

A WINNING WALES

THE NATIONAL ECONOMIC DEVELOPMENT STRATEGY
OF THE GOVERNMENT OF THE NATIONAL ASSEMBLY
FOR WALES

DRAFT FOR CONSULTATION – NOVEMBER 2001



Cynulliad Cenedlaethol Cymru
The National Assembly for Wales

PREFACE

A WINNING WALES

The Government of the National Assembly is committed to transforming the economy of Wales. To do this, we must:

- increase the knowledge, research and development, and innovation capacity in all parts of the Welsh economy;
- continue to build on our considerable strengths in manufacturing;
- increase the proportion of jobs in financial and business services;
- help more people into jobs to reduce our levels of economic inactivity.

A Winning Wales provides a framework for doing this. It includes:

- clear objectives on what we want to achieve;
- specific targets;
- an Action Plan for the Government of the National Assembly and its partners.

It is an action-orientated strategy drawn up to deliver economic growth and prosperity.

It is not set in stone. It is a living document which will respond positively to changing circumstances.

It contains ambitious goals, but these can be achieved through doing things on a human scale, working closely with people, communities and businesses across Wales.

Over the 10-year lifetime of the Strategy, over £15 billion will be made available by the National Assembly to help transform Wales, either directly or through other budgets which indirectly support economic development.

We intend to meet this challenge, and we ask you to join us.

**Rt Hon Rhodri Morgan AM
First Minister
Government of the
National Assembly for Wales**

CONTENTS

		<u>Page</u>
1.	Introduction	1
2.	Approach	3
3.	The Challenge	5
4.	What we want to Achieve	8
5.	Targets	21
6.	Actions	25

Annex 1: Schedule of Plans of Actions

A WINNING WALES

1. INTRODUCTION

Wales needs to start on the task of transforming our economy without any further delay. This transformation is a challenging task but by no means beyond our capacity. If the people, businesses and communities of Wales can work together, within an integrated framework agreed by the Government of the National Assembly, the job can be done.

The Assembly Government's aspiration is that, within a generation, the standard of living in Wales will match that of the UK as a whole. Wales will become more prosperous and that prosperity will be sustainable and more evenly spread.

As a first stage, this National Economic Development Strategy - A Winning Wales - sets demanding targets for the next 10 years. These include:

- **creating an additional 135,000 jobs;**
- **raising our learning performance at every level;**
- **ensuring that Wales uses world-class electronic communications to their full potential.**

All these are fundamental to growth, equality and sustainability. So too are the other key objectives set out in this document:

- **development of a lean and well-targeted business support network;**
- **dynamic development of our country's green economy, including farming and energy production;**
- **smarter ways of connecting Wales to international business opportunities;**
- **support for the social business sector which can bring growth and opportunity to smaller communities.**

The role of the Assembly Government and its public sector partners is to lead and co-ordinate, to stimulate the businesses, communities and people of Wales to grasp the opportunities which lie ahead, recognising that the Welsh economy is highly integrated with the economies of the UK and European Union.

Business in Wales needs to become more competitive and adopt best practices in the use of modern technologies, product and process innovation and management. We must encourage and support enterprise and environmental best practice; promote innovation; and create more opportunities for Welsh-based companies in overseas markets. We need more high quality investment in Wales. We have to enable our communities to generate more development from within. Above all, success depends upon a rapid acceleration in lifting our knowledge and skills base.

These programmes, and the many other ideas set out in this document, point the way towards 'A Winning Wales'.

2. APPROACH

The Strategy calls for action, chiefly by businesses and people across Wales. The essential role of the public sector is to create the best conditions to allow individual and community enterprise to prosper.

This Strategy is designed to serve the Assembly Government's three key themes of sustainable development, social inclusion and equality of opportunity. To do this, it seeks to build, in a concerted and focused way, on the approach set out by the Government of the National Assembly for Wales in the strategic statement on the preparation of 'Plan for Wales 2001'.

To succeed, these priorities must closely inform the plans of the Welsh Development Agency (WDA), Education and Learning in Wales (ELWa), the Wales Tourist Board (WTB) and other sponsored bodies. It must be reflected by UK Government Departments and Agencies operating in Wales such as the Employment Service and the Department for Work and Pensions.

We also hope that the wider constituency, including the private sector, local authorities and providers of health and education, will take their lead from the priorities set out in this document.

Our vision

To achieve a prosperous Welsh economy that is dynamic, inclusive and sustainable, based on competitive businesses with skilled, well-motivated people.

We recognise the mutually-supportive relationship that exists between the economy, lifelong learning, communities and other policy areas such as health and transport. Successful delivery will require a combination of national priorities with individual and local enterprise. Success will also mean making hard choices, focusing resources and delivering the 'Team Wales' approach by involving the public, private, academic and voluntary sectors.

In particular, local authorities' new community planning powers give them an important role in making the Strategy happen at a local level.

The society in which we live, the strength of its economy, and the quality of its environment are inseparable. Economic growth will not be sustained where the environment and the interests of established communities are disregarded. Competitive businesses increasingly want to locate where there is an existing supply of skilled people living in a high-quality environment. The natural environment and our extensive college network are valuable assets for Welsh business. Communities only truly prosper where skilled, good quality, well-paid jobs are available, where the environment offers a high quality of life, and where people get the help they need to lead long, healthy and economically productive lives.

We want Wales to be a country that has a distinctive and creative culture with bilingualism a growing reality. This culture will thrive where the relationship between people, their schools and colleges, their workplace and their environment is strong.

All sectors of government, including the National Assembly and its public agencies need to become more open, reduce unnecessary bureaucracy and focus on solutions being delivered. There is a need to rationalise and streamline our business support programmes to make them accessible, more easily understood and better linked to our policy priorities. We need more businesses capable of strong growth; but only the private sector can provide these and only energetic people can make them succeed.

This Strategy alone cannot reflect the diversity of ideas and opportunities that arise at both the regional and local levels in Wales. Local initiatives combined together can achieve national impact, for example, through joint marketing and development of our cultural industries and high quality tourism.

The Assembly Government is developing a means of testing its policies and programmes for sustainability, which we intend to apply to this Strategy before its final adoption later this year. In planning the way ahead, we have sought to follow the principles of sustainable development, as reflected in the Assembly's Sustainable Development Scheme. We also aim to develop other, broader, quality of life indicators of progress towards the goals of this strategy, which go beyond conventional economic indicators.

3. THE CHALLENGE¹

Renewal and re-invention

The Welsh economy does not exist in a vacuum. It is highly dependent on conditions elsewhere in the world, particularly the rest of the UK and Europe. Many of the economic policy levers such as fiscal measures, interest rates and welfare policy, are available only at a UK level.

The Assembly does, however, determine business support, education and training, infrastructure development, and other important policies in Wales. It therefore plays a clear and significant role in changing the economic trajectory of Wales.

The Welsh economy is constantly renewing and reinventing itself. It has moved decisively from one dominated by heavy industries such as coal and steel to a much broader base of modern manufacturing and services. It is now re-inventing itself again in moving further up the value chain.

Some 200,000 jobs have been absorbed from declining industries in the past 30 years. This is just the net transfer of jobs. It ignores the constant churn and renewal that goes on in the economy which sees tens of thousands of jobs replaced each year. This is a remarkable feat in a workforce of just over 1 million people.

Opportunities

There are significant opportunities for development. The National Assembly gives Wales a unique strength by providing the focus and unifying structure for an integrated approach where policies and programmes within the public sector add value to one another.

In addition to the success of our many businesses, Wales has important selling points in the form of its diverse natural environment, its quality of life, extensive college network, and its less congested transport network relative to other parts of the UK. The National Assembly's commitment to sustainable development gives us the potential to lead in growth sectors including clean and renewable energy, low carbon technologies, environmental products and solutions, and green tourism.

We have a rich and diverse culture and heritage, which adds to the quality of life and which provides a wide range of economic opportunities.

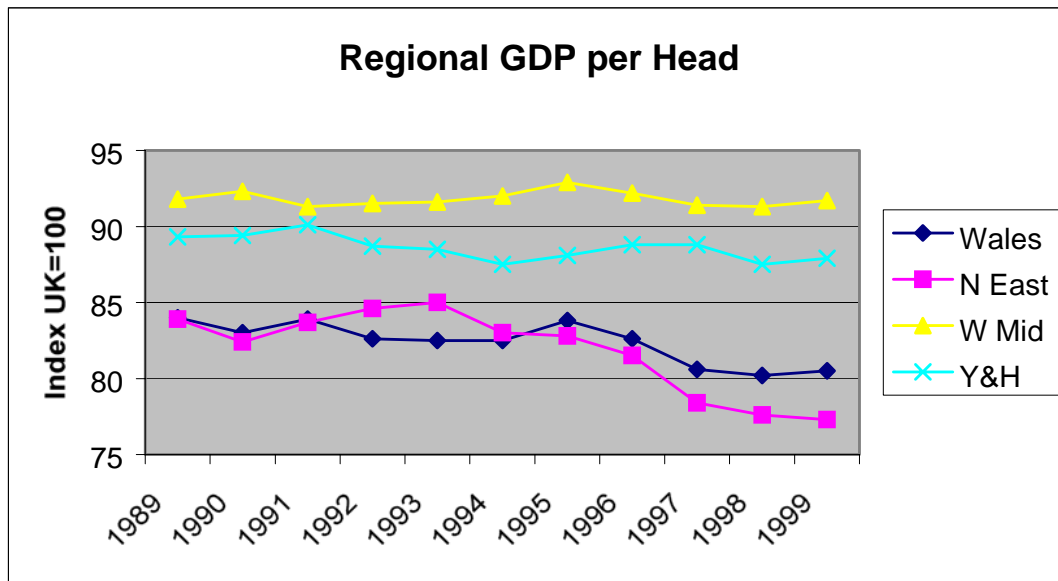
We have the opportunity offered by European Structural Funds and maximum State Aid derogations to address the difficulties of the lagging two-thirds of Wales. This is a once-in-a-generation chance to kick-start the economies of these areas and we must ensure it is fully integrated with our other actions to make maximum impact.

¹ A fuller analysis is published in 'A Winning Wales: Economic Analysis'.

Challenges

However, our economy is under-performing and lags behind most other UK regions. This means that incomes are considerably lower in Wales as measured by Gross Domestic Product (GDP) per person. Welsh GDP is only 80% of the UK average, although our cost of living is also lower. This lower GDP is reflected in average earnings in Wales which are also lower than the UK average.

Chart 1



Our performance is not due, in the main, to lower productivity in comparable jobs. In terms of value added per person employed by industry, Wales is close to the UK average. The main differences between Wales and the UK average are the proportion of the working age population who have jobs – the employment rate - and the relative lack of highly paid jobs - the occupational structure. If our employment rate were similar to the UK average we would have some 100,000 more people in jobs and our GDP per head would be much closer to the UK average. If we had more company headquarters and research laboratories it would also close the gap commensurately.

Drivers

The Organisation for Economic Co-operation & Development (OECD) identifies the main drivers of increased economic competitiveness as innovation, enterprise, people, application of information, communications and other technologies, and investment.

A proxy measure for **innovation** is expenditure on research & development. Wales has one of the lowest levels of R&D expenditure of any UK region or country, though we move up the list when R&D is measured as a proportion of GDP.

Enterprise can be measured by the number of people starting up businesses or by the number of businesses per head of population. On both of these measures Wales performs poorly, though once businesses do become established in Wales they tend to survive relatively well. Studies have also shown that Wales has few growth businesses and the constraints holding back business start-ups must be removed.

Comparatively fewer **people** have formal academic qualifications than in other regions. We are losing those we do have to places where there are better employment opportunities. We also have lower rates of literacy and numeracy than parts of England.

The current take-up of **information and communications technology (ICT)** by Welsh businesses is too low. To be competitive, businesses must grasp the opportunities presented by the e-business revolution particularly in the more remote parts of Wales. We urgently need a comprehensive information infrastructure across Wales to provide access to high speed band-width at competitive cost. Physical infrastructure and access to utilities is patchy and tends to be deficient in the more isolated and less prosperous parts of Wales.

Industrial structure is also a key factor. Wales tends to have a higher than average dependence on declining or low value-adding industries. Likewise, we are under-represented in key growth sectors such as financial and business services. However, there are a number of important and strong industrial sectors including aerospace, optronics, automotive components and food-related businesses. We also have an excellent record in attracting new investment from outside Wales although we are facing increased cost competition from low labour cost markets in Eastern Europe and other parts of the world. Our record on exporting manufactured goods is comparable with other regions of the UK.

A varied picture

The economic picture varies significantly across Wales. The valleys of south Wales tend to figure relatively badly on most measures. The picture in the rest of Wales is more uneven. Areas around the eastern parts of the M4 and A55 corridors tend to perform relatively well in terms of income and GDP per head. The rural areas and the west have high educational attainment in schools and a high business density. However, the businesses in these areas tend to be relatively small and heavily dependent on agriculture.

Vision

The vision is clear. We need more new and growing businesses, which require better skilled and committed people. Well-paid, motivated and healthy people will build prosperous, confident communities. Such communities, where ambition and enterprise are properly valued, offer the environment that will nurture other competitive fast-growing businesses.

Ensuring that we achieve the vision in a sustainable way, so that everyone shares in the increased prosperity created, is the indispensable second part of the challenge facing us. The next section sets out a range of distinctive and coherent measures which will help us secure our objectives.

4. WHAT WE WANT TO ACHIEVE

Building on the Plan for Wales 2001, we intend to focus our efforts in the coming years on the following priorities:

- **Supporting Businesses**
 - by improving support and business advice through simplified and streamlined services;
 - by ensuring that the support available meet the needs of business;
 - by reducing bureaucracy in our systems and processes;
 - by supporting new and existing growth sectors and clusters;
 - by increasing the skills of the workforce and tapping the potential of our diverse population;
 - by working with the private sector to ensure an adequate supply of quality industrial sites and premises in the right places;
 - by ensuring that European Structural Funds Programmes are used to maximum effect;
 - by assisting Welsh companies to win business from the Welsh public sector;
 - by extending programmes which provide equality of opportunity for all.

- **Encouraging Innovation**
 - by ensuring that all businesses realise the potential of innovation, whether that be in management practices, developing new products and processes, or maximising the use of information and communication technologies;
 - by enabling a strong interaction between businesses and our education institutions on a wide range of matters including recruitment, training, management development, international networking and technology transfer;
 - by strengthening the technology base of our education institutions;
 - by enabling the successful commercial exploitation of good new ideas from wherever they emerge;
 - by testing our advice and support services for their capacity to promote innovation.

- **Encouraging Entrepreneurship**
 - by improving the climate for enterprise;
 - by encouraging business venturing as part of education and training in schools, further and higher education institutions;
 - by offering better support for new and growing businesses.

- **Setting a Fresh Direction**
 - by promoting Wales as a green business location;
 - by taking advantage of 'green' business opportunities;
 - by encouraging all our businesses and organisations to adopt environment best practice;
 - by establishing Wales as a global showcase for clean energy development, and energy conservation.

- **Establishing Wales in the World**
 - by attracting high value investment to Wales, and assisting more Welsh companies to trade profitably in overseas markets;
 - by adopting a more focused tourism strategy;
 - by participating in international events.
- **Making Wales a Learning Country**
 - by driving up standards and attainment;
 - by removing the barriers to learning;
 - by strengthening links between learning and business;
 - by creating new opportunities for work-based learning;
 - by providing lifelong learning opportunities for all.
- **Creating Strong Communities**
 - by encouraging community regeneration and community and social businesses;
 - by developing the social economy;
 - by encouraging people from all backgrounds to gain the confidence and skills to participate in their local communities;
 - by considering the roll-out of regional regeneration strategies across Wales following the framework being developed in South East Wales.
- **Improving Transport**
 - by investing in transport infrastructure and services which support the economy of Wales and the health and well-being of its people;
 - by improving accessibility to transport services.
- **Supporting Rural Wales**
 - by developing income and employment in rural Wales in sectors other than agriculture, especially for young people;
 - by developing a strategy on the future direction of Welsh farming.
- **Promoting Information and Communication Technologies**
 - by improving affordable access to a high bandwidth communications infrastructure for businesses, public services, voluntary organisations, individuals and communities in Wales;
 - by ensuring that community-based ICT facilities exist that are well used, close, convenient and accessible for everyone in Wales;
 - by using appropriate technologies and collaborative ventures to provide accessible, friendly and bilingual services better, faster and cheaper;
 - by providing practical, accessible support to businesses, to encourage and enable them to make successful use of ICT and e-commerce opportunities;
 - by ensuring that all business sectors have the opportunity to plan more strategically through the participation in sectoral intranets;
 - by working in partnership with the media sector to enhance simultaneously our Welsh language and economic ambitions.

These priorities must not only achieve increased prosperity, but also result in more people across Wales benefiting from it. That is why it is important to ensure we consider, and provide a clear framework for, the **spatial implications** of economic development – ensuring that people benefit from economic growth wherever they live or work – and give greater certainty to our land-use planning system.

The sections below explain the way in which we intend to meet our objectives.

Supporting Businesses

Most of what it takes to create and grow a business is not open to direct influence by government or public agencies. However, there are some strategic areas where specific initiatives can encourage positive trends within business behaviour and point the way towards new opportunities. We aim to make Wales the best business environment in the world.

These are the key areas where support schemes already exist:

- **General Advice:** there are a range of general advice and support measures available through the WDA, local authorities and others. They include **Business Connect, account management and enterprise support**, such as **Diagnostic and Consultancy Services**. Following a review of business services by the Assembly, it has been agreed that there will be a single gateway to business support managed by the WDA in conjunction with its partners.
- **Investment Aid:** again, a range of support measures are available to businesses from national schemes, such as **Regional Selective Assistance (RSA)**, to sector-specific schemes such as **Section 4 grants** offered by the Wales Tourist Board, to **local schemes** operated by local authorities.
- **Cluster Development:** there are sector-specific support measures, such as **industry forums**, which help businesses to identify common issues and to pool resources where it is appropriate.
- **Supply Chains:** closely related to industry forums, supply chain networks, such as the automotive industry's **Accelerate Wales** programme, can help businesses to meet the needs of major customers through sharing best practice and the use of ICT.
- **Developing New Markets:** **Wales Trade International** is the lead body for international trade issues in Wales. The Source Wales programme, **Winning Business**, identifies and acts as an intermediary between new buyers and potential suppliers. The Welsh Procurement Initiative, **Better Value Wales**, is developing a number of measures to assist Welsh-based companies to win business from the Welsh public sector.

- **Improving Productivity:** working in supply chains and networks such as the **Environmental Goods and Services** programme provides expert support to develop improved productivity through shop floor improvements, linking buyers and suppliers to achieve quality standards and securing manufacturing efficiencies. Opportunities to encourage workplace partnerships through best practice in human resource development exist through the **Partnership Fund** and **European Structural Funds**. Best practice programmes help companies to achieve cost savings through shared procurement of materials and team working, reducing defect rates and time to market.
- **Skills Development:** see the Skills and Employment Action Plan (below).

We also have measures in place to support individuals, communities and businesses in less direct ways. For example, we will be increasing the provision of **childcare places**, especially in socially-deprived areas; this will contribute to tackling inactivity and raising education and skills levels.

We also wish to see businesses employ a wider range of people, providing **equality of opportunity** for all, particularly including ethnic minorities and the disabled.

The Assembly's national programme **Health at Work: The Corporate Standard** encourages organisations to improve the health of their workforce so that the costs of avoidable ill-health can be reduced thus helping to improve productivity and competitiveness.

We will:

- simplify and streamline services to business; this will be taken forward principally through the **WDA's implementation of the Review of Business Support Services**; changes have already been made to the application process for **Regional Selective Assistance (RSA) for SMEs**;
- make business support client-centred and not product-driven; we will **review existing schemes** and ensure that any new schemes comply with this principle;
- **reduce bureaucracy in our systems and processes**, as has already happened with RSA;
- **support new and existing growth sectors and clusters**, including through the extensive use of ICT;
- **increase the skills of the workforce**; see the Skills and Employment Action Plan below;

- work with the private sector to ensure an **adequate supply of quality sites and premises** in the right places; direct public sector provision will be needed for the foreseeable future in many areas of Wales, but the policy should be to support private sector provision wherever possible;
- to ensure that the **Structural Funds programmes** are used to maximum effect and link into wider economic development policies and programmes;
- assist Welsh companies to win business from the Welsh public sector through measures to be developed by the Welsh Procurement Initiative, **Better Value Wales**;
- extend programmes which provide **equality of opportunity** for all;
- implement the **Health Corporate Standard** across businesses.

Encouraging Innovation

Innovation drives both competitiveness and sustainable development. Based on initiatives such as the **Wales Regional Technology Plan (RTP)**, much has been done so far to strengthen the innovation culture vital for Wales, in its companies, universities, and colleges. **Focused research and problem-solving support, spin-out ventures**, and exemplars like the recently-launched **CETICs** (Centres of Excellence in Technology and Industrial Collaboration), are all key to the innovative economy we are striving to promote. We must seize opportunities to innovate and collaborate in new ventures wherever they may be found, using good ideas from within Wales or further afield. The high technology world can be a small world.

We will **build up the more effective existing programmes and supplement them where appropriate by new ones**. We will seek a clear **logical framework for innovation support**. Sharply-defined focus for 'Team Wales' innovation support activities is vital, if the overall objectives of NEDS are to be achieved. Wales must play to its strengths and encourage the mutual assistance arising from our existing business clusters and technology fora, especially in enabling fields such as optoelectronics, information technologies' materials and biosciences.

We will:

- **boost the number of incubator facilities across Wales for innovative businesses**, exemplified by the Technium concept in Swansea;
- **establish a clearer structure of innovation support activity and better communicate the importance of innovation**;
- establish a **regional manufacturing centre of excellence**;
- ensure that the **power of information and communication technology is used to the full by all**, using the best possible ICT infrastructure.

- **encourage and finance more high calibre research and development with commercial potential**, through schemes like the Finance Wales Innovation Fund;
- work to **increase existing collaboration between universities and colleges and companies in Wales** – in research, graduate training, product development, international networking and rapid commercialisation;
- **launch a new technology commercialisation centre** to assist the growth of technology transfer in Wales – a private/public venture to take ideas with great commercial potential and help establish top-class Welsh companies in Wales to realise that potential;
- **expand and revise the SMART Wales schemes** so that they are better able to support the needs of Welsh businesses and inventors;
- test our **business advice and support services** for their capacity to promote innovation.

Encouraging Entrepreneurship

Wales loses too many of its best potential entrepreneurs to other parts of the world. The challenge is to develop the right kind of climate for business start-ups and risk taking within Wales, while making sure that the right kind of support is available to new and growth businesses.

We will:

- implement the **Entrepreneurship Action Plan**, including programmes to reduce the barriers to enterprise in schools and further and higher education institutions, to encourage entrepreneurship in the social economy, and set up a national business birth rate strategy with priorities for better survival rates and higher growth rates among small and medium-sized firms;
- further develop the **Knowledge Exploitation Fund**, which is aimed at strengthening the links between the further and higher education sectors and the economy of Wales, especially in new economy businesses;
- implement proposals for a new **Enterprise Support Scheme** to assist with start-ups and with investment grants for SMEs with a new menu-based approach which improves design, access and delivery to investment and employment support for SMEs;
- to ensure that Welsh businesses take maximum advantage of the funds which are accessible through **Finance Wales**, including the Wales Small Loan Fund, the Wales Spinout Programme and the Business Angel Network.

Setting a Fresh Direction

Wales's superb natural environment has sometimes been seen as an impediment to growth and prosperity, in that traditional heavy industry would impact greatly on the landscape and water quality.

Today, with intensified concern in all developed countries about pollution, sustainability and quality of life, Wales's environment is in every sense an asset. It offers settings for the development of several clean energy technologies, organic and other environmentally friendly food production, and many other possibilities. Wales can be a showcase of sustainable economic development.

We will:

- capitalise on Wales' distinctive opportunities for producing **clean energy development** and strengthen the energy production, low carbon and energy efficiency technology manufacturing bases in Wales;
- invest in **resource productivity, public transport and sustainable tourism and recreation**;
- introduce a **new waste strategy for Wales** to minimise the generation of waste, increase the amount of recycled material and generate significant economic and social benefit;
- enhance the **attractiveness of the Welsh countryside**, its bio-diversity and celebrate its heritage, for the enjoyment of our people and as a basis for tourism, by promoting environmentally sustainable farming practice, through agri-environmental schemes, conservation of nature, wildlife, archaeology and heritage, and by implementing the Wales Woodland Strategy.

Establishing Wales in the World

The Welsh economy is heavily influenced by trends and developments elsewhere in the UK, Europe and the rest of the world. Wales cannot prosper by serving its small domestic market alone, when in the wider world it is global companies serving global consumers. Wales has to become a world-class location, attracting new business from, and exporting to, the rest of the world. A world-class trading environment that international companies are comfortable with, and an unequivocally warm welcome to people willing to come to Wales to work, bringing their skills, commitment and capital, are essential to our economic future.

We will:

- develop an **International Trade Strategy for Wales**, with **Wales Trade International** as the main driver, to improve and better co-ordinate support in Wales to businesses, adopting a more sector-focused approach where appropriate;
- refocus our efforts to attract **inward investment**, developing integrated, bespoke packages of support relevant to business needs;
- build on our recent successes in **attracting major events to Wales**, such as the Rugby World Cup and the FA Cup Final; the 2010 Ryder Cup provides significant opportunities;
- develop a **clear international branding** of Wales as a location attractive both to business and to tourism, and a more concerted effort to enhance Wales' overseas representation and promotion;
- implement the **Wales Tourist Board's strategy 'Achieving Our Potential'**, which provides a more focused approach to tourism, presenting the culture, heritage and environment as key strengths.

Developing the Learning Country

We need to develop Wales as a country that is committed to learning and, where the capacity of individuals, businesses and communities to acquire, adapt and apply knowledge is continuously improving. We have to start by ensuring that all of us have the skills needed to engage in, and achieve maximum benefit from, lifelong learning. This includes tackling the literacy and numeracy deficits in Wales, and ensuring that we acquire the skills that employers need in the 21st century. This means more emphasis on technological skills, communication skills, problem solving and teamwork while embedding a culture of self-confidence, initiative and the ability to adapt and learn.

We will:

- implement our **Skills and Employment Action Plan**, which will provide an improved structure to our policies for skills development, lifelong learning and employment. In particular, we will:
 - a. improve the mechanisms of workforce development, including: raising awareness of the importance of skills; better identification of skills' needs by involving employers and through further research; translating those needs into learning programmes and into job creation;

- b. provide support so that entrants and re-entrants to the labour market have the skills employers need;
 - c. work with employers and employees to improve the skills of their existing workforce, including management training;
 - d. help more people into sustained employment in order to tackle our problems of economic inactivity;
- work with **ELWa** to bring a new era to post-16 learning in Wales and a more coherent and flexible range of provision to suit all learners. Key priorities include developing a high quality network of learning providers which meets the needs of all employers and learners, developing new approaches to bring more people into learning and working with partners to develop clear and flexible progression routes;
 - implement the **Basic Skills Strategy** for Wales which includes a wide range of measures designed to tackle the fundamental problems of poor literacy and numeracy amongst adults as well as children and young people;
 - work with the **higher education sector** in pursuit of our innovation entrepreneurship, and internationalisation objectives.

Creating Strong Communities

Thriving communities provide the foundation on which people can grow and successful businesses can flourish. We must ensure that all the communities of Wales have the opportunity to develop capacity from within to meet this challenge. This means promoting community and social enterprise and ensuring as far as possible barriers to work are removed for those of working age.

We will:

- develop **Communities First**, the National Assembly flagship programme for tackling poverty and social inclusion in the most deprived communities, including the building of community capacity;
- help to develop the **social economy**;
- ensure that **regeneration funds** are used to maximum effect in promoting community and social enterprise;
- work with **ELWa** to pilot new approaches to community-based vocational learning and help the economically inactive into work;

- to consider the roll-out of **sub-regional regeneration plans**, using the model as has developed for the Greater Gwent area in the context of the steel closures; this framework has the potential to provide a model for delivering joined-up economic regeneration at a strategic level;
- work with UK government departments to ensure the successful introduction of **fiscal incentives** in Wales, such as stamp duty exemptions and community investment tax credits.

Improving Transport

Wales needs to make good the deficiencies in its transport infrastructure, both as regards movements of goods and people locally within Wales, and between Wales and other countries.

We will:

- maintain and enhance our **strategic transport corridors** within Wales to provide high quality access and mobility for internal movement and journeys and those wanting to gain access to the rest of the UK, Europe and beyond for economic, social or other reasons;
- facilitate the sustainable development of the full strategic potential of our **major ports and Cardiff International Airport**;
- maintain and improve **regional and local roads** to preserve our assets, and to provide better access and mobility for road-based public transport, freight and private travel;
- contribute to the UK Government's target to increase by 80% the amount of **freight** moved by rail and to improve the efficiency and quality of the way we move freight by road;
- improve **public and community transport** in all areas to improve accessibility for those who do not have a car; in urban areas we aim to attract people away from travelling by car;
- improve **safety, health and environmental conditions** particularly on our roads;
- increase the amount of **walking and cycling** for necessary journeys, whether for the whole or short journeys or as part of a longer journey, involving other means of transport.

These measures will be pursued within the context of the integrated approach set out in the **Transport Framework** which the Assembly is developing.

Supporting Rural Wales

Foot and mouth disease has dealt a heavy blow to the rural economy in 2001. A Rural Recovery Plan has been launched. However, the economic vulnerability of rural Wales has deep roots.

The Government of the National Assembly recognises the contribution of the farming industry to Welsh rural communities and the countryside, and has therefore been seeking ways to achieve a sustainable long-term future for agriculture in Wales, based upon the production of healthy, high-quality value-added food products, allied to the delivery of a countryside which is visually attractive and rich in biodiversity. A reputation for top-quality food and a countryside rich in wildlife will in turn help the Welsh tourism industry.

However, employment in farming is in long-term decline, and this is likely to continue. There is therefore a crucial need to develop new employment and business opportunities in rural areas. The Government of the National Assembly will work with the WDA, ELWa and others to ensure that rural areas are targeted appropriately.

We will:

- publish a Strategy document in November 2001, setting out the vision for the future direction for agriculture;
- implement the Rural Development Plan for Wales to conserve and improve the environment and enable farming, forestry and other rural businesses and communities, to adapt to changing circumstances and to develop;
- further develop the Welsh Agri-Food Strategy, to gain new markets and to increase added-value food processing in Wales;
- deliver the *Farming Connect* service to give farming families the information, advice and skills to adapt to changing circumstances;
- encourage environmentally sustainable farming through Farming Connect, Tir Gofal and other initiatives;
- commission a study to identify what action might be taken to increase the opportunities for young people to stay in, or return to, rural areas; and
- continue to work closely with the Rural Partnership and other local interest groups in rural Wales, including local authorities and community groups, to ensure the effective local delivery of the Rural Recovery Plan and the proposals in this Strategy.

Cymru Ar Lein - Promoting Information and Communication Technologies

Wales urgently needs a globally competitive communications system. ICT is capable of generating significant gains in productivity, enabling a more strategic approach, opening up new markets and areas of enterprise. It also offers exceptional social and cultural benefits to a country with a bilingual, geographically dispersed population, which in turn will impact on greater prosperity by unlocking our creativity.

We will:

- ensure that Wales gets the broadband infrastructure it needs, initially by establishing a lifelong learning network; this will then be extended to support wider public and private services;
raise the profile of Wales on the web through the development of a key portal service;
- raise the understanding and appreciation of the benefits of ICT and how to realise them, through a high-profile programme of activities and events;
- use public sector actions to stimulate the adoption of ICT by businesses, support organisations, and communities, and urge all other public sector organisations to do the same;
- develop a detailed action plan for developing and retaining ICT and related skills in Wales.

Spatial Planning

The objective of ensuring that **no** part of Wales is left behind in the growth in the Welsh economy means making the most of programmes like the **European Structural Funds**, and making sure that currently under-performing parts of Wales are made more attractive to business through the provision of sites and premises among other measures. A balanced spatial approach also means that we take advantage of the opportunities offered in the faster-growing areas of Wales.

The Assembly is seeking improvements in the clarity, certainty and delivery of the **planning system** to underpin the promotion of sustainable economic development. The Assembly is committed to ensuring speed and quality in policy and decision-making throughout the planning system by working in partnership with local authorities, and by setting challenging but achievable targets.

Development of the **National Spatial Planning Framework - the Wales Spatial Plan** will link the physical development of Wales with its economic development. It will match our sustainable development objectives with the development of commercial sites and premises, as well as with facilities for learning, shopping and recreation, public and private transport. The framework will also provide guidance on the most suitable type and level of development in different parts of Wales.

We will:

- review **national planning policy**, with the aim of issuing Planning Policy Wales by March 2002;
- publish the **Wales Spatial Plan** by the end of 2002.

5. TARGETS

The targets we pursue must be linked to our long term vision and objectives. Our goal is to raise the standard of living and the opportunities available to the people of Wales through the development of a modern, knowledge-based economy

We have sought to identify high-level targets which capture the essence of the change we wish to see. In a number of areas we are restricted by the lack of data, relevant measures or ability to quantify the objective; these difficulties will be addressed as part of our research programme (see next section).

Success would mean Welsh GDP per person rising from 80 per cent to 90 per cent of the UK average over the next decade - with the ultimate aim of achieving parity. This is the main goal of our economic policies, though, realistically, the timescale for achievement cannot be set with precision - there are too many imponderables.

To achieve this goal we need to:

- modernise the industrial structure of the Welsh economy to ensure that Wales has a higher share of employment in high-growth, high-skill and high value-adding industries and occupations, and moves up from the assembly-line branch-factory economy;
- ensure that more of our people have jobs and opportunities to benefit from the new industries.

The targets for 2010 set out below are all linked to achieving one or both of the aims set out above.

Employment Target: 135,000 increase in employment (employed plus self-employed) with particular emphasis on communities and groups with low participation rates.

Supporting businesses

This covers a multitude of different actions and objectives which are difficult to capture in a single indicator. Much of the evidence will be qualitative rather than quantitative because it will deal with the attitudes and perceptions of the business community to public sector policies. Survey work will be needed to gauge the effectiveness of our actions. Ultimately, the effect of our policies and programmes will be felt in an improvement in business competitiveness, while accepting that many factors are beyond our control.

Target: Improvements in survey evidence and methods.

Encouraging innovation

Innovation is the process of turning knowledge into commercial activity. The main proxy measure of innovation activity levels is expenditure on business research and development (R&D) activities. For comparison purposes this needs a suitable scaling factor such as measuring expenditure as a proportion of GDP. We will also measure this by the access sought to innovation support services.

Target: Increase business R&D expenditure to more than 1% of Welsh GDP (from just under 0.6%)

Encouraging entrepreneurship

A crude measure of the level of business enterprise activity is the number of active businesses relative to total population. Wales lags the UK both in terms of the business birth rate and the number of extant businesses per head of population. Therefore, the business birth rate needs to be raised and failure rates minimised increase the stock up to the UK average.

Target: Raise the stock of Welsh businesses to achieve the UK average level of VAT-registered businesses per 10,000 people.

Setting a fresh direction

As with Supporting Businesses this can be measured in a number of ways. The key issue is modernising the industrial base of Wales which involves both structural change and more efficient businesses. This means moving into growth areas such as environmental goods and services. We also need to capture changes in the way companies do business.

Target: 10% of energy production to come from clean sources

Wales & the World

This is about developing new markets for Welsh products and raising the profile of Wales as a location. There are a number of facets, such as increasing the goods we send abroad, raising the quality of inward investment and attracting more tourists to Wales. Quality of inward investment is a difficult concept to measure so no target is currently set though one could be added at a later date.

Targets: At least match the UK export growth rate over the period.
Tourism expenditure in Wales to increase by an average of at least 6% per year over the period.

The Learning Country

There are a number of variables that can be used to measure improvements in skills and education. These are set out in detail in 'The Learning Country' paving document. For economic development purposes, we need to capture two main concepts - reducing the number of people with no qualifications and increasing the number with higher level qualifications.

Targets: The proportion of adults of working age without qualifications to reduce from 1 in 4 in 1996 to 1 in 10
The proportion of adults of working age with a Level 4 qualification to increase from 1 in 5 in 1996 to over 3 in 10.

Promoting information & communication technology

A range of issues dealing with ICT are outlined in Cymru ar Lein, the National Assembly's information age strategic framework for Wales. There are specific measures of ICT "business connectivity" which measure the use of technology for e-commerce by businesses; the Department of Trade and Industry produces one such indicator annually on a UK regional basis.

Target: Increase the proportion of Welsh businesses using e-commerce to the UK average as measured by the DTI Connectivity Index.

Alternative measures of economic performance

Gross domestic product is an imperfect indicator of economic performance and well-being. It fails to take into account some quality of life issues and the environmental degradation question. It is measured at where people work rather than where they live, giving rise to cross-border issues. Household income measures incomes where people live and includes incomes excluded from GDP such as pensions.

There are alternative measures which attempt to adjust for these issues or to capture a wider range of factors than the simply financial. Such indicators include the Index of Sustainable Economic Welfare (ISEW) and the Index of Multiple Deprivation (IMD). There are also difficulties with both of these measures; the ISEW is not governed by internationally accepted standards as GDP is and the method of calculation is subjective. The IMD has only a short history and it is difficult to make wider comparisons (though it is useful for highlighting concentrations of deprivation).

Neither of these measures is, at present, a suitable alternative to GDP but we will monitor both alongside other indicators and assess developments in both methodology and data to see if they can play a part in future thinking.

Target: Household disposable income to increase to 95% of UK average from 90%.

SUCCESSFUL OUTCOMES 2010

Employment

135,000 increase in employment (employed plus self-employed) with particular emphasis on communities and groups with low participation rates

Supporting Businesses

Improvements in survey evidence and methods

Encouraging Innovation

Increase business R&D expenditure to more than 1% of Welsh GDP

Encouraging Entrepreneurship

Raise the stock of Welsh businesses to achieve the UK average level of VAT-registered businesses per 10,000 people

Setting a Fresh Direction

10% of energy production to come from clean sources

Wales & the World

At least match the UK export growth rate over the period

Tourism expenditure in Wales to increase by an average of at least 6% per year over the period

The Learning Country

The proportion of adults of working age without qualifications to reduce to 1 in 10

The proportion of adults of working age with a Level 4 qualification to increase to over 3 in 10

Promoting Information & Communication Technology

Increase the proportion of Welsh businesses using e-commerce to the UK average as measured by the DTI Connectivity Index

Alternative Measures

Household disposable income to increase to 95% of the UK average.

6. ACTIONS

There is already a great deal being done by the partners in support of the people, businesses and communities of Wales. However, if we are to achieve the ambitious goals of a modern economy for Wales, it is not enough to do just ‘more of the same’. We must become better at what we currently do, building on best practice, and also accelerate the implementation of new activities, much of which is encompassed in the latest Corporate Plans of the partners.

The attached Action Plan forms the basis of the way in which we will achieve our objectives. The Plan will be the cornerstone of the Assembly’s economic policies and programmes, as well as other public bodies such as the WDA, ELWa and the WTB, and the wider community. It will be refined as our thinking and that of our partners develops.

In developing this strategy, we have been conscious that we need to improve our understanding of economic issues affecting Wales; we need to know more about the impact of our policies and programmes; and there are some important data gaps.

We will:

- work with our partners and academics to develop a practical research programme to help us to understand Welsh economic issues and problems better, and to develop integrated solutions;
- improve the co-ordination of our economic research activities;
- improve the capacity for economic analysis in Wales, especially within higher education;
- report regularly on progress against the Action Plan to the Government of the National Assembly for Wales and the Economic Development Committee;
- publish progress against the targets in this strategy.

SCHEDULE OF PLANS OF ACTION

ANNEX 1

OBJECTIVE	MAIN ACTIONS	BY WHO	BY WHEN	RESOURCES (£ million)		
				2001-02	2002-03	2003-04
Supporting Businesses	Improve support and business advice	WDA/NAW/ELWa	April 2002	59	60	60
	Improve support for high growth sectors and clusters	WDA/ELWa	ongoing	13	13	10
	Ensure an adequate supply of quality sites and premises	WDA/LAs	ongoing	39	42	41
	Ensure Structural Funds are used to maximum effect	WEFO	ongoing	164	202	213
	Assist Welsh companies to win business from Welsh public sector	WDA/NAW	2002-2003	tbc	tbc	tbc
	Extend programmes which provide equality of opportunity for all	NAW/WDA	ongoing	7	9	11
	Implement the Health Corporate Standard	NAW	2003-2004	-	-	-
Encouraging Innovation	Develop more focused innovation support programme	NAW/WDA	April 2002	15	15	18
	Roll-out Technium concept	WDA	2002-2003	13	tbc	tbc
	Launch the Technology Commercialisation Centre	WDA/NAW/ELWa	2002-2003	0	1	1
	Establish a regional manufacturing centre of excellence	WDA	2002-2003	-	1	1

OBJECTIVE	MAIN ACTIONS	BY WHO	BY WHEN	RESOURCES (£ million)		
				2001-02	2002-03	2003-04
	Strengthen the SMART/Wales schemes	NAW/WDA	April 2002	3	4	4
Encouraging Entrepreneurship	Implement the Entrepreneurship Action Plan	WDA/EAP Panel	ongoing	13	14	17
	Further Develop the Knowledge Exploitation Fund	ELWa/WDA/NAW	2002-2003	10	10	10
	Implement proposals for a new Enterprise Support Scheme	NAW	April 2002	1	2	2
	Ensure maximum advantage from Finance Wales	WDA	2002-2003	10	11	11
Setting a Fresh Direction	Develop a clean energy strategy	NAW	Summer 2002	-	tbc	tbc
	Scale up energy efficiency support	Carbon Trust/NAW	ongoing	3	3	3
	Introduce a new waste strategy	NAW/LAs	March 2002	3	15	32
	Enhance the attractiveness of the Welsh Countryside	NAW/CCW/CADW/EA/WTB/FC/LAs	ongoing	81	93	99
Establishing Wales in the World	Develop an International Trade Strategy	WTI	2002-2003	5	7	8
	Refocus inward investment	WDA/NAW	ongoing	10	11	11
	Build on attracting major events	NAW/WTB/WDA	ongoing	tbc	tbc	tbc
	Develop a clear international branding of Wales	NAW	2002-2003	1	1	1

OBJECTIVE	MAIN ACTIONS	BY WHO	BY WHEN	RESOURCES (£ million)		
				2001-02	2002-03	2003-04
	Implement 'Achieving Our Potential'	WTB	ongoing	20	22	22
Develop the Learning Country	Implement the Skills and Employment Action Plan	NAW and Future Skills Wales Partnership	ongoing	32	35	37
	Implement ELWa Corporate Plan	ELWa	2002-2003	355	372	382
	Implement the Basic Skills Strategy	NAW/ELWa	ongoing	7	11	13
	Work with higher education	NAW/ELWa	ongoing	313	325	335
Creating Strong Communities	Develop Communities First	NAW/LAs	ongoing	20	29	32
	Ensure their regeneration funds are used to maximum effect	NAW/WDA/LAs	2002-2003	78	77	78
	Pilot new approaches to community-based vocational learning	ELWa	2002-2003	-	tbc	tbc
	Implement Corus Response Plan	NAW/WDA/ELWa/LAs	ongoing	11	25	14
	Consider rolling out sub-regional regeneration frameworks	NAW	2002-2003	-	-	-

OBJECTIVE	MAIN ACTIONS	BY WHO	BY WHEN	RESOURCES (£ million)		
				2001-02	2002-03	2003-04
	Work with UK government departments to introduce fiscal incentives in Wales	NAW/UK departments	ongoing	-	-	-
	Consider a Community Investment Authority	NAW	2002-2003	-	-	-
Improving Transport	Publish Transport Framework	NAW	November 2001	-	-	-
	Maintain strategic transport corridors	NAW	ongoing	136	151	150
	Maintain and improve regional and local roads	LAs	ongoing	74	113	104
	Improve public and community transport	NAW/LAs	ongoing	6	12	15
Supporting Rural Wales	Develop the agri-food strategy	NAW/WDA	ongoing	18	18	18
	Implement the Rural Development Plan	NAW/WEFO	ongoing	10	14	15
	Deliver Farming Connect	NAW/WDA	ongoing to 2006	5	5	5
	Increase emphasis on agri-environmental schemes	NAW	ongoing	20	23	26
	Publish Farming Futures	NAW	Autumn 2001	-	-	-
	Implement the Rural Recovery Plan	NAW/WDA/WTB/LAs	2002-2003	37	12	16

OBJECTIVE	MAIN ACTIONS	BY WHO	BY WHEN	RESOURCES (£ million)		
				2001-02	2002-03	2003-04
	Commission study to increase opportunities for young people in rural areas	NAW	November 2001	-	-	-
Promoting ICT	Deliver public sector broadband	NAW/WDA/ELWa	July 2002	18	7	8
	Develop a key portal service	NAW	April 2002	0	1	1
	Raise understanding/appreciation of benefits of ICT	NAW/WDA	from October 2001	1	1	1
	Stimulate adoption of ICT by businesses and communities	NAW/WDA	2003	9	10	10
	Develop action plan for ICT skills	NAW/ELWa	March 2002	-	tbc	tbc
Spatial Planning	Issue Planning Policy Wales	NAW	March 2002	3	5	5
	Publish Wales Spatial Plan	NAW	End 2002	-	-	-
Research	Improve research base	NAW/WDA/ELWa	2002-2003	1	1	1
TOTAL				1,624	1,783	1,841

Notes

1. All figures in cash, in current values.
2. WDA resources have, as far as possible, been attributed to the main actions.
3. tbc: resources to be confirmed.
4. Additional resources from UK Government, where appropriate, not shown.
5. ELWa – National Council and ELWa – HEFCW show total budgets.
6. Structural Funds (PES and match funding) shown under single action, apart from Rural Development Plan and Entrepreneurship Action Plan which are shown separately.

