Senedd Cymru
Pwyllgor yr Economi, Masnach a Materion Gwledig
Cyllid datblygu rhanbarthol wedi'r UE
RDF26
Ymateb gan: Bevan Foundation

Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Post-EU regional development funding
Evidence from: Bevan Foundation

## Senedd Economy, Trade and Rural Affairs Committee

## Inquiry into Post-EU regional development funding

## Response by the Bevan Foundation

The Bevan Foundation is Wales' most influential think tank. We create insights, ideas and impact that help to end poverty and inequality. We are a charity and are independent, informed, inspiring and inclusive in everything we do.

The Bevan Foundation is grateful for the opportunity to submit evidence to the Committee's inquiry. The evidence draws on the Bevan Foundation's experience of working on the economic development of the South Wales valleys for over 20 years. It also draws on the Director's previous experience of EU funding in Wales since the late 1980s. We have no recent experience of either Shared Prosperity Funding or Levelling Up Funding, and so we have not responded to those questions.

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

Any assessment of the impact of EU funds needs to look back at their contribution over nearly fifty years.

Utilisation of the funds was very limited until the mid-1980s, partly because applications for individual projects had to be made direct to the European Commission but also because of the financial arrangements that applied to the funds at that time. The introduction of the programme approach in the mid-1980s, starting with the Mid Glamorgan National Programme of Community Interest in 1986 followed by the Objective 2 and 5b area programmes, industry-related programmes such as Rechar (for coalfields) and Resider (for steel areas) and the all-Wales Objective 3 programme, brought a change in approach. Programmes offered multi-year funding allocations based around agreed themes, together with grants being approved by the then Welsh Office rather than the European Commission. Progress was overseen by a Monitoring Committee.

The award of Objective 1 status (and then Cohesion funding) to West Wales and the Valleys[1] brought a step-change in the quantum of funding available. The new status dramatically increased the profile of EU funding and saw a centralisation of control by the Welsh Government. It became a major beneficiary of funding for its own large-scale projects, while many local and community schemes felt marginalised during this period.

While EU investment has made a mark, the idea that Objective 1 / Cohesion status would 'transform' the 'Welsh economy' is flawed for the following reasons.

[1] After considerable campaigning by Welsh local authorities

First, the level of funding was modest relative to the size of the economy and the Welsh budget – the Bevan Foundation estimated[2] that it amounted to approximately 1.5% of the Welsh budget in the mid-2010s, and it was greatly exceeded by UK government spending on English regional development at that time. EU funding was even more modest when set against the scale of the challenge that parts of Wales faced, following the near collapse of many local economies in the 1980s and 1990s. In other words, EU funds were simply not enough to achieve any kind of transformation.

Second, the impact of EU investment was undermined by wider economic shifts in Wales, UK and internationally. The UK economy was in recession or experiencing very sluggish growth for a great deal of the period in question, and it is unrealistic to expect one of its most economically disadvantaged areas to buck the trend. At the same time, the globalisation of production – including relocation of plants elsewhere in the EU – saw significant job loss in the valleys, not least as plants relocated elsewhere in the EU. The rapid introduction of technology into many processes also limited job creation. Even where EU funding could stimulate new jobs and businesses it was extremely difficult to do so at the same scale as jobs lost.

Third, EU programmes sat uncomfortably alongside Welsh economic policy. For much of the period, there was limited economic planning in Wales and in particular little that addressed the circumstances of various EU programme areas. For example, the various Valleys plans, such as 'Turning Heads' and 'Heads We Win', had limited connection with the EU programmes. This was made worse by the poor alignment of the boundaries of different administrative areas with the EU programme area. This meant that EU programmes operated in a policy vacuum and became essentially a funding mechanism rather than a co-investment in a mutually agreed strategy. The lack of economic strategy also had an impact locally, making it more difficult to join up and maximise the benefits of individual developments.

In addition, sometimes Welsh economic policy ran counter to EU priorities. One of the most striking examples was the focus on city regions which cut across and potentially undermined the development of the south Wales valleys.

Despite all these caveats, EU funding nevertheless has left a lasting mark on all parts of Wales. Most visibly, the EU invested in a great deal of physical infrastructure that is now part of the fabric of daily life, from the re-opening of the Aberdare and Maesteg rail lines, to the development of numerous industrial units to the National Botanic Garden to name but a very few of the many schemes the EU co-financed. It is a moot point whether all of these developments would have gone ahead without EU funds.

What EU funds have not done is provide a lasting solution to the deep economic inequalities experienced by the south Wales valleys and large parts of rural Wales, either through their own leverage or by stimulating other investment. These areas continue to experience low

[2] https://www.bevanfoundation.org/views/brexit_blaenau_gwent_eu_funds/

levels of business activity, low economic activity, and low pay, and continue to need intensive government support.

Some important lessons can be learned from the experience of EU funding, as follows:

1. Any investment programme must be led by a clear economic strategy, which takes account of the wider economic climate as well as local economic conditions.
2. Disadvantaged places and people must gain the most from the investments – this requires targeting of support based on clear metrics of need and potential. However, given the big cross-boundary flows of people, goods and services across south Wales, a single local authority area is too small a unit.
3. The biggest impact is secured through multi-annual, multi-agency, comprehensive programmes.
4. The investments should be commensurate with the change planned.
5. Buy-in from the wider community as well as key stakeholders is crucial.
6. GVA is a poor measure of economic impact not least because it does not measure distribution of output within the population.

It does not appear that these lessons have been learned.

**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**.

The only information available to the Bevan Foundation is that published by the Welsh and UK Governments, which reach conflicting conclusions.

We are concerned that inter-governmental disputes are detracting from the bigger question of whether the current policy responses to and investment in West Wales and the Valleys are adequate to the scale of need. We have long held that both governments have not sufficiently addressed the circumstances of these places and see no change in approach.

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