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Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Post-EU regional development funding

Evidence from: Institute of Welsh Affairs

Senedd Economy, Trade and Rural Affairs Committee Consultation
Post-EU regional development funds
Institute of Welsh Affairs Response
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About the IWA

We are a think tank and charity, independent of government and political parties. By bringing together experts from all backgrounds, we conceive ambitious and informed ideas which secure political commitments to improve our democracy, public services and economy.

We provide platforms for debate, opportunities for people to make their voices heard and agenda-setting research. We are funded by our members, income from our events and training sessions, and supported by trusts, foundations and other funding bodies. We are a proud signatory to the Zero Racism Wales pledge, a Living Wage employer and hold NCVO Trusted Charity Mark Level One.

Our vision is to create a Wales where everyone can thrive.

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Introduction and context

The IWA has been an influential and important voice throughout key moments in Wales' recent economic history, from the post-industrial transition and the establishment of devolution onwards. Our work has helped to progress and shape the development of distinctive approaches to economic development, from the formulation of the South Wales Metro to the potential for smart technologies and the economic opportunities of green energy.

The UK Government's 'levelling up' agenda, in conjunction with Britain's exit from the European Union, represents a new chapter in Wales' economic history. Depending on your political persuasion, it represents either an opportunity or a threat. At the very least, it has reintroduced and sped up the discussion on the effectiveness of the devolution settlement, casting a particular focus on fiscal power, sovereignty and Wales' deep and long-standing economic challenges.

How effective were EU Structural Funds at transforming the Welsh economy?

From the most recent funding programme, between 2014 and 2020, the UK as a whole was allocated around £9.7bn[1] from European Structural Investments (ESI), supplemented by an additional £7.2bn in domestic 'match funding'. West Wales and the Valleys were eligible for the highest amounts of European Regional Development Fund funding for successive seven-year programmes, as determined by these regions Gross Value Added per capita being less than 75% of the EU average at the start of this period.

From an incoming funds perspective, Wales undoubtedly did well out of ESI funding, with £123 per person per year coming to Wales[2]. This is far above other UK nations, with Northern Ireland getting £50 per head, Scotland £40, England £24, with a UK average of

[1] Institute for Government, 2018, Explainer: European structural funds: the UK Shared Prosperity Fund
[2] House of Lords Library, 2021, Brexit: Replacing EU funding in Wales

£31[3]. Wales received on average £400 million per year from ESI between 2014 and 2021. As a result of its demographics and with an older, poorer and less healthy population, Wales therefore received a large amount of funds from the EU, and in fact did the best out of all UK nations. How EU funds are replaced by the UK Government is therefore felt distinctly intensely in Wales.

However, did ESI funds help transform the Welsh economy? That's up for debate. There are mixed reports from the House of Commons Welsh Affairs Select Committee, which found that whilst 'certain sectors in West Wales and the Valleys have benefitted from ESI funding, these funds have not been able, and were not expected on their own, to deliver a transformative change for the Welsh economy' with Wales still economically lagging behind other regions of the UK and the EU[4]. There is, however, an obvious lack of a counterfactual. Where would Wales' economy be without ESI funding? The same Committee report also highlighted how it is clear that individual sectors of the Welsh economy have benefited substantially from ESI, with investment in infrastructure running into hundreds of millions of pounds[5]. Welsh Government has said that EU funds supported the creation of 48,000 new jobs and 13,000 new businesses in Wales and assisted 25,000 businesses and supported 86,000 people into employment[6]. They argue that 'EU funds have improved broadband coverage, built research capacity, invested in renewable energy, and developed vital infrastructure for transport, tourism and business[7]'. ESI therefore helped to fill funding gaps, enabling Welsh Government to act in areas it identified as priorities.

Indeed, this is the reflection when looking over the approved projects over the 2014-20 period funded by EU Structural Funds[8]. Clearly many sectors have received tangible benefit from ESI, and whether in local government or small- and medium-sized businesses, ESI helped to close those fiscal gaps that Wales experienced and still experiences. This is especially the case in those areas which received EU Regional Development Funding, West Wales and the Valleys.

So, whilst the picture is mixed, it is undoubtable that ESI provided funding for projects that were conceived of and dictated by Welsh Government and aligned to their goals. It enabled Welsh Government to 'level up' its economy – to borrow a phrase – attempting to directly intervene in regions of Wales which were particularly poorly performing, economically speaking. So while the Welsh economy benefited greatly from ESI, it did not 'transform' Wales' economy. However that was never the funding's intention as such.

Wales' widespread economic challenges remain. ESI did not solve these, nor is it likely that its UK replacement funds will in the short to medium term. The solution requires both fundamental fiscal reform in the short to medium term and constitutional reform in the longer term.

The IWA's October 2022 paper on Welsh Government's fiscal framework *Fiscal Firepower*[9] argues that, despite having fairly strong powers and a budget in the tens of billions, Welsh Government has only limited economic ability to kickstart major projects to improve people's lives. This is due to the fact that a vast majority of Welsh Government's budget is essentially pre-committed to their statutory responsibilities of public service delivery, with

[3] Ibid
[4] House of Commons Welsh Affairs Select Committee 2020, Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding
[5] Written Evidence from Jeremy Miles (then) AM, 2020
[6] Welsh Government, 2019, Not a penny less - Welsh Government calls for commitment on Shared Prosperity Fund
[7] Ibid
[8] Welsh Government, 2017, EU Structural Funds programme 2014-2020: approved projects
[9] IWA, 2022, Fiscal Firepower: Effective policy-making in Wales

relatively little finance available over and above this to implement any new or ongoing major projects. Their lack of prudential borrowing powers is particularly relevant to this discussion. In this context, with a stuttering Welsh economy, and a Welsh Government unable to finance economically transformative interventions, EU investment of over £1.5 billion per Senedd term amounted to ten times the amount of Wales' annual capital borrowing limit of £150 million. The amount of funding Wales received from the EU therefore represented a huge proportion of the Welsh Government's fiscal firepower, above and beyond funding derived from Barnett consequentials. The EU funding enabled Welsh Government to do things for which they would otherwise not have had the fiscal headroom.

So, it is not merely the loss of the funding itself which will be felt by the termination of EU funds, but also the loss of fiscal headroom for Welsh Government specifically. Decision-making powers about post-EU funds, whether Levelling Up (LUF) or Shared Prosperity Funding (SPF), were repatriated from the EU to UK Government, removing a key pot with which Wales could at least attempt to transform its economy. It is a loss of autonomy as much as a loss of funding. We will return to this later in our response. The context of Wales' budget and what the loss of EU funding actually means is, however, an important context when attempting to distinguish the degree to which ESI funding 'transformed' the Welsh economy.

Finally, it is important to state that the UK Government's current approach compares unfavourably with ESI, and especially the European Regional Development Fund, which created clear funding criteria that was linked to key metrics, provided a theoretical framework to guide partners in designing programmes and, importantly, facilitated robust evaluations that over time have contributed to a wealth of evidence to inform regional development practice in Wales. ESI thus gave benefit beyond the lifespan of its investment projects, with robust evaluation frameworks feeding into better decision making on regional development going forward. The UK Government would be wise to follow this approach going forward. Any funding programme without a clearly set out framework for monitoring and evaluating its progress and success against objectively verifiable indicators will fail in its purpose.

To summarise, whilst it is important to attempt to understand the degree to which ESI has transformed Wales' economy, it was largely never actually doing so. It was instead filling in glaring gaps in Wales' funding, enabling a raft of policy interventions which greatly benefitted communities and regions across the whole of Wales. In that sense, this funding was 'levelling up' in action, with many funds purposefully targeted at Wales' most economically disadvantaged areas.

Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.

Between 2022-23 and 2023-25, Wales has been allocated £585 million from the SPF[10]. UK Government have set out how they have reached this figure[11], and claim that this matches ESI funds that Wales would have received over this period[12]. Welsh Government disagree, arguing that the Shared Prosperity Fund falls considerably short (by £772 million) of what EU funding provided[13].

[10] UK Government, 2022, Communities in Wales handed control over £585 million to level up

[11] UK Government, 2022, UK Shared Prosperity Fund allocations: methodology note

[12] UK Government, 2022, Communities in Wales handed control over £585 million to level up

[13] Welsh Government, 2022, Written Statement: Loss of funding to Wales as a result of the UK Government's arrangement for replacement EU funding

Looking objectively at the countering claims of UK and Welsh Government, it would appear that the Welsh Government have a point. The figures do indeed suggest that Wales is set to miss out on over £1 billion of funding from the transition from EU funding to Shared Prosperity Funding.

In the IWA's Levelling Up Paper[14], we found that:

> *'In terms of funding to Wales, there has been a clear and significant decrease in funding in 2021-[2]2, from £375 million the previous year under ESI to around £153 million (including £110 million from the LUF and £43 million from the CRF). This represents a cut of more than 50%.'*

There is also a wider point on the democratic accountability and lack of transparency that such a shift in funding has opened up. It leaves both UK and Welsh Government pointing fingers at each other whilst it is the Welsh economy – and citizens – that suffers. If UK Government were to stand by its 2019 General Election manifesto commitment to ensure that Wales be 'not a penny' worse off post the UK's departure from the EU, then UK Government should spell out clearly how this is the case now. We think that these figures should be agreed between all levels of governments and available for scrutiny by both parliaments.

In addition, while the introduction of new regional bodies, like Cardiff Capital Region, are to be welcomed from the point of view of improved regional targeting and coordination of resources around shared priorities, they further complicate the democratic accountability of where the funding comes from, and who is responsible for the delivery of projects. It is therefore impossible for citizens' voices and views on the effectiveness of these resource allocations to be heard other than at election time.

Additionally, it is important to note that it is not just Welsh Government who are claiming to have a budgetary shortfall from the transition to Shared Prosperity Funding. The Scottish Government have reported a 60% shortfall (£300 million) in funding[15], whilst figures in Northern Ireland suggest the loss of £23 million on average per year[16]. As discussed above, the shortfall in Wales, due to how Wales disproportionately received more from EU funds than other UK nations, is felt particularly distinctly.

Which elements of the two new funds have worked well so far, and which have been less effective. What lessons could be learnt for the future to maximise the impact of the funds.

One thing that has worked 'well', is that Wales has continued to gain more from these new funds than other nations and regions of the UK[17]. Wales is therefore arguably in a comparatively 'better' position than any other part of the UK from a quantum perspective. However, as discussed above, this does still fall far below a like for like replacement of ESI funding. It also does not reflect the funding allocation representing an independent assessment of relative need across the different parts of the UK.

The introduction of SPF and LUF have significantly shortened the delivery time for key projects, with funding needing to be spent within annual or financial year timescales, rather than the seven-year period enabled by ESI. The funds themselves are tied to the end of the current UK parliament and must be spent by March 2025[18]. We are already seeing a real difference from ESI, with programmes not now announced several years in advance of commencement. This makes it difficult for partners or recipients to plan in advance or

[14] IWA, 2021, What does 'Levelling Up' mean for Wales?

[15] Scottish Government, 2022, EU replacement funding 60% shortfall

[16] Hansard, 2023, EU Funding: Northern Ireland

[17] Institute for Fiscal Studies, 2021, Spending Review 2021 analysis

[18] UK Government, 2022, UK Shared Prosperity Fund: frequently asked questions

coordinate across different areas, and it means that 'shovel ready' projects may be prioritised over more strategically important, longer term projects. This could have significant consequences for Wales' transition to a net zero economy amongst other things, as difficult decisions and longer term investment need to be made to encourage and give confidence to accompanying private sector investment.

There are further concerns around both funds and whether the UK Government manifesto promise of 'not a penny less' to Wales can be met. With no equivalent to the role of the Welsh European Funding Office as a holder of a regional funding allocation, the spending of SPF and LUF is determined by the quality of bids that local authorities submit, and this is not a level playing field. Not all local authorities have the same opportunities, capacity and resources to develop bids, putting some local authorities at severe disadvantage. The IWA has therefore called for the establishment of a coordinating body for Wales, jointly created by UK and Welsh governments, bringing together the two governments, local authorities, business and, crucially, civil society to administer the LUF and SPF allocations for Wales. It is our view that such a body would have an essential role to play in ensuring that SPF and LUF allocations and projects are co-created across all levels of government. There is a clear argument that people in Wales have elected Welsh Government to be in charge of its economic development[19]. These funding decisions should be made in line with Welsh Government aims, as this is within devolved competency.

In June 2022, the IWA ran a roundtable with businesses in Wales, looking at how the LUF was being delivered and the impact this was having[20]. It was very clear there was a near total lack of engagement and awareness raising activities with businesses to help them to support bids. Businesses were not aware of the existence of the funding, the process to follow to access it, the decision-making and funding timeframes, whom to contact at local authorities and how to feed in their expertise. Local authorities were equally unaware of the potential value add of businesses in their areas and what they might contribute to the bidding process. We recommended then that UK Government support lead local authorities with content and funding in order to engage with business specifically to raise awareness of the funds falling under the 'levelling up' umbrella. Welsh Government should also build on its existing programmes of engagement with businesses in raising awareness of new regional structures, such as Corporate Joint Committees and City Growth Deals, and the phasing out of key business support packages as a result of the withdrawal of EU funding. Welsh regional lead local authorities should work with Welsh Government to pool funding for business support to develop pan-Wales programmes, including bolstering Business Wales, in order to provide consistent support for businesses across Wales and support links between businesses and local authorities.

The IWA's engagement with the business community on this issue also led us to recommend that Welsh and UK governments should build on the Organisation for Economic Co-operation and Development (OECD) 2020 report *The Future of Regional Development and Public Investment in Wales*[21] and undertake an assessment of post-2024 capacity to provide agile financial support to businesses in Wales in need of support to grow or at risk of failure. UK Government correctly identifies innovation as key to driving economic growth[22]. Indeed, businesses in Wales told us that access to innovation funding is crucial to their development. Whilst noting their opinion that it was overly-bureaucratic and inflexible in some areas, businesses considered EU funding for business innovation as straightforward to access. Conversely, we heard that accessing funding through Innovate UK, part of UKRI, was more difficult, and that the process is opaque. In order to achieve private sector growth in Wales and deliver on the goals of SPF, it is important that businesses have clarity over where

[19] Welsh Government, 2021, Economic Development - What is devolved?

[20] IWA, 2022, Putting Businesses at the heart of Levelling Up in Wales

[21] OECD, 2020, The Future of Regional Development and Public Investment in Wales, United KIngdom

[22] BEIS, 2021, UK Innovation Strategy

and how to access innovation funding and for this funding to be available. UK Government should undertake a listening exercise with businesses to learn from the positive aspects of EU innovation funding and apply this learning to SPF and LUF. There should be a rigorous culture of constant learning and improvement to shape future programme design and investment. We are unconvinced that this is currently the case.

What types of intervention are being delivered through the Shared Prosperity Fund, and to what extent do these differ from Structural Funds interventions.
We are yet to see any public communication on the projects in Wales that have received SPF beyond announcements in the media as to the allocation of funding. One of our key concerns here is that many of the initiatives being funded by both LUF and SPF address issues like road improvements, community facilities and public spaces, which would normally be considered part of the day-to-day working of local government. While important to local communities' day to day lives, they are often smaller, far less strategic projects without the potential to leverage longer term economic change by signalling strategic investment that might give confidence to other stakeholders and encourage them also to invest.

Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds.
In regards to the LUF, we can establish from the second round of successful projects that Wales has received £208 million[23]. There were 11 successful projects out of 45 bids from local authorities in Wales, according to Welsh Government[24]. A number of these projects deliver funding that are clearly in areas of devolved competency, such as active travel infrastructure for example. In this way, these projects bypass Welsh Government, directly allocating funding to local authorities, when it is our view that this money should flow through Welsh Government, as indeed was the case with ESI.

Much like ESI, Wales received the most funding per head of the UK nations and regions from the first round of LUF[25]. The UK Government originally established a matrix to identify which areas were most in need of investment from the LUF, with indicators considered including areas in need of economic recovery and growth, improved transport connectivity and regeneration[26]. This was then revised for round two[27]. Wales has a disproportionately high number of local authorities categorised as category one, that is, authorities most in need of funding, with 19 out of 22 local authorities placed in this category for round two[28]. There was therefore an acknowledgement at UK level that communities in Wales require a disproportionate amount of funding from the LUF. The broader picture is that those communities categorised as category one received the most funding across both rounds of LUF so far, with 59 per cent of funding going to them[29]. The North West of England and Wales had the highest number of successful category one bids, with 20 each[30].

We agree with Thomas Pope of the Institute for Government, that LUF is 'neither large enough nor targeted enough to make a dent in regional inequalities[31]. Competitive funding bids run through central Government have led to a thin spread of projects across large swathes of the UK. Competitive funding in and of itself is inefficient and not effective in tackling regional inequality. That bids go into UK Government for approval leads to

[23] UK Government, 2023, Levelling Up Projects in Wales awarded £203 million by UK Government
[24] Welsh Government, 2023, Written Statement: Levelling Up Fund round 2
[25] UK Parliament, 2023, Which areas have benefitted from the Levelling Up Fund?
[26] UK Government, 2021, Levelling Up Fund: Prioritisation of places methodology note
[27] UK Government, 2022, Levelling Up Fund Round 2: Prospectus
[28] UK Government, 2022, Levelling Up Fund Round 2 list of local authorities by priority category
[29] UK Parliament, 2023, Which areas have benefitted from the Levelling Up Fund?
[30] Ibid
[31] Pope, T, 2023, The Levelling Up Fund will not deliver o the government's flagship agenda

successful bids that echo UK Government priorities, not the needs as identified by Welsh Government or indeed the communities making the bids. As such, the subsidiarity principle is reversed, with local authorities pitching bids that meet UK Government aims, not their own. We are concerned by the abject lack of involvement of citizens' voices in determining what 'success' looks like in terms of these new funding interventions and in feeding into any ongoing learning process.

There is an argument that the bids from local authorities may not be in the best interest of the area but, due to a decade of austerity decimating local government budgets, LUF represents the only show in town so they must therefore be pragmatic in applying for any funding that is available. As such, whilst local authorities in Wales have received the highest amount of funding than the other regions and nations of the UK, the successful projects offer little progression towards improved regional economic growth, let alone a 'levelling up' of the nation. For example, the projects do not offer the ability to decrease Wales' productivity gap[32], a key driver of regional economic inequality.

The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes.

In determining that LUF would be administered centrally by the UK Government, and be awarded directly to local authorities, the 'levelling up' agenda represents a significant break both with previous practice, and with much of the evidence, in relation to the geography of regional development.

Wales' position as both an economic and political region was strengthened through ESI, and although some funding went directly to West Wales and the Valleys and East Wales regions, much of Wales' ESI funding was used to fund all-Wales activities. Examples of all-Wales activities include Business Wales, support for job-seekers through all-Wales programmes such as Jobs Growth Wales, and infrastructure projects that cross local authority boundaries, such as the Heads of the Valleys Road. The replacement of ESI with SPF and LUF will severely impact the potential for such programmes and investment to continue, as it will not be possible for any pan-Wales body to apply for funding. The 'levelling up' agenda therefore risks doing away with the concept of Wales as an economic entity, and seeks to bypass the governance structures that have been constituted through the democratic process and which are scrutinised by the Senedd.

We have serious concerns about what this means for accountability in terms of the scrutiny that should be undertaken by parliaments. In September 2020 the IWA launched Missing Links[33] and called for the formalisation of inter-parliamentary relations, a strengthening of the role of legislative consent to devolved parliaments and an improvement to public information about inter-parliamentary relations and decision making. While the Dunlop review of intergovernmental relations[34] published in 2021 and the joint review of intergovernmental relations published in 2022[35] were both welcome, the pausing of intergovernmental meetings in mid-2022, during the various crises in the Conservative party leadership, meant that opportunities for formal intergovernmental joint working were non-existent in relation to economic development. Where then were the opportunities for both parliaments to scrutinise their respective governments' decisions and actions in this area if no decisions or actions were being taken within this supposedly agreed framework? We note that those decisions that were taken were taken unilaterally – including on levelling up funding.

[32] Economic and Social Research Council, 2021, Wales' Productivity Challenge: Exploring the Issues

[33] IWA, 2020, Missing Links: Past, present and future inter-parliamentary relations in the devolved UK

[34] Dunlop, A., 2019, Review of the UK Government Union Capability

[35] UK Government, 2022, Review of intergovernmental relations

As discussed above, the shift to shortened timescales set by UK Government for SPF and LUF hinders local authorities' ability to deliver transformative policy proposals. Not only that but it privileges certain local authorities over others. The way that SPF and LUF are structured puts different local authorities in Wales in direct competition with each other. There are winners and losers in the dog-eat-dog fight for UK funding. We would argue that this is in direct opposition to the way that Wales – or indeed any nation – should address one of its key priorities, by working collaboratively to diminish regional inequalities. Indeed, it is our firm view that any attempt to address wide-ranging, within-area inequalities, as the LUF and SPF pertain to do, must start with stable, multi-annual programmes for local government finance, and not competitive, short-term grants administered by UK government departments. One of our key concerns is that many of the initiatives being funded address issues like road improvements, community facilities and public spaces, which might normally be considered part of the day-to-day work of local government. However, over the past ten years, UK Government austerity has cut local government budgets, and now looks to repackage and rebadge some of this support in these new competitive funds. This approach is not fit for the challenges that we face whether in Wales, or indeed across the wider UK. To address the economic and climate crises properly, we need a long-term and sustainable plan for local government finance, empowering local government to play a greater role in economic development, in close partnership with the democratically elected Welsh Government. The LUF and SPF take us further away from achieving this.

The compressed nature of the timescales of LUF and SPF compared to ESI is frustrating to many stakeholders in Wales, as reported in the IWA's *Levelling Up* report[36]. ESI's multi-annual framework enabled the development of clear priorities for regions across Wales, in advance of the award of funding for projects. This enabled co-construction of projects with communities and stakeholders alike (in a manner which is underpinned by the five ways of working as set out in the Wellbeing of Future Generations (Wales) Act[37]). This co-creation enabled the development of high-quality bids which would deliver impact. The compressed funding windows of SPF and LUF leave little opportunity for such work to be undertaken. Indeed we are again dismayed by the lack of any such opportunities for any co-creation of solutions with civil society across Wales.

How effectively the different levels of governance in Wales are working together in relation to these funds.

The 'levelling up' agenda creates difficulties for local government as a result of the approach taken to collaborative structures. These structures have distinct impacts on local authorities, which UK Government purport to empower with the new funds. Examples of such collaborative structures in Wales, underpinned by legislation, include Public Service Boards, City and Growth Deal Partnerships and the (relatively) new Corporate Joint Committees. Ultimately, both SPF and LUF structures are complicating and confusing the democratic accountability and cooperation between local authorities, leading to poorer outcomes for communities across Wales.

Local leaders whom the IWA spoke with as part of our *Levelling Up* paper[38] noted that their applications to the UK Community Renewal Fund (the precursor to SPF) strongly focused on within-area projects. This is potentially shrinking the sphere of influence of local economic policy making. One Welsh authority told the IWA that the competitive nature of the Community Renewal Fund meant that they were more guarded in their discussions as part of their relevant 'deal' partnership, wary of sharing information that could be used by a neighbouring authority for a competing project. This is not the collaborative local

[36] IWA, 2021, What does 'Levelling Up' mean for Wales?
[37] Future Generations Commissioner for Wales, N.D., Well-Being of Future Generations (Wales) Act 2015
[38] IWA, 2021, What does 'Levelling Up' mean for Wales?

partnership approach we want to see. UK Government claims that true devolution in this sense is giving decision making to local authorities. But we are already seeing the drawbacks of such an approach, and an undermining of devolution at a Welsh Government level. By cutting Welsh Government out of decisions and decision making processes which are within devolved competency, UK Government is rolling back devolution and muddying the waters of who is making decisions for a community and on behalf of whom. Effective scrutiny by citizens or public service media is nearly impossible in this situation. The 'levelling up' agenda as it is being pursued will continue to blur the lines of accountability in Welsh politics.

The rollout of SPF and LUF have been messy for all levels of government in Wales. The IWA calls for the establishment of clear principles for devolution and subsidiarity in the context of the delivery of SPF and LUF. There are real inconsistencies in how sub-national bodies are established and referred to within government programmes such as 'levelling up' which need to be addressed. Without these key principles both in place and adhered to, the funds will further confuse democratic accountability, the ability of local authorities to work together and – most importantly – lead to poorer outcomes for communities across Wales.

The IWA also calls for any future regional development funding in the UK to incorporate a formal role for the UK's devolved governments. Doing so would be a recognition of their important role in aligning policy priorities, recognising their democratic mandates and relationships with key regional actors. Given the political sensitivity of the issue, this could be achieved through an arms length body, modelled on the now defunct Welsh European Funding Office, that brings together representatives of the two governments, as well as local authorities, business and civil society partners. This body could work to create shared strategic priorities to inform project bids, allocate funding and commission appropriate monitoring and evaluation processes. Such a body could provide regular updates to both the Senedd and the House of Commons' Welsh Affairs Committee and as such be subject to scrutiny by elected representatives.

The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

A number of sectors in Wales have highlighted their concern at the cliff edge presented by the loss of EU funds at the end of 2022. These include, in particular, the voluntary sector in Wales (as highlighted by the WCVA[39]) and the higher education and research sectors[40]. The loss of key projects in these sectors is therefore a major challenge and is already having a negative impact on organisations delivering vital services in Wales.

Ends

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For more information about the IWA, our policy work, and how to join, as either an individual or organisational supporter, contact:

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[39] The Guardian, 2022, Charities and employers struggling due to post-Brexit funding delays

[40] The Guardian, 2023, Welsh Universities face 1,000 jobs being lost as EU research funding ends