# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Update on the Future of Regional Investment in Wales after Brexit** |
| **DATE**  | **18 July 2019** |
| **BY** | **Ken Skates, Minister for the Economy and Transport and Jeremy Miles, Counsel General and Brexit Minister** |

EU funding programmes have had a significant impact on the lives of people of Wales for over 20 years, supporting people into employment and providing the conditions for new and better jobs.

Since the referendum in 2016 we have sought to advance discussions with the UK Government on replacing this vital needs-based funding in Wales. Our frustration at the UK Government’s lack of progress and clarity since is shared by the National Assembly for Wales which passed a motion on 11 June reiterating the consistent calls from the Welsh Government and our partners.

We continue to press for not a penny less than we would have expected within the EU – simply asking for promises made to the people of Wales during the 2016 referendum to be honoured.

We are also calling for the Welsh Government to retain autonomy in the development and delivery of successor arrangements – simply asking for devolution, voted for twice by the people of Wales, to be respected.

Following the debate, the Minister for Finance and Trefnydd wrote to UK Ministers again on these points, and Welsh Ministers will continue to press for our long-held positions with the UK Government and with the new Prime Minister once in place.

In the absence of any meaningful debate to date on the future of this vital funding, the Welsh Government is maintaining momentum in the development of a future investment framework in Wales so that there is no gap in investment to businesses, people and communities.

While this work is contingent on our calls for full funding and autonomy to be met by the UK Government, we cannot wait if we are serious about developing successor arrangements in close partnership with stakeholders across Wales.

This statement provides an update on the work we have been undertaking with partners across Wales. We have taken on board a range of views, which has helped to inform the direction of travel recently agreed by Cabinet to steer further development work over the summer and autumn.

Over the last 18 months we have held detailed discussions on successor arrangements in Wales with stakeholders. We have had detailed and thoughtful contributions from Assembly Committees, in particular the External Affairs and Additional Legislation Committee and the Finance Committee. Our calls for replacement funding in Wales were set out in January 2017 in Securing Wales’ Future. We responded to initial views from stakeholders in December 2017 with proposals in our Brexit policy paper 'Regional Investment in Wales after Brexit'. We published an independent report on engagement linked to that paper in July 2018.

Last October, in response to those views from stakeholders, the then Cabinet Secretary for Finance, Mark Drakeford, announced the intention to work with the Organisation for Economic Co-operation and Development (OECD), and to establish a Regional Investment for Wales Steering Group (the ‘Steering Group’), chaired by Huw Irranca-Davies AM. This is intended to ensure that future arrangements are developed in genuine partnership and build on international best practice. The Cabinet Secretary for Finance also confirmed that replacement funding would be used for regional economic development and to tackle inequalities, would continue to be planned and delivered on a multi-annual basis, and would be more outcome-focused.

Discussions with our partners in Wales have continued, including through the Steering Group which has discussed and advised on areas such as policy scope, integrated outcomes, different delivery models, as well as wider engagement plans. The Steering Group has met twice so far, in February and May this year, and will be meeting again this week (18 July). We are being open and transparent about this work, and final papers and minutes are published [here](https://gweddill.gov.wales/funding/regional-investment-in-wales-after-brexit/riwsg/?lang=en).

Our work with the OECD is a two-year project to ensure international best practice on regional development and governance is built into our future plans. The OECD began their work in January and has recently completed a study mission to Wales to hear directly from government and stakeholders in Wales. We intend to hold a seminar by the end of the year to present early findings and obtain further feedback.

Cabinet has reflected on these discussions and has agreed a set of key areas covering priorities for future investment and a mix of national, regional and local delivery approaches. These are not the final words in these areas, but provides us with a framework to progress work with our partners over the summer and autumn. Subject to discussions with the UK Government, we aim to launch a consultation document in early 2020, in order to put in place successor arrangements from 2021.

We agree with our partners across Wales that the Well-being of Future Generations Act must be at their heart of our plans, and that we need to take this opportunity to integrate funding streams and policies to better tackle inequalities and support sustainable and inclusive growth in all parts of Wales.

We have agreed four broad priority areas to provide a focus for further development work, based on those discussed in the Steering Group. They have been designed to meet previous commitments for a more outcome-focused approach to regional investment, greater opportunities for integration, and a simpler and more flexible framework. Those areas are:

* Reducing income inequalities for people, analysing the factors that create income inequality and reduce disposable and discretionary income.

* More productive and competitive businesses, including the vital role of innovation and research as well as alternative business models.
* Transition to a zero-Carbon economy, taking advantage of the opportunities this creates as well as reducing negative effects,
* Healthier and more sustainable communities, recognising different challenges in different communities and the role of local areas in identifying priorities in their places.

We will work with our partners to look at the evidence in these areas and learn from what works. We will develop a set of outcomes in each area, suitable measures of success, and identify priorities for investment. There are areas like infrastructure and skills investment that will be important in all priority areas. We are also committed to maintaining a strong cross-cutting approach to equality, sustainable development and supporting the Welsh language.

Cabinet has also agreed that the delivery model we adopt must achieve the right balance between national, regional and local planning and delivery. Our priority areas will provide the basis for a national (all-Wales) framework to prioritise national investments (e.g. the provision of access to finance for businesses), which can contribute to a shared set of outcomes and create significant regional and local benefits. This national framework will remain flexible enough to allow for regional and local priorities to be identified.

At the regional level we want to see greater planning and decision-making within our regions. Cabinet has agreed to commit to the principle of some funding being allocated regionally and decentralised, in line with regional economic frameworks and reflecting the proposals for regional working. The work we are doing with the OECD and WLGA on regional working and governance will help us put in place the right structures and build capacity, so that regional bodies are able to manage funding effectively and are supported by representative partnerships. The regional economic frameworks under development as part of the Economic Action Plan can provide the basis for prioritisation of opportunities and needs in each region, in the same way the national framework will reflect national policy objectives.

Cabinet has also agreed that future development work for regional investment should develop a model for community-led local development, so that communities have a say in how investment is targeted within their local areas. This work provides an opportunity to build on experiences such as the LEADER approach under the Rural Development Programme.

The Steering Group will continue to meet and provide advice to Ministers on plans. To support this work, technical working groups, comprising external and internal experts, are being set up this month to look at specific issues in more detail. These include working groups on the national framework, implementation and delivery, research, monitoring and evaluation, and international and cross-border working (in particular with England).

We should not underestimate the challenge of replacing policy and funding arrangements in the area of regional investment in Wales. We need to build upon our shared experience, gained over several decades, of developing and implementing successful EU-funded investment programmes. We must also learn lessons, both positive and negative, from different approaches across the UK and internationally. There is a lot of work for us to do to develop successor arrangements for delivery in 2021, and the key areas agreed by Cabinet provides the focus of our further work with stakeholders in Wales.