considered best practice.

Financial Implications

12. There will be no financial implications in issuing this letter. The letter simply sets a policy framework in which the WDA should operate. Expenditure will be accommodated within the budgets approved by the Assembly.

Michael German OBE AM

Deputy First Minister and Minister for Economic Development

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DRAFT: THIS LETTER IS SUBJECT TO AMENDMENT BY THE MINISTER

Sir David Rowe-Beddoe

Chairman

Welsh Development Agency

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March 2001

WELSH DEVELOPMENT AGENCY: STRATEGIC GUIDANCE

1. This letter sets out the Strategic Guidance and priorities that I want the Welsh Development Agency ("the Agency") to incorporate into its planning cycle, informing its 2002-03 to 2004-05 Corporate Plan and subsequent Business Plans.
2. At the time of writing, the Economic Development Committee's Review of Business Support and Development Services is out to consultation. The finalising of this Review, together with the development of the National Economic Development Strategy and the Assembly's Quinquennial Review of the Agency, will set a new strategic framework for the Agency's activities. I do not wish to pre-judge the outcomes of these reports, and have therefore decided to issue this letter as interim Strategic Guidance. A further letter will be issued later this year, addressing any fundamental shifts in the Agency's role that may come out of the impending reviews.
3. In drawing up this interim guidance, I have taken due regard of the priorities in Putting Wales First and BetterWales.com, the views of the Assembly's Economic Development Committee, and the Report (00-06) of the Assembly's Audit Committee (together with the Cabinet response, laid on 4 January 2001). I have also taken into account the creation of the new National Council for Education and Training for Wales ("the National Council"), which will take on its functions from 1 April 2001 and be a leading agent of change in realising the Assembly's objectives for a learning society and the creation of a competitive, advanced economy in Wales. This letter replaces all previous Strategic Guidance issued to the Agency.

Operational Principles

4. The work of the Agency must be in accord with the aims, policies and programmes of the Assembly; in particular the Agency must pursue the priorities set out in Putting Wales First and BetterWales.com and the emerging National Economic Development Strategy.
5. Putting Wales First commits the Assembly to creating an enterprise economy, which is the key to high employment, the generation of wealth and the provision of high quality public services. It also recognises that the creation of a strong, vibrant indigenous business sector will be the only way of achieving the Assembly's goal of bridging the prosperity gap between Wales and the rest of the UK. I want the Agency to take a leading role in pursuing these aims, acting strategically and working in partnership with the National Council and other key stakeholders, wherever practicable, in order to improve the prosperity of every part of Wales, in particular those areas of greatest need.
6. The key challenges identified by the National Economic Development Strategy consultation document are equal opportunities, sustainable development and tackling social disadvantage. I want the Agency to have regard to these challenges in everything it does, paying particular regard to the principles set out in the Assembly's Sustainable Development

Scheme. I expect the Agency to pay due regard to equality of opportunity, as set out in sections 48 and 120 of the Government of Wales Act (including the provisions of the Race Relations (Amendment) Act), and working closely with such organisations as the Equal Opportunities Commission and the All Wales Ethnic Minority Association. As an organisation sponsored by the Assembly, the Agency must also be aware of its responsibilities under the Human Rights Act.

7. The Agency will at all times insist on the highest standards of probity in public life and promoting openness where possible. I expect the Agency to follow the standards and principles of partnership adopted by the Assembly, with particular attention to the requirements set out in sections 113 to 115 of the Government of Wales Act, to consult local government, the voluntary sector (by adhering to the principles set out in the Assembly's Voluntary Sector Scheme) and the business community on matters affecting their interests.
8. I want the Agency to commit itself to learning, reviewing and improving its own performance, by regularly reviewing its actions to ensure that they continue to be the most effective and give value for money. I expect the Agency to work closely alongside the Assembly to ensure effective regular evaluation of its programmes, and to work closely with the business community to identify appropriate methods of support.

General Operational Priorities

9. The greatest challenge for us all is to make sure that we use effectively the funds which are available to Wales through the European Union structural funds programme 2000-2006, through Objectives 1, 2 and 3, the Rural Development Plan and Community Initiatives. The Agency will continue to play a full and effective part in providing executive support for the management of all relevant European funding packages, and I am looking to you to develop the Agency's work in a way which reflects the opportunities which Objective 1 in particular represents. Within this, the Agency will need to build and maintain strong relationships with the National Council, recognising its role in maximising European funding for human resource development. The Agency will play a leading role, as an active partner, in the delivery of a number of individual projects in Objectives 1, 2 and 3, as well as Community Initiatives (Equal, Urban, Interreg and LEADER+) and the Rural Development Plan.
10. I should also stress the imperative for a truly partnership approach to the development of projects for which European funding is to be sought, in accordance with the agreed model of balanced representation from the public sector, social partners and the voluntary sector. For projects from all European programmes, it will be important that optimal use is made of the resources available to you as an element in match-funding packages. I also expect the Agency, in line with its other programmes, to be able to effectively account for its spending of structural fund receipts.
11. The Agency has a crucial role to play in developing the economy in areas of greatest need, specifically the Objective 1 area and the Communities First areas, when they come on line from Summer 2001. We need to ensure synergy between Communities First and other

funding programmes; targeting, where possible, the Communities First areas. It should always seek to work with local communities, either directly through the partnerships which will be set up in relation to Communities First, or through existing fora which will take on the Communities First mantle.

12. In rural Wales, the Agency must continue to develop and implement policies, in conjunction with the Assembly and the National Council, to support and develop businesses in the Agri-food sector and indigenous company growth. Throughout Wales, I expect the Agency to work with local authorities and other partners in the context of developing community strategies.
13. The Agency should concentrate on providing better job opportunities by raising the quality of jobs right across the sectoral and occupational mix, developing more added value processes by reaping the maximum advantage from research and development, and advanced technology, headquarters-type functions, and ensuring a high quality environment. Clusters of high tech companies should be encouraged with the ability to compete on a global scale.
14. In drawing up future programmes, the Agency should seek to strike an appropriate balance between its capital and revenue programmes, and between support for home-grown and Welsh-based businesses and inward investment.
15. The Agency's Land Division should continue to support the objectives and activities of the Agency with emphasis on the priorities and areas of greatest need identified; in particular engaging with, and supporting, the priorities set out by local planning authorities. In addition, the Agency must have regard to spatial planning, both in the European context as expressed in the European Spatial Development Perspective - important because of the opportunities presented by the strategic location of Wales in relation to links between Ireland, the UK and Europe - and also in the context of the developing National Spatial Planning and Transport Frameworks for Wales.

Specific Operational Priorities

16. As well as having regard to the operational principles, as set out in paragraphs 4 to 8 above, and working towards the general priorities in paragraphs 9 to 15, I want to see the Agency working towards the following specific priorities:-
 1. Developing and implementing a Business Birth-Rate Strategy for Wales. The Agency should also work closely with the National Council, academic institutions, businesses and others to deliver an effective and efficient Know-How Wales service. It should also play a constructive role in implementation proposals arising from the Entrepreneurship Action Plan, in conjunction with Careers Wales, the National Council, the HEFCW and others, and support small companies under the aegis of the Regional Technology Plan.
 2. Securing top quality inward investment into Wales, with particular emphasis being placed on those areas of greatest need. The Agency should continue to identify and develop strategic employment sites and ensure the provision of a suitable range of premises for business, especially in the Objective 1 area and areas of greatest economic needs. In addition, I expect the Agency to work closely with local authorities to support their regeneration plans.
 3. In its inward investment activities, working closely with the National Council to ensure co-ordinated packages of support. The Agency should reflect the sectoral strategy adopted by the Assembly and ensure effective communication and co-ordination with Wales Trade

International (WTI) in order to maximise overseas trading opportunities. In particular, I expect the Agency to work closely with WTI to develop the synergies that clearly exist between inward investment and international trade. Furthermore, I expect the Agency's overseas promotional activities to accord with the Assembly's strategy for the promotion of Wales to an international audience. This will ensure the promotion of a coherent and positive image of Wales to the international audience and make best use of overseas resources. The Agency should continue to work with WTI and the Wales Tourist Board to develop Wales' overseas offices.

4. Playing an effective role in the operation and development of Business Connect at the all-Wales and local level, providing executive support for Business Connect Wales and developing a high quality Farming Connect service. The Agency should also work closely with the National Council, the Wales Management Council, Business Connect partners, the Assembly and other organisations to ensure the delivery of a more coherent programme of management development activities to businesses in Wales. Through Business Connect, the Agency should ensure the effective day-to-day management of the Innovation and Technology Counselling service.
5. Giving full support to the activities of Finance Wales. Finance Wales should continue to research and quantify the funding gap experienced by SMEs in Wales, providing tailored programmes for those geographical areas and business segments found to be in need of support. Finance Wales should work in partnership with other public bodies, the business community and finance providers in evaluating its existing schemes and in developing new programmes.
6. Working to develop the Agri-Food Strategy together with the Agri-Food Partnership, through the Agency's Agri-Food Directorate, drawing on the resources of the Agency's regional offices. This will include supporting the Agri-Food Partnership and its Strategy and Regional Groups; preparing the Farm Development Action Plan; revising the existing Lamb and Beef, Dairy and Organic action plans; working to achieve the new objectives which will be set out in the Agri-Food Partnership's revised Action Plan, including the emerging plans for the next sectors identified as priorities for development to assist the rural economy.
7. Working closely with service deliverers, the Assembly and others, to play a full and effective part in promoting more widespread adoption of E-business by companies in Wales, and contributing to the development of the Information and Communication Technology infrastructure throughout Wales.
8. Developing ways to assist businesses to exploit the opportunities offered by emerging eco-friendly markets. This will mean working with the Assembly, Arena Network, Groundwork Wales, the Carbon Trust and others to improve the competitiveness of businesses through more efficient use of materials and energy, and encouraging the development of the renewable, clean energy sector.
9. Ensuring maximum synergy between the Agency's community regeneration and business support programmes and the National Council's programmes for human resource development. The Agency should recognise the National Council's lead role in taking forward the learning and skills aspects of the emerging National Economic Development Strategy. The Agency should seek to work closely with the National Council and Business Connect partners to ensure the most efficient and effective delivery of the business growth and start up programmes inherited from the Training and Enterprise Councils.

10. Playing an effective role in the Future Skills Wales Partnership, in particular contributing to the preparation of the next major survey of employers planned for 2003. The Agency should work closely with partners to ensure the findings of this research are used effectively in promoting the development of a skilled workforce in Wales.
11. Working with other key players including the National Council, Business Connect, Careers Wales and the Assembly to develop a single, effective quality database of company information in Wales.
12. Working with the Assembly, its partners and other key stakeholders on the preparation of the National Spatial Planning Framework and also preparation and review of the National Economic Development Strategy, the Sustainable Development Scheme and the Assembly's Design Initiative. This will ensure smooth progress towards achieving the over-arching vision for Wales for growth compatible with sustainable development.

Implementation

17. When presenting its Corporate Plan 2002-2005, I expect the Agency to propose strategic targets for the range of activities covered by this letter. I look to the Agency to work closely with officials in the Assembly to develop target-setting arrangements which feed into the framework of the National Economic Development Strategy.
18. Finally, I should like to remind you that the payment of grant by the Assembly is contingent on compliance by the Agency with the contents of its Management Statement and Financial Memorandum.

Rhodri Morgan AM MP

Our ref/Ein cyf: SF 2400/00

David Rowe-Beddoe

Chairman

Welsh Development Agency

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31 March 2000

Dear David

WELSH DEVELOPMENT AGENCY: STRATEGIC GUIDANCE

1. This letter sets out the Strategic Guidance and priorities that I want the Welsh Development Agency ("the Agency") to incorporate into its planning cycle, informing its 2001-2004 Corporate Plan and subsequent Business Plans. In drawing up this guidance, I have taken due regard of the priorities in the National Assembly's draft Strategic Plan, BetterWales.com, and the views of its Economic Development Committee. This letter replaces all previous Strategic Guidance issued to the Agency.

Operational Principles

2. In everything it does, the Agency must concentrate on helping to create a better, stronger economy in Wales, acting strategically and working in partnership wherever practicable in order to improve the prosperity of every part of Wales, in particular those areas of greatest need.
3. The work of the Agency must be in accord with the aims, policies and programmes of the National Assembly; in particular the Agency must pursue the priorities set out in BetterWales.com, the National Economic Development Strategy and the Single Programming Documents for both Objectives 1 and 2. These documents, together with directions from time to time from the National Assembly, will shape economic planning and policies in Wales for the duration of this guidance and beyond.

4. One of the outcomes envisaged in BetterWales.com is that, by March 2003, 40,000 net additional jobs are to be created, 34,000 (i.e. 85 per cent) of which should be in the west of Wales and the Valleys. This will be achieved by targeting a greater proportion of the Agency's development programmes support and marketing effort on companies in the Objective 1 area. I want to see this reflected in the Agency's future plans. I expect to see WDA targets/outcomes for jobs created to be marked by comparable emphasis on the Objective1 area.
5. The Agency will at all times insist on the highest standards of probity in public life and promoting openness where possible. I expect the Agency to follow the standards and principles of partnership adopted by the National Assembly, with particular attention to the requirements set out in sections 113 to 115 of the Government of Wales Act 1998, to consult local government, the voluntary sector and the business community on matters affecting their interests.
6. I expect the Agency to continue to be committed to the Assembly's underlying themes and of equality of opportunity, sustainable development and social inclusion in everything it does. The Agency should take into account the specific guidance issued by the Assembly and should work closely with those organisations having expertise in these areas, such as the Equal Opportunities Commission. As an organisation sponsored by the National Assembly, the Declaration of Human Rights applies to the Agency just as it does to the Assembly itself.
7. Your preface to the Agency's current Corporate Plan (2000-2003) indicates that the Plan sets out the role which the Agency can play in shifting Wales forward to a future as a more prosperous, innovative, enterprising and inclusive economy. I strongly endorse that. The direction of the economy needs to shift up a gear in technological, business and occupational terms. You also say that the Plan identifies the most effective contributions the Agency can make to achieving this vision, which then become its priorities. I want the Agency to be committed to learning, reviewing and improving, by regularly reviewing its actions to ensure that they continue to be the most effective and give value for money. I want to see full evaluation programmes included in all future plans.

The Agency needs to have regard to the particular competitive strengths that Wales has within the European economy and the increasing competition from countries in Eastern Europe now seeking entry into the European Union with far lower wage levels than Wales.

General Operational Priorities

8. The greatest challenge for us all is to make sure that we use effectively the funds which will become available to Wales through the European Union structural funds programme 2000-2006, through Objectives 1, 2 and 3, the Rural Development Plan and Community Initiatives. The Agency will play a full and effective part in providing executive support for the management of relevant European Funding packages, and I

will be looking to you to develop the Agency's work in a way which reflects the opportunities which Objective 1 in particular represents. The Single Programming Document which we are in the process of agreeing with the European Commission envisages a range of business support and other activities which sit well with the Agency's domestically-funded activities,

and it will be important that optimal use is made of the resources available to you as an element in match-funding packages.

1. I should stress too the need for a truly partnership approach, in accordance with the agreed model of balanced representation from the public sector, social partners and the voluntary sector, to the development of projects for which European funding is to be sought.
2. The Agency has an important role to play in developing the economy in those areas of greatest need, specifically the Objective 1 area. I expect the Agency to support the National Assembly in the emerging proposals to regenerate the most socially disadvantaged communities. In rural Wales, the Agency must continue to develop and implement policies, in conjunction with the National Assembly, to support and develop businesses in the Agri-food sector and indigenous company growth. It should always seek to work with local communities.
3. The Agency should concentrate on providing better job opportunities by raising the quality of jobs right across the sectoral and occupational mix, developing more added value processes by reaping the maximum advantage from research and development, and advanced technology, headquarters-type functions, and ensuring a high quality environment. Clusters of high tech companies should be encouraged with the ability to compete on a global scale.
4. In drawing up future programmes, the Agency should seek to strike an appropriate balance between its capital and revenue programmes, and between support for home-grown businesses and inward investment. The Agency should have regard for the National Assembly's priorities in BetterWales.com and as set out below.
5. The Agency's Land Division should continue to support the objectives and activities of the Agency with emphasis on the priorities and areas of greatest need identified; in particular supporting the priorities set out by Local Planning Authorities.

Specific Operational Priorities

14. As well as having regard to the operational principles, as set out in paragraphs 2 to 7 above, and working towards the general priorities in paragraphs 8 to 13, I want to see the Agency working towards the following specific priorities:-

1. Continuing to give the National Assembly and its partners every support in setting up an independently managed *Enterprise Development Fund* for Small and Medium Enterprises, which will help make available the resources to stimulate development among Small and Medium Sized Enterprises in Wales.
2. Securing top quality inward investment into Wales, with particular emphasis being placed on those areas of greatest need. The Agency should continue to identify and develop strategic employment sites and ensure the provision of a suitable range of premises for business, especially in the Objective 1 area. In addition, I expect the Agency to work closely with Local

- Authorities to support their regeneration plans.
3. Playing an effective role in the operation and development of *Business Connect* at the all-Wales and local level, and providing executive support for *Business Connect Wales*. The Agency should also work closely with the *Wales Management Council*, *Business Connect* partners, the National Assembly and other organisations to ensure the delivery of a more coherent programme of management development activities to businesses in Wales. Through *Business Connect*, the Agency should ensure the effective day-to-day management of the *Innovation and Technology Counselling* service.
 4. Working closely with academic institutions, businesses and others in Wales to deliver an effective and efficient *Know-How Wales* service to set up additional collaborations which commercialise within Wales more of those institutions' technologies. The Agency should also play a constructive role in implementive proposals arising from the *Entrepreneurship Action Plan*, and supporting small companies under the aegis of the *Regional Technology Plan*.
 5. Working to develop the *Agri-Food Strategy* together with the *Agri-Food Partnership*, through the Agency's Agri-Food Directorate, drawing on the resources of the Agency's regional offices. This will include supporting the *Agri-Food Partnership* and its Strategy and Regional Groups; preparing the Farm Development Action Plan; revising the existing Lamb and Beef, Dairy and Organic action plans; undertaking new work on developing new objectives for the *Agri-Food Strategy*, including the new action plans for the next sectors identified as priorities for development to assist the rural economy. The Agency also has an important role in delivering all the relevant European Union structural funds in the Agri-Food sector as an "Accountable Body" for European funding.
 6. Working closely with services deliverers, the National Assembly and others, to play a full and effective part in promoting more widespread adoption of E-business by Welsh companies, and contributing to the development of the Information and Communication Technology infrastructure throughout Wales.
 7. The Agency should also be developing ways to assist Welsh businesses to exploit the opportunities offered by emerging eco-friendly markets, and working with the National Assembly, the *Wales Environment Centre* and others to improve the competitiveness of Welsh businesses through more efficient use of materials and energy and encouraging the development of the renewable, clean energy sector.
 8. Working to establish effective strategic and operational links to the new *National Council for Education and Training for Wales*, helping to ensure that there is no overlap in functions.
 9. Working in partnership with the National Assembly and other partner organisations in order to promote a coherent and positive image of a competitive, sustainable Wales to an international audience.

Strategic Targets

15. Strategic targets for the next financial year have traditionally been included in the Strategic Guidance letter. However, this year I propose to deal with strategic targets for 2000-2001 separately. In future, I want the Agency to have regard to the points I have made in paragraph 4 above.

16. Assembly officials are currently working closely with your officials in order to agree challenging targets for 2000-2001. I hope to be able to issue these targets to you as soon as possible.