

**DRAFT 24/9**

# **THE ECONOMIC AND SOCIAL REGENERATION OF WEST WALES AND THE VALLEYS**

**Objective 1 Single Programming Document for the period 2000-2006: Proposals submitted by the National Assembly for Wales to the European Commission.**

**October 1999**

## Chapter 1 - Introduction - The Problem and the Opportunity

1. This document, submitted by the National Assembly for Wales to the Commission, proposes a programme for the economic and social regeneration of West Wales and the Valleys, which has been designated as an area entitled to Objective 1 funding under the Structural Funds programmes which will operate during the period 2000-2006. The contents of the document have been prepared in accordance with the requirements of the relevant Council regulation, but the opportunity has also been taken to make reference to the Assembly's own plans and aspirations for Wales (including West Wales and the Valleys).

### The Problem

1.2. Annex 1 is a detailed analysis of the current situation in West Wales and the Valleys, providing a full account of its economic, social and environmental character in accordance with the Commission's requirements. In summary, the situation can be described in the following terms.

#### Economic Characteristics

1. Economic growth in Wales has generally been at or below the UK average over the period since 1971, but has only rarely exceeded it. Because Wales started the period below the UK average in terms of GDP, this economic performance has done nothing to improve its relative position within the UK. Welsh GDP per head has most recently been calculated as at 82% of the UK average, but there are significant differences within Wales and the Objective 1 area has a GDP per head of 73% of the UK average. Even this hides pockets of severe deprivation within the area, with the Central Valleys having a GDP per head of only 64% of the UK average and Anglesey only 68%.
2. GDP per head appears to be low in Wales because of a combination of two factors - fewer people than elsewhere in the UK are in employment (high levels of inactivity), and levels of productivity of those in work are lower than elsewhere. This analysis applies with particular force to the Objective 1 area.
3. Manufacturing continues to play a more important part in the economy of Wales than in other parts of the UK. The Objective 1 area contains almost 60% of Welsh manufacturing employment, mainly in the Valleys region of the area, whereas in rural West Wales manufacturing is much less important as an economic feature, and agriculture is of greater importance. Both the manufacturing and the agriculture sectors are under considerable pressure, and are experiencing a decline in the employment opportunities offered. Tourism plays an important economic role, particularly in West Wales, but employment in the industry (which is still to an extent focused on declining markets such as traditional family holidays in resorts) tends to be seasonal and low paid.
4. Entrepreneurship activity, measured in terms of SME formation, is less evident, in Wales, including the Objective 1 area, than elsewhere in the UK. Wales also lags behind other areas in

its usage of ICT technologies and other applications.

5. While at the highest levels of education individuals' qualifications are broadly consistent with the position elsewhere in the UK, at the other end of the educational scale more workers in Wales have no formal qualifications than in the UK as a whole. There is some evidence of a greater gap in Wales between employers' requirements for skilled labour and the skills that employees are bringing to the labour market.
6. In most occupational groups average pay levels in Wales are lower than in Great Britain, and average pay levels in the Objective 1 area are lower than in the rest of Wales.
7. Average pay levels for men and women, both at an all Wales level and within the Objective 1 area, show that females continue to be paid less well than males. Economic activity rates for women in the Objective 1 area are lower than the national average - Wales has one of the lowest levels of childcare provision in the EU, and the Objective 1 area is particularly badly-placed in this respect - and women are concentrated in mainly low-paid, low-status work.

### Social Characteristics

8. The Objective 1 area suffers from high levels of poverty and social deprivation. Health in Wales in general is worse than in England, but health in many parts of West Wales and the Valleys is substantially worse than in the rest of Wales (which may both cause and be caused by the high levels of economic inactivity referred to above). The population of the Objective 1 area is also proportionally older than for Wales as a whole.

9. The Objective 1 area benefits from a distinctive culture, with many strengths. Welsh is one of the most vibrant minority languages in the EU, and its traditional strongholds are all to be found in rural West Wales. The language constitutes an important distinguishing factor in many rural communities, and strenuous efforts are being made to maintain and support it, contributing to the promotion of local identity and confidence among communities and individuals. The distinct social cohesion of rural West Wales, substantially based on its linguistic heritage, has proved a strength in times of stress and must also be utilised at a time of opportunity.

10. In both the rural and Valleys areas there remains a strong tradition of voluntary activity, mutuality and community self-help. Over 11,000 voluntary and community organisations have been identified working in the Objective 1 area at unitary authority or more local level. These organisations can make a distinctive contribution to the economic and social regeneration of the areas in which they operate, particularly in combating social exclusion.

### Environmental Characteristics

## ..... and the Opportunity

13 The problems faced are considerable. The National Assembly, is committed to policies of economic and social regeneration which will offer West Wales and the Valleys a better future. The Assembly has adopted the following statement of priorities:

To deliver the vision of a confident, outward-looking Wales, where all can realise their potential, we believe that all programmes and policies must work together, cutting across traditional functional boundaries where necessary, to prioritise their contribution to the following:

### **Better job opportunities**

- reduce the disparities within Wales and close the economic performance gap compared to standards elsewhere in the UK and Europe;
- shift the balance of our activity towards investment in people and developing local employment opportunities;
- increase opportunities in less prosperous areas: West Wales, the Valleys and deprived rural areas;
- tackle youth unemployment, and inactivity among older people;
- base our competitiveness strategy on raising the quality of jobs, developing more added value and sustainable processes, ensuring a high quality and modern environment, and promoting Welsh culture and language.

### **Better Education and Training**

- work to improve standards of attainment and skills overall and to increase participation and attainment for those currently excluded or in need;
- ensure education and training programmes and priorities link clearly to our strategy for the economy and social inclusion;
- promote higher value skills, active citizenship, creativity and entrepreneurship.

### **Better health**

- tackle the underlying causes of ill-health and seek to reduce disparities;
- give a focus to the health problems which relate to poverty and lack of opportunity, and reduce inequality of access to services;
- develop a debate on the future priorities and direction for health services.

### **Better quality of life**

- pursue the principles of sustainable development in our work;
- enhance existing environmental quality and tackle areas which need improvement;
- support communities and ensure access to a decent home, good public transport and local facilities, and freedom from crime;
- provide timely and high quality support for people in time of need.

### **Best value**

- deliver value for money for the people of Wales, with better and more efficient services.

These priorities for action directly address the situation in West Wales and the Valleys, and set the context for the programme of action set out in this document.

14 Our fundamental objective is to help improve the quality of life of all the people of Wales, to attack poverty, and to support sustainable economic development within prosperous and healthy communities. This calls for a clear and determined focus on wealth creation, in particular the provision of more and better employment opportunities for our people. These opportunities must be made available to everyone, in accordance with the European Union's commitment to equality of opportunity, and the National Assembly's distinctive legal obligation to exercise its functions with due regard to the principle that there should be equality of opportunity for all people. They must also be provided in the context of development which is sustainable, again following the EU's policies in this regard and the legal obligation on the Assembly, uniquely among public authorities in the United Kingdom, to promote sustainable development in the exercise of its functions.

15 The provision of more and better employment opportunities requires the creation of a climate in which business, especially SMEs can develop and thrive. It is however necessary to take a broader approach. The regeneration of communities which face economic and social deprivation is central to wider economic development. It will help raise morale and self-confidence in socially excluded communities, help people access mainstream services and the labour market and provide support for local enterprises. In addition there is a need to recognise the particular contribution that the social economy can make to the regeneration of communities by providing services and job opportunities. It also plays a part, by acting as a stepping stone into the mainstream economy, in helping unemployed people overcome barriers to getting jobs. Its expansion will require stimulation and encouragement.

16 The Assembly's own policies, outside the area of European competence, will also need to contribute to economic and social regeneration. This is particularly the case in the field of health. Programmes of action to improve the health of people already in work can help to reduce absenteeism due to sickness and ill-health and can increase productivity as a result. That will lead to increased competitiveness which is essential for business expansion and growth. At a broader level, improving people's health will make a positive impact on labour markets and the pool of skills available to businesses throughout Wales. Much time and effort is invested in developing people as a key resource within the economy and therefore, maximising the use of their skills and experience over the full duration of their working lives is essential to economic growth. If poor health leads to people having to give up work, their personal economic circumstances are affected and the cumulative effect of many people leaving the workforce ultimately impacts on the economy overall.

## **Working in Partnership**

17 The strategy set out in this document was prepared for the National Assembly by a European Taskforce containing representatives from a wide range of private sector organisations, public and governmental agencies, the voluntary sector and educational bodies. The Taskforce undertook wide-ranging consultation before submitting its proposals to the Assembly. Separately, the Assembly's Economic Development Committee has undertaken an extensive public consultation exercise throughout Wales, and a large number of organisations and individuals contributed to the discussions.

18 For the future, the Assembly has committed itself to working in partnership with business, local government and the voluntary sector to help get things done. That will apply with particular force to the programme of economic and social regeneration set out in this document.

## **Conclusion - The Challenge**

19 In presenting this programme, the Assembly has taken into account the operation of earlier Structural Funds programmes in Wales. This experience is analysed in detail in Annex 2. The conclusion reached is that much has been done under the 1994-1999 Industrial South Wales (Objective 2) and Rural Wales (Objective 5b) programmes to mitigate the effects of industrial decline and to promote business efficiency and productivity, but that much remains to be done if a self-sustaining and thriving economy is to be secured for Wales in general and for the Objective 1 area in particular. That is the challenge that faces us over the coming period.

## **CHAPTER 2 - OBJECTIVES**

### **The Way Forward**

2.1 European funding must be used to deliver a step change in the economy which will spread prosperity throughout West Wales and the Valleys, raise overall GDP and deliver sustainable development.

2.2. At the heart of our vision lies the need to put development of the people of West Wales and the Valleys first. Developing the skills, attitudes and economic infrastructure to allow the region to compete as a modern advanced economy and to develop an entrepreneurial spirit in all sectors of the economy and society is critical to overcoming the twin challenges of deprivation and peripherality which characterise much of the region. The interventions proposed in this document will do so in a way which is sensitive to both the environmental and social fabric of the region. In the context of this region, uniquely in the UK but common to many other parts of Europe, opportunities must be provided for full bi-lingual participation within an open and receptive cultural framework.

2.3. Our overall objective must be to secure increased levels of economic growth so that GDP per

head rises towards Welsh, UK and EU averages by the end of the programme. Complete convergence with these levels of prosperity will take considerably longer than the 7 years of this programme. The inputs and relative dynamics created from the programme must create the basis for a sustained rise in GDP over a longer period.

2.4. The headline indicators - for assessing the Programme's overall performance are;

**Growth in GDP per head;** The GDP per head for the NUTS II West Wales and the Valleys area for 1996 was 73% of both the European Union average and UK average. The target is to reach 75% of the UK average by 2002, 78% of the UK average by 2006 and 81% of the UK average by 2010. While 2010 is beyond the end of this programming period, the aim is to sustain this growth beyond the current timeframe.

**Employment Growth;** The target for employment growth is to see a net additional 34,000 jobs in West Wales and the Valleys by 2002, a further 38,000 by 2006 and a further 38,000 by 2010.

**Environmental Indicator** [to be inserted; possibly Carbon Dioxide emission levels]

**Inactivity;** One of the key pathways highlighted to improve the economy of West Wales and the Valleys is the reduction in the numbers of "economically inactive". We aim to reduce the total of working age inactivity and unemployment by 25,000 in West Wales and the Valleys by 2002, a further 28,000 by 2006 and a further 28,000 by 2010.

**Equal Opportunities;** The region has traditionally been seen as one whose culture valued both social solidarity and acquiring greater access to learning. However this view did not always extend to all members of society and there are particular groups who have not been able to access the opportunities available to the majority. The programme must promote equal access to education, training and employment to all. Where necessary specific measures will be taken to help people with disabilities, women and ethnic minorities to access services and engage in the labour market, including in entrepreneurship, according to their particular needs and wishes.

Targets will include female economic activity rates and, where they can be measured, the economic activity rates/access to training for ethnic minorities and the disabled.

2.5. The secondary indicators to be monitored (which may be supplemented by the Programme Monitoring Committee) will include;

**Business birth rates/survival rates (stock of VAT registered firms)**

**New products in development**

**college-company linkages**

**Statistics on use of the Internet**

**Gross value added per person employed**

**Disposable Household Income per head by NUTS III area**

**(see below)**

**Amount of energy produced from clean sources**

**Domestic and industrial energy efficiency investments**

**% of domestic and industrial waste recycled**

[ Human Resource Indicators to be added-including no of organisations achieving liP accreditation and no of managers receiving management development training

2.6. Given the extremely diverse nature of the region in terms of unemployment and physical and social characteristics these indicators will have to be monitored at sub regional level (NUTS III where possible) to assess the impact on internal cohesion.

2.7 It is essential that the strategy meets key sustainable development conditions. These are to pursue;

- sustainable economic growth;
- social cohesion through access for all to education and training, employment and a high quality of life;
- enhancement and maintenance of the environmental assets of the region.

These objectives must be pursued in ways which make them mutually compatible for current and future generations. Meeting these conditions will require a focus on models where economic growth is coupled with reducing demands on the environment. Industrialised parts of the region have suffered from severe environmental degradation. This has led to a poor image, and reduced investment. Therefore, tackling environmental degradation flows from growing evidence that improving the environment may not simply be desirable in its own right, but also have significant economic benefits in attracting newer industries.

Indicators include;

- Numbers of firms in the region attaining ISO14001(environmental management best practice) status
- (see above)



- State of water resources
- (see above)
- Reduction in polluting emissions(measured through IPPC processes)

## **Business Competitiveness**

2.8 There are a number of important elements of the economy and social structures of West Wales and the Valleys upon which the strategy can focus. This will allow west Wales and the Valleys to achieve a greater output per person employed and to secure employment for a greater proportion of the population.

2.9 The priorities for business development will be to increase the competitiveness of existing companies ,to increase the birth rates of new firms and ensure all follow paths towards a sustainable future in the coming Information Age. A major effort is required to increase the number of new firms being created. Fundamentally, the starting up of a new business must become a viable option for the many and not just the few. To encourage entrepreneurial activity we need improvements in the provision of business services, including better access to finance, which will help address the problem. In addition, direct support should be provided for the development of incubator facilities, the delivery of high quality mentoring and business advice, the installation of up-to-date technology and business applications and the availability of suitable premises and services. In the south Wales valleys, the SME base remains small and support and finance will also need to be geared towards increasing birth (and survival) rates for new firms. Particular emphasis will be placed on encouraging well qualified people to start businesses and to encourage the growth of a more entrepreneurial culture among young people and educators alike.

2.10 For existing enterprises the priority, whilst providing a constantly improving level of business support to all companies through the Business Connect network, will be to assist the 10% of firms seeking to make the transition from small firms to established medium or larger sized businesses and thus are likely to become significant local employers or customers for other firms. These actions will include steps to equip such firms to face the challenges of global competition. These will include: improving their access to finance on competitive terms; optimising their use of ICT to promote internal efficiencies, training, marketing and overcoming peripherality ; stimulating more entrepreneurship, R&D and innovation within companies, including promoting links between business and universities and improving the access to first rate mentors. Inward investment will continue to be supported especially where specific projects help the development of markets for domestic suppliers. Support will also be available to help business adapt to new environmental standards and utilise green technology. Businesses will also be supported in developing the skills of managers and employees alike to raise both the productivity of firms and earnings potential of individuals. Support will be available for the development of both generic and vocational skills among employees in the region and lifelong learning will be encouraged through the development of individual learning accounts. *Investors in People* will serve as an important indicator of how many firms in the region become committed to developing their

own staff.

2.11 These actions will be applicable across the region but may find particular resonance in West Wales where there are large numbers of small indigenous firms whose development will need to be in areas and through means that are consistent with the high quality if fragile local environment typical of much of the area.

Priorities for promoting business competitiveness will be;

- Promotion of diversification in the economic base of the region
- Support for high value added businesses, particular those which refine the region's natural resources and deepen Wales strengths as a knowledge driven, Information Age economy
- Improving the use of technology, and encouraging the development of strong clusters of businesses in growth sectors, such as biosciences, and the environmental goods and services sectors
- Integrating universities and colleges fully into the economic life of the region
- Increasing business start up rates
- Supporting increased networking between existing companies
- Increasing the volume of exports and other international linkages
- Development of management and vocational skills within indigenous firms
- Encouraging better environmental management and other sustainable practices in organisations (private and public) in Wales.
- Improving efficiency of natural resource use ,including clean energy production
- Promoting the profile of the area, nationally and internationally

2.12 Addressing the linked problems of low productivity, poor job mix and dependence on declining industries makes an emphasis on developing innovation in the region essential. Technological change is both the most important influence on economic change in the region and its most important opportunity. In particular the use of ICT can help address problems of peripherality and help firms increase internal efficiency, training and marketing efforts. The adoption of new technologies also provides important opportunities for raising productivity and the value of output. Priorities for the programme in terms of innovation are;

- To increase awareness of and use of ICT among SMEs
- To promote better links between Higher Education and business to produce higher value

products

- To enable colleges and Higher Education Institutions to commercialise their knowledge and capabilities;
- To support R and D and venture activities which aid diversification of the regional economy
- To develop ICT skills at all levels
- To encourage graduates to work in firms based in the region

2.13 Innovation needs to be supported across the whole region. As well as encouraging SME's to be far more innovative and encouraging all companies to increase their R&D activities, there remains scope for the universities in the region to be used as centres for innovation which could help the development of nodes in particular sectors. This type of targeting will need to build on existing research specialisations in the region's universities.

2.14 The programme will have particular importance for two industries, agriculture and tourism. The programme will support efforts by both industries to provide a more focused high quality product that makes them more viable in increasingly competitive markets. Support for agricultural change will aim to diversify sources of income and encourage entry into higher value product ranges (e.g. organic produce).

2.15 When multiplier effects are taken into account, agriculture supports between 10 and 20 per cent of the workforce in the rural areas of the Objective. The proportion of the rural workforce employed full-time in agriculture will inevitably continue to decline, but it is important for the social and linguistic cohesion of rural West Wales that extreme changes to the structure of family farms are guarded against. An important objective of this Plan is to create new employment opportunities in rural West Wales which can be combined with part-time farming, to help farming families to sustain their income. Consideration is also being given, in the context of the EAGGF guarantee Rural Development Plan, to the case for assistance for young entrants to establish themselves in farming, to help stimulate innovation in the farming population.

Most of the region's agricultural land is classified as less favoured areas and will continue to secure support through EAGGF guarantee funds. These funds will also support grants for farmers to convert to organic production and agri-environment measures such as Tir Gofal on an all Wales basis through the Rural Development Plan.

The programme will also support initiatives to increase the amount of food processing undertaken in the region. The key strategic priorities for agriculture are:

- to help agriculture become more sustainable economically, with the emphasis on premium, branded products with an environmentally-positive image, and much greater value-added processing of primary produce in rural Wales

- to improve innovation in agriculture through the adoption of new business skills and environmentally sensitive agricultural best practise
- to improve market links by promoting collaboration among farmers and co-operation between producers and processors
- to help agriculture and land use in the region become more sustainable environmentally and ecologically
- to consider the opportunities presented by cultivating 'energy' crops
- To broaden the agricultural base by assessing the potential for alternative crops, including organic horticulture, energy crops and herbs.
- to diversify agricultural enterprises

2.16 The appeal of tourism in the region is varied, being based in part on landscape and physical environment and in part on culture, heritage and built environment. The sector's economic importance is more pronounced in the western, more rural parts of the region and in coastal towns on the north, west and south coasts. Specific niche markets, focusing on industrial heritage are also found in the southern Valleys. The sector faces two key challenges; how to increase economic benefits without adversely affecting the environment that makes much of the region attractive to visitors in the first place, and how to adapt the nature of the tourism packages offered to fast changing patterns of demand. Additionally the links between tourism and other areas of activity will need to be realised for the maximum benefits from the programme to be realised. This is particularly true for the arts and cultural industries whose profile in the region has risen considerably in recent years. They also offer an important opportunity to brand the region by providing a distinctive and attractive image to outsiders which is of value in itself, culturally and economically and helps to promote the region generically and specifically as a tourist destination.

The key priorities for the tourism sector will be in line with the draft Tourism strategy for Wales, *Achieving our Potential* and will include;

- Marketing initiatives to raise the profile of the region's tourist potential and contribute to developing a strong tourism brand for Wales
- Maximise the potential for ICT developments(including on-line booking systems)
- Support for the development of key niche markets including eco-tourism
- Action to attract larger numbers of overseas visitors
- Extension of the full range of business support services to the tourism sector

- Maximising the tourism potential of arts and cultural activities
- Improving levels of professionalism and service by increasing skill levels
- provision of tourism infrastructure and tourism information facilities

2.17 There are a number of spatial issues to be considered in developing a strategy for tourism. The balance between development and the environment will particularly affect areas in West Wales designated as National Parks [ or other environmental status?] and the effect of tourism on the retention of isolated or fragile communities - especially Welsh-speaking ones - is an issue of concern. Whilst the whole region will be marketed some specialist markets suggest targeting of specific areas will be appropriate.

### **Spatial Targeting**

2.18 When targeting support for measures promoting competitiveness particular attention will be paid to the needs of areas that have faced significant economic decline and job losses; these include the western Valleys, Ynys Mon and Pembrokeshire as well as..... Other foci include rural areas suffering from an outward migration of young people and coastal areas typified by high levels of low paid seasonal employment.

### **Human Resource Development**

2.19 The priority for human resources is to develop a skilled, enterprising and adaptable workforce; The programme's success depends above all on the ability of the people of the region to develop the skills and attitudes required to manage and reap the rewards from the processes of economic change. All parts of the region have traditionally placed a high premium on educational attainment. This has been eroded in parts of the Valleys; the programme needs to utilise and revive that tradition to help develop skills, confidence and ambition, especially among young people. We must change the aspirations of individuals and raise skill levels of people both in work and those currently excluded from the labour market. Furthermore, there is a need to tackle the low economic activity rates, which have become a significant burden on the Welsh economy. The economically inactive are largely concentrated amongst the middle aged from manual backgrounds with few qualifications and high levels of self-reported long-term sickness. This group has become larger over time which almost certainly reflects weak labour demand for this age and skill group, which needs to be addressed if this programme is to be successful.

2.20 The growth of the region's economy in sectors that can bring sustained growth while raising environmental quality, requires a skilled and adaptable workforce capable of on-going skills development that includes the vast majority of the region's working age population; West Wales and the Valleys will not prosper while too many of its residents remain economically inactive. The achievement of this ambition requires four strategic objectives for human resource development in the region;

- Measures to encourage the economically inactive into employment or training;
- Enhancing the skills of the working population in both generic and vocational skills
- Measures to equip all those in education or training with the skills required by employers or for self-employment
- Promotion of entrepreneurship

Headline Targets for Human Resource Development will include;

- Numbers in the region achieving NVQ levels 2-4
- Numbers of people leaving full time education without any qualifications
- Number of graduates working in the region
- Number of firms acquiring liP
- Numbers receiving ICT training
- Numbers receiving management development training
- Numbers achieving key skills qualifications

2.21 The raising of skills across the region is central to the need to raise the value of its outputs; the development of broad generic skills and appropriate vocational skills is a priority across the region. Active labour market measures will need to be targeted at excluded groups across the region but will focus on areas where inactivity rates are particularly high and at sectors in the population - middle aged men, those with health problems or disabilities and certain ethnic minority groups - who have faced persistent exclusion from the labour market. Measures will also need to be targeted at young people between ages 13 and 21 who appear at risk of social exclusion; though individuals will be at risk across the region higher concentrations are found in areas of lower educational achievement, including the upper valleys and poorer areas of the region's larger towns.

2.22 These priorities match those of the UK Policy Frame of Reference for human resource development in a number of key ways;

- They tackle high inactivity rates as a top priority
- They supplement the New Deal
- They focus on the development of core skills as a means of increasing employability.

- They map on to the European and UK government's Information Age ambitions
- They seek to increase access to and participation in lifelong learning
- They seek to reduce the barriers between the worlds of education and work
- They make the raising of basic skills - numeracy and literacy - and key skills (including communication and use of ICT) a priority for those in work and those looking for work.
- They focus on measures which help prevent long term unemployment

2.23 It is envisaged that delivery of many of these initiatives will take place through local partnerships, including the private and voluntary sectors where appropriate. [This is likely to anticipate the implementation model for post-16 education and training recommended by the Education and Training Action Group for Wales.] This approach - and its principal policies - is very similar to that being proposed in the Objective 3 Operational Programme for East Wales. Variations will reflect the higher levels of social exclusion and inactivity in the West Wales and Valleys NUTS II region.

2.24 Both programmes are however using Structural Funds to implement the UK National Employment Action Plan (NAP) in the context of their regional needs. West Wales and the Valleys will seek to meet the objectives of the NAP according to its four pillars;

#### (i) Promoting Employability

2.25 The programme will promote active labour market measures to help those excluded from work or training; this will include specific measures aimed at helping the most socially excluded back into work or training. This could include intermediate labour market measures and basic skills training. New Deal supplements will help those outside the 18-24 age group or who face additional hurdles such as disability. Employability will also be enhanced among the wider population by the extension of access to lifelong learning opportunities including Individual Learning Accounts. ESF will thus back up institutional reforms such as "One" the Single Gateway to Benefits and a range of existing training schemes for the unemployed. The physical infrastructure of learning will also be developed to widen access to learners living in peripheral areas.

#### (ii) Developing Entrepreneurship

2.26 The programme will directly support new and existing entrepreneurs by providing support (including mentoring), advice and resources. Specifically the managers of SMEs will be able to receive skills training and all in companies will be enabled to consider starting their own company. More generally the programme will aim to promote a more positive view of entrepreneurship among school and college leavers and to encourage graduates to see it as a career option. Enhanced school-business links and adjustments to curricula will aid this. Support for the Wales Entrepreneurship Action plan will be a central pillar of this work The programme will also support initiatives to raise awareness of the importance of management development; the potential of the Information Society and encourage

innovation among SMEs to enhance their growth potential.

### (iii) Encouraging Adaptability of Businesses and their Employees

2.27 The programme will support training for both employees and managers of businesses. It will include disseminating information about skills to employers and individuals, and partnerships between employers and employees. It will support both generic and appropriate vocational skills development including in appropriate technology skills. Support will also be available to develop management skills in business and to encourage firms to invest in their staff. The development of higher level core skills and business skills will aid the competitiveness and productivity levels of businesses in the region.

### (iii) Strengthening Equal Opportunities Policies for Women and Men.

2.28 Equal opportunities has been mainstreamed within the programme, and as such it is vital to set targets which allow all sectors of the population to benefit from the opportunities provided by Objective 1 funding. The programme will seek to widen access to childcare in all parts of the labour market to help women secure equal access to all areas of worker training. Advice and guidance will be available to address specific problems women or men face in accessing particular jobs and active labour market measures will address the specific needs of women seeking to return to or enter the labour market, especially lone parents. Specific support mechanisms will be provided for women entrepreneurs.

2.29 At present the Labour Force Survey shows that 68% of women of working age in Wales were economically active, compared to 72.5% in the UK as a whole and 79% of men in Wales. A target of 72.5% for 2010 would be feasible (and recognise that not all women wish to be economically active for the whole of their 'working' lives). Sensible intermediate targets would be 69% by 2002, and 71% by 2006. Average earnings of women in Wales are 74% of those of men. In the UK the equivalent figure is 73%, but this reflects low Welsh male earnings rather than high Welsh female earnings. Women's earnings in Wales are 91% of the UK level, but are broadly similar to the levels ruling in Scotland and England outside of London, the South East and the East. In the circumstances a realistic target might be to raise women's earnings in Wales from 74% of men's to 78% by 2010, with intermediate steps of 75% by 2002, 76.5% by 2006 and 78% by 2010.

2.30 The programme will also seek to increase activity rates and earnings levels among ethnic minorities and people with disabilities living in the region and will promote targeted action to support this objective. [Indicators will be provided if data is available]

[targets for ethnic minorities and people with disabilities will be set once the baseline study is completed, showing what data is available]

Indicators to be monitored could include;

- Numbers of people from ethnic minorities in professional jobs
- Diversity of occupations occupied by both ethnic minorities and disabled people



- Increased educational qualifications by people with disabilities

2.31 Many of the requirements for specific measures that are relevant for women are also applicable to other disadvantaged groups, especially ethnic minorities and the disabled. The programme will put in place specific measures aimed at addressing the needs of people from these groups seeking to enter employment or training and provide tailored advice and guidance. Support measures for entrepreneurs will also have to be appropriately directed.

## **Balanced Urban and Rural Development**

2.32 It is vital that the benefits of the programme are spread across the region, especially to the most deprived and peripheral areas. The economic development and continued viability of much of rural Wales will require support for diversification and modernisation of traditional industries, especially land-based ones. We must also take steps to preserve the high quality environment in much of rural Wales, promote the achievement of maximum levels of natural resource efficiency and take steps to tackle the environmental problems that inhibit both economic and community development in former industrial areas. There also remain, in both urban and rural areas, high concentrations of unemployment and underemployment, poor housing, accessibility and a poor environment. As well as low educational achievements, there are high levels of crime and disaffection among young people. In places, a cycle of continuing deprivation and social exclusion has developed and worklessness and low skills have become a familiar pattern. Tackling these and other causes of inactivity is essential to ensure the proper functioning of the economy and the labour market in Wales.

2.32 The success of the programme depends on the creation of and development of vibrant, resourceful and enterprising communities; Both rural and urban communities in West Wales and the Valleys have suffered a range of problems as a result of economic deprivation. A key element of the programme must involve empowering communities to lead their own local development and build alliances with other bodies on their terms to regenerate their areas in a sustainable manner. The traditions of self-help which are widely prevalent in the region must be drawn upon to drive the programme.

2.33 Specific targeted action is needed to address the problems of excluded communities and allow their members to develop the skills and confidence to enter mainstream economic life and to design locally appropriate solutions to community problems. The region has a rich history of community activity which make these types of intervention particularly appropriate. The key priorities for community development are to;

- Develop the capacity of community organisations to allow them to determine local needs and build effective partnerships to address local development needs;
- Support the expansion and development of enterprises in the social economy, building on past good practice including LEADER;
- Provide support for targeted initiatives that allow people unable to take advantage of mainstream services - including the long term economically inactive - to enter training or

employment.

- Ensure all communities have access to first rate ICT facilities(in the home, in businesses ,in schools, in libraries and in community, etc centres)

2.34 These initiatives will need to be targeted carefully to ensure resources are directed at the most marginalised communities. [ref to *People and Communities* programme?] Clear criteria will be developed to identify communities who require support. In urban areas indices of social deprivation (e. g. unemployment, inactivity, levels of substance abuse) will be used; approaches used will build on lessons learnt from URBAN programmes. In rural areas and the upper valleys criteria will also have to address issues of peripherality and activities may encourage social enterprises which tackle these problems. Community led activities will need to be accompanied by local projects to improve the physical and natural environment and infrastructure or provide key services (including local energy supplies) presently absent. In communities suffering from peripherality the provision of sustainable transport services can help to increase access to both services and jobs.

## **Communications and Transport**

2.35 The region of West Wales and the Valleys enjoys very varied infrastructure provision in terms of transport, telecommunications and energy provision. Areas along the north and south coastal strips and the more densely populated south eastern areas of the region generally enjoy good road links to TENS and adequate narrow-band telecommunications infrastructure. The pattern of provision in rural areas and peripheral urban areas at the northern edges of the Valleys is not as complete and all areas need better access to two way broadband telecommunications facilities. The current deficiencies have already inhibited the development of the area as a coherent economic region; for example deficiencies in telecommunications and energy infrastructures are restricting investment. Investment in infrastructure will need to be targeted at addressing peripherality in cases where clear economic benefits can be identified and private sector provision will not be sufficient. The potential environmental impact of any such investments will be fully appraised, including the quantification of 'external' costs to the environment, the economy and local communities: one of the strengths of the rural parts of West Wales is the outstanding natural environment and it is vital that investments do not undermine this advantage. Investments in energy infrastructure and energy production should prioritize conservation and energy efficiency.

Objectives for balanced development will include;

- Increased access to modern ICT facilities
- Increased access to sustainable transport
- Reduced reliance on polluting energy sources
- A higher quality energy infrastructure

2.37 Targeting of infrastructure investments will need to be determined by the Programme Monitoring

Committee addressing the potentially conflicting requirements of tackling peripherality and environmental sustainability. Alternative options for infrastructure provision will be fully evaluated at the earliest stage, for consideration by the Programme Monitoring Committee. This will include the use of techniques for Strategic Environmental Appraisal and Sustainability Appraisal which will inform the decisions made.

## **CHAPTER 3 - PRIORITIES**

### **PRIORITY 1- BUSINESS COMPETITIVENESS**

#### **Description and Rationale**

3.1 Many of the strategic objectives outlined in Chapter 2 can be achieved through structuring the programme around integrated measures for supporting businesses. The measures were chosen to build upon the foundations established by recent policy documents and in particular, the approach set out in 'Pathway to Prosperity : A New Economic Agenda for Wales' published in July 1998. These measures will apply to all principle business sectors, including tourism and the creative industries. The Priority will enable the region to improve the competitiveness of businesses through greater exploitation of new technologies, innovation, better business support ,improved environmental performance and improving skill levels.

3.2 The programme's strategy recognises the key role that sustainable business development plays in creating jobs, enhancing competitiveness and generating more wealth across the region. The bedrock of sustainable business development is the promotion and proactive support of entrepreneurship and innovation, leading to a strong and internationally competitive SME sector.

3.3. The overarching framework and the activities created and funded under this Priority are intended to be robust in order to endure beyond the lifetime of the Structural Fund programme. However, the framework will not exclude the possibility of one-off, innovative, single projects that have the potential of making a significant impact on the birth and survival rates of businesses in both the private sector and the broader social economy.

3.4. The strategy also recognises the role of foreign direct investment and the opportunities this provides for the creation of strong supply chain links, as well as their significant contribution to raising GDP. To complement these activities West Wales and the Valleys will also qualify for the highest rate of State Aids intervention. (more detail to be included as the situation becomes clearer)

3.5. The objectives for this Priority are:

- To increase the birth rate of new firms
- To increase the competitiveness of existing companies
- To increase the value of output in the region through pursuing sustainable development policies

These objectives will be achieved predominantly through:

1. Provision of better financial support for SMEs.
2. A pro-active and focused business support service.
3. Developing skills of those working within enterprises in the region, managers and employees alike. Training must be sympathetic with owners' definitions of training needs, which will mean that training strategies should be closely linked to the needs of the firm.
4. Maximising the opportunities presented by the Information Society to increase the competitiveness of all firms in the region.
5. Encouraging firms to be innovative. The priority will encourage links between business and universities to stimulate innovation, product development, networks and clusters.
6. Ensuring that a wide range of serviced sites and premises are available for both indigenous and new investors.

3.6. This priority consists of six Measures:

Measure 1: Financial Support for the establishment of new ventures and the development of existing businesses (ERDF)

Measure 2: Developing Competitive and Sustainable Enterprises (ERDF)

Measure 3: Support to encourage and develop innovation and R & D (ERDF)

Measure 4: Support for the Information Society (ERDF)

Measure 5: Improving skill levels within business (ESF)

Measure 6: Provision of sites and premises and improvements to the built environment (ERDF)

## **Measure 1: Financial support for the establishment of new ventures and the development of existing businesses**

3.7. Funds will be created to support start-up ventures, encourage the growth of indigenous SMEs and attract new SMEs to the area. They will seek to function on an evergreen basis with no predetermined lifespan and continue beyond the life of the programme. The establishment of the funds will address problems of access to investment capital and support inexperienced or incomplete management teams to realise their potential.

The funds will allow SMEs to move away from a reliance on costly overdraft finance and allow easier expansion by providing greater access to equity capital.

### Aims and Objectives

- to provide capital to investment funds operating where market failure exists
- to support the matching of private investors, whether institutional or business angels
- to encourage corporate venturing
- support for an additional supply of finance, grants, loans and venture capital to Welsh SMEs, support for the provision of support services aimed at increasing deal flow for the new funds and subsidising the due diligence costs that would otherwise be recharged to SMEs

## **Measure 2: Developing Competitive and Sustainable Businesses**

3.8 The development and continued growth of SMEs in the region depends on provision of a focused system of business advice and support. The measure will support an enhanced business support mechanism that will help local SMEs to become more competitive within and outside the region, whilst developing in a sustainable way

Support will be available to firms wishing to export or market themselves to wider markets and to those wishing to meet increased environmental standards. Tailored support will be available to target groups of special interest such as women entrepreneurs and those from ethnic minorities.

### Aims and Objectives

- to provide a diverse range of on-going quality pre-start and start-up support which will promote equality of access for all sectors and which will promote business birth rate and increase the quality of business start-ups and survival
- to provide proactive support for developing entrepreneurial behaviour amongst existing businesses, to increase competitiveness, develop self-awareness, self confidence and self-belief
- to increase the level of co-operation among businesses and other stakeholders at a local, national and international level
- Promote activities that market products or enterprises based in the region
- Ensure companies implement environmental management best practices

## **Measure 3: Support to encourage and develop Innovation and R & D**

3.9. In the medium to long term, sustained competitiveness by regions in the global economy will depend on technological or innovation-based strengths. These include the ability to develop new products and processes, to gain access to and successfully compete in new markets, to apply new technology, to incorporate best practice in the management of enterprises, to collaborate with colleges and to develop skill levels across the full spectrum of the labour force.

Successful regions will be those that adopt a strategic approach to innovation and technology transfer and R & D and integrate the abilities of the public sector expertise with the needs of innovative growing firms and developing technology -based clusters. This priority should build upon existing domestic programmes such as the Regional Technology Plan, which has the aim of improving the innovation and technology performance of the Welsh economy.

### Aims and Objectives

- to create incubator and innovation centres and Science parks facilities to encourage the growth of technology based companies and clusters
- to provide a comprehensive innovation and technology support infrastructure for business
- embed a culture of innovation through high profile new programmes and awareness raising activities
- increase competitiveness through improved linkages between the academic base (HE & FE Sectors) and businesses and enable academic institutions to fully integrate themselves into the economic life of the region.

## **Measure 4: Support for the Development of a Knowledge driven economy**

3.10 We are entering an Information Age where the acquisition, analysis and use of knowledge will be the key to sustained competitiveness. In this Information Society, information and communication technologies will need to be exploited to the full if we are to achieve greater economic and social prosperity.

Stimulating the demand for ICTs is only one element of the transition to an Information Society. The capacity to satisfy that increased demand via a strong indigenous supply side industry is also vital. There are three key drivers in improving the strength of the supply side - an effective existing supply industry, access to capital, and access to skills. Access to a supply of skilled ICT professionals is an essential element in a virtuous circle where skills attract investment that stimulates growth, which in turn attracts more skilled professionals.

### Aims and Objectives

- to encourage all to exploit the opportunities offered by ICTs
- to enhance awareness-raising activities amongst SMEs, roll-out known best practices; and build

effective business information networks

- to enhance institutional capabilities to handle large-scale ICT-related initiatives and programmes.
- to stimulate demand by building local exemplars to demonstrate the benefits of the ICTs
- to ensure all appreciate the importance of ICT developments and their application.
- To encourage a stronger ICT supplyside sector in Wales.

## **Measure 5: Improving Skill Levels within Businesses**

3.11 This measure seeks to increase the productivity, skills levels and adaptability of the workforce and in particular enhance management development and in-work training. Currently the level of skills in the workforce continues to lag behind competitor countries. The programme will support structured training to raise the skill levels of managers and employees and will be adapted where necessary to meet the needs of smaller firms.

Employers must be encouraged to recognise the potential in all their staff regardless of gender, ethnicity or disability. In particular, emphasis must be placed on building upon demand driven solutions, and it is crucial to gauge the views of owners and managers on training, especially in devising solutions to meet small firm needs.

### Aims and Objectives

- to assist the protection and creation of jobs by ensuring all employees have the skills required for raising productivity in their company
- to ensure that the development of entrepreneurship and management skills alongside information technology capabilities are a priority among businesses in the region
- to encourage and assist firms to develop their own training strategy
- to provide specific skills training in innovation, marketing, particularly internationalisation and exporting, which is seen as vital to improving the competitiveness of firms within the region

## **Measure 6: Provision of sites, premises and improvements to the built environment**

3.12 There is a shortage of the large strategic sites and high quality sites and premises crucial to encouraging a more diverse range of businesses, especially for firms in some of the newer industries and the service sector which bring higher income levels. In parts of the area a poor urban environment provides a further disincentive for investment.

The direct provision of sites, premises and urban renewal has predominantly been undertaken by the public sector. Within the programme it is intended that the private sector play a full partnership role, alongside the major Utilities providers and the public sector in establishing a network of key strategic sites throughout the area. New developments will be expected to meet high environmental standards and to include full provision of childcare facilities.

## Aims and Objectives

- to provide a wide range of serviced sites and premises to support the formation and development of local businesses and attract new investment to the area; with these sites and premises incorporating the most modern environmentally friendly technologies and techniques
- to increase and widen the range of employment opportunities and remove barriers that inhibit start up companies and employment opportunities;
- to assess the future and potential demands and opportunities for land reclamation and the balance between brownfield and greenfield sites, encouraging R&D into reclamation techniques
- to improve the business environment in urban centres and market towns and villages

## **PRIORITY 2 – DEVELOPING A COMPETITIVE ENVIRONMENT**

### **Description and rationale\_**

3.13 The aim of this priority is to overcome the barriers to economic prosperity and quality of life associated with accessibility, transport, telecommunications, energy and environmental management. The region must be able to play a full part in the economic advancement of Wales by creating better access to UK, European and global markets. The measures will aim to support Local Agenda 21 objectives and will take into consideration European TENs projects.

3.14 Developing the region's infrastructure will be an initial priority for the programme. However, infrastructure expenditure will only take place where it is necessary to ensure the success of the SPD and where economic benefits can be clearly demonstrated.

3.15 The Priority consists of 5 Measures (all ERDF):

- Measure 1: Accessibility & Transport
- Measure 2: Telecommunications
- Measure 3: Energy Infrastructure and clean energy sector developments
- Measure 4 Environmental improvement
- Measure 5: Tourism Infrastructure

### **Measure 1: Accessibility and Transport**

3.16 The transport network in the region has shortcomings that limit its capacity and intermodality. The aim of this Measure is to develop an efficient, integrated transportation system that will facilitate the movement of people and goods in a sustainable manner and combat peripherality. Transport links promoting the integrity and coherence of the regional economy will be favoured. Activities will also seek to widen access to transport facilities for all, including women and the disabled.

To maximise use of limited resources, any schemes supported under this Measure must be able to



demonstrate adequately local economic benefits in terms of reducing peripherality and inaccessibility problems within the region. Priority will be given to investments which are compatible with sustainable development aims.

### Aims and Objectives

- To improve access to and facilities for intermodal transfer for people and goods and promote integrated information and ticketing services.
- To develop core routes and nodes in the region to improve its competitive situation and reduce peripherality.
- To make best use and extend life of the existing highway and railway networks, including overcoming capacity constraints and making appropriate provision for buses, bicycles and pedestrians.
- To extend and enhance highway and railway networks to complete core routes, provide access to development areas and sub regional links to the core network.
- To ensure that associated telematics networks are used for the maximum development of the regional economy

### **Measure 2 : Telecommunications**

3.17 Digital technologies provide the nerve system of new economies driven by huge and continuing advances in our ability to collect, store, retrieve, analyse and communicate vast quantities of information in a short time. Access to these networks will be affected by a wide range of factors including income and geography. The provision of a comprehensive and broadband telecommunications infrastructure can provide a foundation for combating the problems caused by peripherality for many businesses, learning institutions and community groups in the region.

Provision will need in some cases to be encouraged by public sector support to ensure that every business, learning and training facility in the region has good access to the international ICT super-highway.

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### Aims and Objectives

- To install leading edge technology within the telecommunications network to provide two-way broadband communications and effectively a high speed Internet backbone to all parts of the region
- To ensure that access charges do not inhibit use of this network by individuals or the private or public sectors
- To increase the availability of public access points served by high-bandwidth connections
- To design, develop and promote zones with advanced telecommunications infrastructure and related technologies i.e. 'Digital Zones'
- [to provide an e mail address for all??]

### **Measure 3. Energy Infrastructure and Clean Energy Sector Developments**

3.18 An affordable and very reliable supply of energy is a basic human and business need. In addition energy production is a major economic driver in its own right and one which must increasingly take into account environmental concerns, In the context of sustainable development, improvements to the region's energy infrastructure and increasing the production of clean energy (through renewables etc) would produce significant economic, environmental, social and community benefits. The geography and demography of the region inhibits private sector infrastructure investment and clean energy production and associated sector developments require initial pump priming before they can achieve commercial success.

#### Aims and Objectives

- To ensure the energy infrastructure is strong enough to meet the regions economic needs
- To increase the proportion of clean energy produced in the region
- To facilitate community renewable energy initiatives
- To stimulate further energy conservation and energy efficiency efforts in all sectors
- To facilitate the development of major energy parks
- To create a strong environmental goods (including clean energy project supply chains) and services sector

### **Measure 4: Environmental Improvement**

3.19 There is a need to support the sustainable environmental development of those parts of West Wales & the Valleys blighted with derelict land and minewater pollution through selective reclamation and remediation works. In addition the contribution to sustainable development by encouraging the growth of environmentally focused industries involved in the better management of waste and water would increase the efficiency of industry and reduce dependency on land filling of waste. Waste and pollution can also be reduced by the provision of local renewable energy supplies, especially in areas isolated from mainstream provision.

#### Aims and Objectives

- To reclaim derelict land for employment use & remediation of mines to limit pollution. To provide adequate water to permit appropriate business and tourism development
- To secure more efficient collection and use of water for industry, agriculture and householders, ensuring water transmissions systems are water tight
- To develop better management of waste through reuse, recycling and energy recovery and generate new business and additional jobs in waste management and pollution control
- To secure environmental improvements within companies and management strategies for waste, energy and water management within businesses
- To promote the use of renewable energy supplies to "fill in" gaps in current network provision.

(To encourage the installation and use of local high efficiency and clean electricity production plants)

## **Measure 5: Tourism Infrastructure**

3.20 Specific high profile tourist investments have the ability to act as a magnet for other investments in an area, attract larger volumes of visitors and provide associated benefits for other businesses, especially those in the tourist industry, in the same area. The presence of high profile attractions also makes marketing and promotion of an area easier.

It will be important that such investments are not wasteful in their use of natural resources and that such investments are strategically sited to avoid risk of displacement.

### Aims and Objectives

- To provide clear foci and attractions for tourism in particular areas.
- To maximise the benefits arising from opportunities in niche tourism markets
- To optimise the benefits of the quality of the natural environment in many parts of west Wales and the Valleys
- To provide flagship initiatives which could stimulate local economic and social regeneration projects.
- To ease booking access to facilities (and stimulation of other ICT best practices)

## **PRIORITY 3 - COMMUNITY REGENERATION**

### **Description and Rationale**

3.21 Community regeneration is the process of renewing the social, economic, environmental and cultural vitality of an area. Its aim is to create "better communities" – communities where people want to live, work and play, where there is access to economic opportunity and reward, a pleasant and safe environment and active and inclusive social community networks. Action is needed to revitalise communities suffering from poverty, isolation and a poor quality physical environment. Actions will focus on the needs of communities suffering from specific problems of peripherality, deprivation or both.

The active involvement of people in deprived communities brings fundamental benefits, and can effect positive change in very difficult circumstances. Active community participation can serve to strengthen social cohesion, develop community networks and build the ability of a community to be enterprising, to find local solutions to local needs and issues, and to adapt to change. It can also improve the perceptions of where people live, and develop a sense of belonging and involvement. In many cases regeneration initiatives must include physical regeneration to improve the fabric of an area and activities that break down barriers and encourage the integration of marginalised groups in community life. A major cause of exclusion from mainstream economic and social activity is the very high levels of poor health and sickness which are prevalent in the more deprived areas and communities. Action to promote rehabilitation, healthier lifestyles and access to worthwhile employment must be encouraged.

### Aims and Objectives

- To build the capacity of people and communities to participate in community activities, bilingually where appropriate, and to contribute to and benefit from regeneration;
- To support community led initiatives which contribute to social and economic development
- To support the expansion of organisations operating in the social economy.

To achieve this, three Measures are proposed:

Measure 1: Community Capacity Building (ESF)

Measure 2: Community Led Initiatives (ERDF)

Measure 3: Support for the Creation and Development of Businesses in the Social Economy (ERDF)

### **Measure 1: Community Capacity Building**

3.22 This Measure will build the capacity of individuals and groups to enable them to make the fullest contribution to regeneration; and develop the capacity of all relevant agencies and interests – public and private – to achieve and sustain effective joint working with each other and with local communities in partnership.

#### Aims and Objectives;

- To equip people and community organisations with the skills, confidence and back-up resources to develop and sustain equal partnerships with statutory agencies in their areas.
- To equip agencies to work with communities and partnerships to place communities at the centre of regeneration initiatives

### **Measure 2: Community led initiatives**

3.23 This measure will aim to increase participation in community life and activities, help to establish and expand community led initiatives and to maximise their contribution to economic, social, environmental and cultural regeneration. A "bottom-up" community approach is the key to economic, social and environmental regeneration and renewal. People in communities can develop their own responses to the needs that they identify and, working as equal partners with other agencies and local businesses, can make a real contribution to the design and implementation of regeneration strategies and projects, and to their long-term sustainability. The fruits of those strategies – whether they are physical and environmental improvements, new buildings, services or facilities, or improved business facilities – are better used, better cared for and better maintained.

## Aims and Objectives;

- To support community led initiatives which help address local economic, social or environmental problems
- To support community led projects which help improve local physical environment and provide openings for future economic development
- To support community led projects which widen access to mainstream services in marginalised communities

## **Measure 3: Support for the Creation and Development of Businesses in the Social Economy**

3.24 The social economy is the third economic sector – alongside the public and private sectors – and a growing contributor to the development of the economy. Businesses in the sector contribute directly to employment and economic growth, and provide services of social or environmental significance. The sector is important in economic terms because active promotion of and participation in its activities can lead to a higher skills base, new employment opportunities, and improved and more local services. Social economy organisations are key players in marginalised communities, and are small but significant SMEs in their own right. They are often best placed to be direct providers of a range of services, involving local people in providing local solutions.

There is a need to recognise and raise awareness about the contribution that social economy organisations are making to local communities; to stimulate and encourage their creation and expansion; and to increase their access to advice, financial assistance and institutions; and to connect their activities with mainstream agendas.

## Aims and Objectives

- To develop new businesses within the social economy;
- To encourage sustainable growth in employment and income among businesses within the social economy
- To provide business advice for social economy organisations that increase employment or provide economic benefits;
- To provide access to risk/venture capital, loan guarantees, start-up grants, pump-priming and funding for organisational infrastructure.

## **PRIORITY 4 - PROMOTING EMPLOYABILITY AND THE DEVELOPMENT OF A LEARNING SOCIETY**

### **Description and Rationale**

3.25 The relative levels of poverty that afflict much of West Wales and the Valleys are in part due to high levels of economic inactivity and the failure to develop a range of basic, higher level and generic skills among many of those in the workforce. A comprehensive approach to human resource development across the region is needed both to tackle economic inactivity and help people back into work and to support efforts to raise productivity and entrepreneurial behaviour in the region. Development of the requisite skills and attitudes are a critical pre-requisite for meeting the economic development objectives in other priorities of this strategy.

3.26 Economic inactivity is often a result of a wide range of problems which are experienced by excluded groups in society. Furthermore many more people (including a disproportionate number of women and ethnic minorities) are trapped in low paid employment which offers no realistic opportunity or prospect for career development. This is often a consequence of the fact that for too many people opportunities for skills development and career advancement stall at 16 or later. Targeted measures are required to help women, the disabled and ethnic minorities to overcome barriers to participation in the labour market and accessing learning opportunities. In order to help generate good quality jobs, encourage entrepreneurship and raise incomes and GDP levels, one of the key development needs for the economy of West Wales and the Valleys is to raise education and skills levels and to develop widespread opportunities for on-going learning at all necessary levels. Activities will also need to focus strongly on tackling the problems of high levels of economic inactivity, especially prevalent among middle aged men, which are widespread in the region, especially in the Valleys.

3.27 This Priority will encourage increased and wider access to participation in higher quality education, training and employment by actions which:

1. Re-integrate long term economically inactive people into the labour market and seek to prevent long term unemployment among disadvantaged groups including ethnic minorities, the disabled and educational underachievers living in areas of enduring high unemployment
2. Support the transition of young people from full time education to the labour market and promote the development of an entrepreneurial culture.
3. Support the integration of returnees to the labour market
4. Develop adaptability and employability in the workforce by raising the level of skills and support the transition of low-skilled, low paid workers into better employment prospects.
5. Improve access to learning opportunities especially in peripheral areas, including through taking full advantage of ICT developments.
6. Support the development of skills that will underpin higher levels of economic performance.
7. Promote the access of women to employment and educational opportunities

To achieve this six Measures are proposed:

Measure 1: Developing active labour market measures (ESF)

Measure 2: Promoting Social Inclusion (ESF)

Measure 3: Developing Education and Training systems as part of a lifelong learning policy (ESF)

Measure 4: Widening access to learning (ERDF)

Measure 5: Promoting a skilled and adaptable workforce (ESF)

Measure 6: Improving the participation of women in the labour market (ESF)

### **Measure 1: Developing Active Labour Market Measures**

3.28 To improve the rates of participation in the labour market, and to provide employers with a skilled workforce, more attention needs to be given to equipping people with good employability skills, in particular those groups within society who face long term exclusion from both employment and learning opportunities. For some, such as the severely disabled and people with problems of substance dependency, these periods of exclusion may become permanent without targeted support. For others, exclusion may follow continued low attainment in formal education. The largest group however remain those from manual backgrounds who face "skills redundancy" and become inactive from middle age. It must be clearly recognised that different groups of people often have particular needs, and provision must be designed to ensure supported access to employment, learning and training.

Activity under this measure should be delivered as close as possible to the beneficiaries' communities and through methods of delivery tailored to their needs.

#### Aims and Objectives:

To support the re-integration of the long term economically inactive into the labour market

To assist the transition of young people from education to work

To provide specific support for disabled people seeking to enter the labour market

### **Measure 2: Promoting Social Inclusion.**

3.29 Positive action is necessary to provide equality in training, employment, cultural and voluntary opportunities to support people whose circumstances or other problems prevent them from easily

accessing mainstream employment and training.

The nature of the action will depend critically on the specific problems faced by particular groups and may require the provision of intermediate labour market measures to help people take first steps towards developing the skills and confidence to seek employment. People with disabilities, people from ethnic minorities who have faced consistent patterns of discrimination and those with histories of substance abuse are likely to require tailored programmes under this measure.

#### Aims and Objectives;

To improve the abilities of targeted groups to;

- engage in personal development and learning – both formal and informal;
- enter employment and training;
- access employment advice or paid/ unpaid work opportunities;
- access formal and informal training opportunities related to employability.
- To develop new ways of engaging young people at risk of disaffection, or actually disaffected (pre or post 16) with activities promoting good citizenship, learning and employability

### **Measure 3: Developing Education and Training Systems as part of a lifelong learning policy**

3.30 The development of a sustainable culture of lifelong learning is a key element in the social and economic transformation of West Wales and the Valleys. It is essential to both economic and personal empowerment and development. For many people such a development requires a change in their attitudes to learning and personal aspirations and motivation.

This will require the provision of co-ordinated systems of delivery which are simple to access and allow clear progression through the different elements of lifelong learning. Provision of clear and appropriate advice is also crucial to support groups who have not traditionally accessed lifelong learning opportunities including ethnic minorities and men from manual working backgrounds.

#### Aims and Objectives

- To deliver quality guidance and support tailored to the needs of particular learners;
- To develop better integration between different methods of delivery and particular points of transition;
- To improve planning and delivery structures for lifelong learning and develop the capacity of a range of bodies including libraries and scientific and environmental organisations to contribute to raising standards and achievement
- To develop a coherent credit based qualifications framework for the region
- To upgrade the capabilities of practitioners to deliver lifelong learning opportunities to all

### **Measure 4: Widening access to learning**



3.31 Widening accessibility to learning requires the provision of specific methods of delivery which will ease accessibility to learning opportunities for all groups and individuals, particularly those who have faced exclusion from learning in the past, and to ensure that learning is delivered flexibly and cost effectively through:

- informal and formal learning in the community,
- remote and distance learning including ICT facilitated learning
- learning partnerships at work;

Provision will need to be sensitive to the needs of learners from a range of backgrounds, be accessible to disabled people and ensure childcare facilities are available.

#### Aims and Objectives:

- To promote learning opportunities in areas suffering from peripherality
- To develop a range of flexible delivery media for learning
- To develop outreach learning opportunities in areas with low participation rates
- To upgrade learning and teaching facilities to widen access to learners from non-traditional backgrounds.

### **Measure 5: Promoting a skilled, trained and adaptable workforce**

3.32 One of the core aims of the lifelong learning strategy in Wales is to promote the development of skills which will raise levels of economic prosperity. These must include higher level generic skills as well as specific work-related skills identified by particular industries, whereby individuals are increasingly able to take advantage of opportunities provided by their enhanced skills.

The programme should also promote the development of a culture of entrepreneurship through in learning institutions to encourage young people to consider self-employment as a career option. Delivery arrangements should take account of the particular needs of women and people with disabilities.

#### Aims and objectives:

- To increase, develop and support lifelong learning initiatives in communities and workplaces,
- To promote and deliver high level skills and adaptability in the workplace and for those about to enter it.

- Development of transferable skills among employees at all levels

## **Measure 6: Improving the participation of women in the labour market**

3.33 Ensuring equal access to employment and learning for women is fundamental to tackling poverty and inequality in the region. Women often face multiple barriers to their participation in the workforce. Their ability to develop skills throughout life is often hindered by attitudinal barriers and lack of support structures, including childcare. Women with disabilities and from many ethnic minority groups face additional, if similar, hurdles.

The establishment of good quality childcare facilities, which are accessible and affordable, is an essential element in the Strategy to create the economic infrastructure necessary to support a diverse and job-creation economy. Lack of existing facilities present an effective barrier to securing equality of opportunity and increased economic activity at different levels within the economy. At the individual level, the inadequacy of childcare facilities limits participation in training and education and, ultimately, is a serious barrier to securing employment and economic independence. The resulting impact on activity rates is, in turn, reflected in the region's low GDP levels.

Attitudinal barriers prevent women from accessing the full range of available job and training opportunities, too often leaving them "ghettoised" in low wage part time employment which restricts earnings potential and them making a full participation in wider economic life. [ this measure is also linked to those in priority 1 providing business support; all those measures will address the specific needs of women entrepreneurs].

### Objectives

- To increase the level, accessibility, affordability and range of provision of childcare facilities in the community and at the workplace.
- To improve access to training, education and employment opportunities.
- To improve regional competitiveness through a more efficient labour market.
- To promote measures to balance work and home responsibilities
- To reduce job segregation

## **PRIORITY 5 : THE SUSTAINABLE USE OF NATURAL RESOURCES**

### **Description and Rationale**

3.34 Large parts of the region's economy are based on the utilisation of natural resources. The long term economic viability of industries, communities and environments which utilise natural resources is based on that use becoming economically and ecologically sustainable.

Achieving sustainable use of natural resources will mean:-

- earnings on a par with Wales average in resource based industries (which itself will be nearer to UK average);
- increase in GDP and employment opportunities in these industries ;
- net improvements to the quantity and quality of natural habitats in Wales;
- improved resource efficiency, leading to fewer pollution problems.
- energy use within local communities including support for small scale community renewable energy schemes, energy conservation , energy crops(including use of forestry wastes), composting;
- high quality farmland, forestry and freshwater habitats, supporting and enhancing the associated bio-diversity;
- enhanced opportunities for people to gain access to, interpret and understand the countryside as a living environment.

This Priority will be implemented in tandem with a complex mosaic of domestic and European policies including the Common Agricultural Policy, the Common Fisheries Policy, and the all-Wales Rural Development Plan (including the EAGGF accompanying measures). In the rural context it is vital to recognise the separation between economic, community and environmental interests are artificial and must be minimised. Previous experience and all good practice points to the need for an integrated approach in delivering these measures.

## **Aims and Objectives**

3.35 The aim is to create areas which are sustainable in terms of:-

- **people** in that not only the age balance allows natural regeneration, but that also young people want to, and are able to stay, or return, and that all people have an equal opportunity to participate creatively;
- **competitiveness** in that the range of economic action by companies, individuals, groups, communities, and organisations allows equality of competition;
- **environment** in that conserving, enhancing and managing the built and natural resources are integral and creative elements in the design and delivery of all policy areas;
- **society/culture** in that the particular nature of social, cultural and linguistic life in rural Wales can not only be maintained but also developed as a positive force in its own right.

3.36 Three Measures have been identified to implement this Priority:

Measure 1: Managing Agricultural Change and Forestry Development

(EAGGF)

Measure 2: Enhancement and Protection of the Natural Environment

and Countryside Management (EAGGF)

Measure 3: Support for Fisheries and Aquaculture (FIFG)

### **Measure 1: Managing Agricultural Change and Forestry Development**

3.37 Agriculture in the Objective 1 area:-

- is under intense pressure economically.;
- has a central role to play in conserving the environment and bio-diversity;
- is still extremely important to maintaining the social fabric and character of communities in the rural parts of the Objective 1 area.

Forestry and Woodland in the Objective 1 area:

- covers 12% of the land area of Wales and the forest industries support approximately 4,500 jobs.
- is under severe economic pressure.

### Aims and Objectives

3.38 Sustainability is the central policy concept for the future of Welsh agriculture in the Objective 1 area. The aims and objectives will be to:-

- develop added-value processing of primary produce in the rural parts of the Objective 1 area, through grant support for investment and marketing, focused business advisory services, and

expert support for product development and innovation;

- support the development of collaborative initiatives among farmers to market their produce, and invest in processing or co-operate with processors;
- help farmers to improve the quality of their production to meet market demand;
- help Welsh agriculture and land-use become more sustainable environmentally and ecologically; and
- help farming to adapt, by ensuring that targeted research and development is undertaken and effective technology transfer, training, information and advisory services are available to farmers to help them adopt best agricultural practice, manage their businesses more effectively and take sensible commercial decisions on how to develop or diversify, and by ensuring that information, advisory and counselling services are available to farming families more generally to help them take informed decisions about their future.
- explore the opportunities associated with energy crops and other energy biomass developments

Complementary action will be supported under the accompany measures of the Rural Development Regulation.

## **Measure 2 - Enhancement and Protection of the Natural Environment**

### **and Countryside Management**

3.39 The natural environment is one of the area's major assets and has a major impact on the perceived quality of life for native, consumer, tourist and investor. Therefore protection and enhancement of the environment are important in terms of securing long-term sustainability and supporting economic development. West Wales and the Valleys has a valuable wildlife resource of species and habitats, varied and attractive landscapes and a network of paths commons and National Parks for quiet recreation and enjoyment of the countryside. Over 60% of the Welsh coastal waters are subject to European conservation designations, and the coast supports internationally important populations of seabirds.

It will be appropriate therefore that those working in the countryside have access to resources to allow them to promote environmentally sustainable management of land where this sustains and creates local jobs. However there are still many pressures on the natural environment affecting the quality of air, water and bio-diversity in the countryside and coast. Reversing these pressures in ways which contribute to the economy of the area is a key challenge.

### Aims and Objectives

- improved management of countryside access to protect the environment and promote the enjoyment, awareness and interest of the public
- to encourage a greater degree of integration in land use management ;
- to develop appropriate recreational opportunities and facilities in both rural and urban areas for the benefit of all.
- To reduce and manage sustainable waste generated in the countryside and coast
- sustainable use of the coast's resources for economic, environmental, and social benefit and to enhance the quality of the coastal environment and the wildlife it supports

### **Measure 3: Support for Fisheries and Aquaculture**

3.40 The coastal areas dependent on the fishing areas are particularly characterised by low output and earnings, with high underemployment, low female activity rates, and a decline in some traditional industries. It is estimated that about 1,000 full-time and about 300 part-time fishermen are employed in the area with a further 840 onshore workers. (CHECK THIS) The industry is making a significant contribution to the social and economic fabric of the more remote parts of the area by helping to retain population and diversify the economic base in areas where there are few opportunities for alternative employment. The shellfish industry is also important in the area and accounts for about 5% of UK recorded landings. Major developments have also taken place in the development of aquaculture in recent years and there are many opportunities for the further development in this area of activity.

#### Aims and Objectives

- to assist the local fishing industry to diversify into wider range of activities within the fishing industry
- to provide financial investment in aquaculture of sea fish to encourage efficiency and cost-effectiveness
- to promote sustainable methods of harvesting fish and other coastal and estuaries species
- to support the development of inland fisheries
- to support projects in the fish processing industry which add value to species both from fishing and aquaculture

# **ANNEX 1 - ANALYSIS OF THE CURRENT SITUATION IN WEST WALES AND THE VALLEYS**

## **1. Overall Economic Performance**

**Note - analysis below to be completed on a NUTS II basis, but the basic story is likely to be the same**

**[Analysis of Gross Value Added per head at NUTS I and NUTS II level also comparisons of UK and EU data]**

### **1.1 Total Output**

GDP is a robust indicator of the value of output in a defined geographic area and a reasonable first approximation to living standards (as long as there is not a high degree of in and out commuting).

Since 1971 (when the official regional series begins) Wales' total GDP has moved broadly in line with UK total GDP. Although GDP did grow exceptionally fast (6% plus) in the late 1980s, when some commentators talked of a Welsh economic miracle, over the complete cycle 1979-1989 Welsh performance was almost identical to the UK's. And in the most recent, post-1989, cycle Welsh performance seems to have fallen well short of UK performance. [In comparison, the GDP for West Wales and the Valleys.... ]

Overall growth has therefore been at or below UK average. But Wales was starting from a below UK average position (Chart 4). The most recent figures (1997) shows Welsh GDP per head at only 82% of the UK average - still comfortably the lowest in GB and now only just above Northern Ireland. However, West Wales and the Valleys has a GDP per head at just 73% of the UK average. Even this hides pockets of severe deprivation, with the Central Valleys having a GDP per head of only 64% of the UK average, and the Isle of Anglesey only 68% of the UK average.

### **1.2 Why is GDP so low?**

[Analysis of GVA per person in West Wales and the Valleys]

GDP per head in West Wales and the Valleys could be low relative to the UK for a variety of reasons, but the immediate causes can be expressed as some combination of a smaller proportion of the Welsh population working, or lower productivity of the Welsh workforce (which might in turn reflect Welsh investment, innovation and entrepreneurship performance).

These issues can be approached by calculating not just GDP per head, but also GDP per head of population of working age, GDP per head of workforce and GDP per head of workforce in employment (ie productivity) - the chart below presents these estimates since 1971.

GDP per head of population of working age has become a little closer to the UK average than GDP per head. This reflects the fact that Wales has a rather more elderly population than the UK as a whole. However this fact on its own is not enough to account for the gap in GDP per head.

A more dramatic convergence to the UK is shown by the comparison with GDP per head of the workforce - which is typically about 95 per cent of the UK average. What this reflects is the high levels of **inactivity** of the working age population in Wales. Moreover the comparison of GDP per head of workforce with GDP per head of workforce in employment shows that in recent years very little of the GDP per head gap is explained by higher Welsh unemployment (which was, however, significant in the 1980s recession). Therefore a major proximate explanation of Wales' low relative GDP per head is simply that the workforce is relatively small because of the relatively high levels not of unemployment, but of **inactivity**.

Finally GDP per person employed in Wales is (usually) below the UK average, and there appears to be some tendency for the gap to be widening (though the series is quite volatile). A breakdown of GDP (value-added) by sector shows that Wales has above average UK productivity in manufacturing (even excluding steel), but significantly below in the important private services sector, notably in financial and business services.

The same situation can be looked at from another angle, which also proves illuminating. Wales low GDP per head is partly because people earn less (productivity etc) and partly because fewer people earn at all (inactivity and unemployment). Welsh average earnings are lower than any other region of Great Britain apart from the North East, at about 89 per cent of the British level. The main problem seems to be job mix - Wales has a smaller proportion of the higher paid jobs. This is illustrated both by the fact that there is very little gap between British and Welsh earnings for manual males and the low productivity in financial and business services which, because of the way productivity tends to be measured in services, mainly reflects the relative absence of the higher paid occupations in these areas. [This reasoning also holds for West Wales and the Valleys, where....]

The read-across from earnings to GDP is not quite complete because GDP consists of more than income from employment and self-employment - notably profits and rents. Wales in fact is estimated to have a larger share of profits and rents in GDP than the UK as a whole.

## **2 ECONOMIC OUTPUT AND COMPETITIVENESS**

**[Need to do analysis of other sectors apart from manufacturing and agriculture especially public sector and to put in competitiveness and RTD]**

### **2.1 Industrial Structure**

The industrial structure of West Wales and the Valleys differs substantially between the former



industrial valleys of South Wales and the more rural areas of western Wales. Nevertheless some broad trends do emerge. Manufacturing accounts for 22.5% of employment in the West Wales and the Valleys area, in line with the Welsh average. The Objective 1 area contains almost 60% of Welsh manufacturing employment. However, this hides a wide variation amongst the constituent unitary authority areas, with a distinction needing to be made between the industrial and rural areas of West Wales and the Valleys. As such, manufacturing employment ranges from 5.3% in Conwy to 42.9% in Blaenau Gwent. In some of the industrial parts of the area, employment in manufacturing is much higher than the UK average.

In terms of geographical location, with the exception of Anglesey, the highest proportions of manufacturing employment are found in the south Wales valleys, where the proportions range from 24.6% in Merthyr Tydfil to 42.9% in Blaenau Gwent. In contrast in the remainder of the region the proportions are much less and range from 5.3% in Conwy to 14.2% in Carmarthenshire.

There has been a decline in manufacturing over the past fifteen years which has hidden trends within the sector. The recent Future Skills Wales Survey has noted the impact of foreign direct investment in terms of manufacturing employment which has had the effect of increasing the electronic, automotive and optical industries while the more traditional metal and engineering industries have been in decline. On an all Wales basis the level of manufacturing jobs is likely to continue to decline, but at a much lower rate than is the case in the rest of the UK. In rural West Wales however the situation is rather different. Here manufacturing is of relatively less importance - accounting for only 9% of all employees in Ceredigion for instance. The public sector is of much greater importance - in Pembrokeshire 35% of all employees work in public administration, defence, education, health and social work; in Ceredigion the figure is 38%. In Neath Port Talbot in comparison the figure is just 24%.

**2.2 SME Formation and Entrepreneurship**

Data are available from the DTI SME Statistics Unit, at Unitary Authority Level, on the number of enterprises registering for VAT by area, and the rate per 10,000 of the resident adult population. These data are available at comparative level for Wales, England and the United Kingdom, and show that the Central Valleys area of West Wales and the Valleys is suffering from business formation rates of around half the comparable United Kingdom figures.

Number of enterprises registering for VAT and Rate per 10,000 of the Resident Adult Population

Number Rate

1994 1995 1996 1997 1997

Rural areas

Anglesey 130 100 135 135 25

Carmarthenshire 415 415 400 400 29

Ceredigion 175 190 200 200 35

Conwy 255 240 260 220 24

Denbighshire 235 205 195 245 33

Gwynedd 285 290 270 255 27

Pembrokeshire 265 285 295 330 37

Industrial areas

Blaenau Gwent 95 105 95 70 12

Bridgend 250 200 250 270 26

Caerphilly 270 240 260 265 20

Merthyr Tydfil 85 75 90 100 22

Neath Port Talbot 215 220 240 205 19

Rhondda Cynon Taff 370 360 295 375 20

Swansea 440 440 425 420 23

Torfaen 140 150 155 155 22

Objective 1 Area 3,625 3,515 3,565 3,645 25

Wales 6280 5985 6105 6240 27

England 147190 143165 147105 160200 41

United Kingdom 168240 163960 168200 182570 39

Source: Business start-ups and Closures: VAT Registrations and De-Registrations 1980-97 DTI SME Statistics Unit

Table 7.1

A separate measure of the lower levels of entrepreneurship in Wales is to consider the rate of employment in Welsh owned companies per 1,000 of the resident adult population. This is not directly available, but an indirect measure is available, using the Welsh Register of Manufacturing Employment (WRME) which records employment in all manufacturing plants employing more than 10 people. Using

these employment data, it is possible to see the employment rate in Welsh owned SME manufacturing plants per 1,000 of the resident adult population (SMEs being defined as employing less than 250 people). This highlights the differences in the size of manufacturing plants between the industrial and rural areas, and the relative importance of manufacturing in the industrial parts of West Wales and the Valleys.

Employment rate in Welsh owned SME manufacturing plants (a) per 1,000 of the resident adult population

1994 1995 1996 1997 1998

Rural Areas

Anglesey 5 6 7 9 11

Carmarthenshire 16 18 20 19 18

Ceredigion 9 9 10 9 11

Conwy 9 7 7 7 7

Denbighshire 13 16 17 18 17

Gwynedd 14 15 17 18 18

Pembrokeshire 8 8 11 10 11

Industrial Areas

Blaenau Gwent 34 37 30 38 30

Bridgend 29 26 25 27 27

Caerphilly 21 22 21 22 21

Merthyr Tydfil 29 20 25 27 25

Neath Port Talbot 26 25 24 28 29

Rhondda Cynon Taff 27 24 23 24 24

Swansea 13 12 10 11 10

Torfaen 34 36 36 40 33

Source: Welsh Register of Manufacturing Employment

(a) plants employing 11 or more people

Developing the skills and attitudes to allow the region to compete as a modern advanced economy and to develop an entrepreneurial spirit in all sectors of the economy and society is critical to over coming the twin challenges of deprivation and peripherality which characterise much of the region.

## **2.3 Agriculture**

There is a long-run trend for total income from farming in Wales to decline, both in real terms and as a share of Gross Domestic Product (GDP) (see chart below).

This is a common feature of developed economies. As people's incomes rise, they generally devote a decreasing proportion to food. In addition, technological developments reduce the costs of producing agricultural products - and in particular the amount of labour required. The result is a decline in the relative price of agricultural products, and in total income from farming.

Income from farming is volatile, reflecting both the fact that it incorporates an element of profit, and agriculture's susceptibility to changes in the exchange rate and in natural factors. This makes it unwise to place great emphasis on short run movements.

However, the agricultural sector is still important in the rural areas of West Wales and the Valleys area. Over 38,300 workers are directly employed in agriculture in West Wales and the Valleys, with over half of these employed in Carmarthenshire, Pembrokeshire and Gwynedd. A recent study by the Welsh Institute for Rural Studies on HLCA policy in the Welsh LFA estimated an employment multiplier of around 1.4. This would suggest around an extra 15,000 people could be employed indirectly in agriculture in West Wales and the Valleys.

The difficulties of the agricultural sector has made life increasingly difficult for many of the rural population. The sector as a whole has been declining for many years, but a combination of recent negative developments have created extreme hardship within the industry. These can be summarised as:

- high value of sterling against other currencies
- the export ban on British beef
- increased beef imports which have depressed domestic prices
- decreasing lamb and cattle prices

- decreasing milk prices and increasing collection costs
- a significant reduction in subsidies under the Common Agricultural Policy

As a direct result of these developments, employment has declined with more farms/businesses being run on a part-time basis. In addition to employment decline, the average age of individuals working within the industry is increasing. This continual trend (over the last 15 years) has created a sector with a much older workforce than other occupational sectors. Overall, while the economic importance of agriculture in West Wales and the Valleys has been falling over time, it remains important in specific areas of West Wales especially. However, it will continue to be the predominant land-use and provides benefits beyond its economic value to GDP in West Wales and the Valleys, especially in environmental and social objectives. The landscape of West Wales and the Valleys - one of its key assets - is the product of current and past patterns of agriculture, and as such agriculture will continue to play a key role in maintaining this environment.

## **2.4 Tourism**

Tourism is an important element in the economy of West Wales and the Valleys, and provides a key source of income and employment, particularly in coastal and rural areas. It also offers an alternative source of income in areas which have been subject to major restructuring. The industry provides a large number of jobs. However, employment is subject to seasonality and low pay levels, which mitigate against tourism as a choice of career except for the very few. Tourism visitor expenditure to Wales is estimated from the United Kingdom Tourism Survey at over £1.1 billion per annum, or about 4% of Welsh GDP. Employment in tourist related industries in West Wales and the Valleys (which includes all hotels, pubs, restaurants and other leisure activities) is around 8% of all employment. In parts of West Wales and the Valleys this rises to over 20%. Nevertheless, the tourism industry itself is undergoing structural change which is likely to continue into the future.

Although there are moves to encourage the shift to growth markets like short stay domestic visitors much of the industry (resorts in particular) still cater for traditional family, main holiday markets which are in decline. Business related tourism and day visitor tourism is becoming more important, which can help to reduce seasonality. However, due to the peripherality of the region, it is difficult to encourage day visitors far beyond the accessible regions close to the main east-west road links along the north and south coasts. As such, it is difficult to open up the more traditional and culturally distinct areas of West and mid Wales to day visitors, many of whom would have to travel more than two hours to reach destinations.

Overseas holiday makers to the region are in the main sightseeing tourists looking for heritage, cultural tradition and landscape. Tourism is vital to the economy of West Wales and the Valleys. It helps to support the environment, communities and culture of the region. It provides support for local services and facilities which, without tourism patronage, would not be viable; and it boosts the image of the region creating a positive and distinctive

Tourism should also be seen as part of an economic empowerment strategy, focusing on raising the value added as a share of the total revenue from products produced in rural Wales. This objective cuts

across all rural policies, including tourism, agriculture, high value food production, environment, as well as transport and housing policies in rural Wales. There is a pressing requirement for an integrated policy framework covering rural development, as opposed to separate policy instruments operating independently for different aspects of rural life. It is impossible to separate the issues and to functionally divide policy responses. An integrated framework could take account of some of the mechanisms which operate in the rural economy across established policy lines.

### **3 Labour Market**

#### **Labour Supply**

##### **3.1 Demographics**

The total population of West Wales and the Valleys in 1997 was around 1.9 million (out of a total Welsh population of over 2.9 million). This population is also proportionally older than for Wales as a whole. The proportion of the West Wales and the Valleys area aged 55 and over is 28.7%, compared to 27.7% in Wales as a whole. The balance is in the 30-54 age group, where West Wales and the Valleys has a lower proportion of its population in this critical cohort compared to the overall Welsh population. The proportion in this older age group provides a measure of the changing age structure over the years. The other main component of population change is migration. While the balance of migration has been inward during the 1990s, both in Wales and in West Wales and the Valleys, there have been pockets of out-migration in parts of the Valleys and from Anglesey. By 2011, the total Welsh population is projected to be nearly 3 million and the proportion in the older age groups to have increased further.

In 1997, 1% of the Welsh population belonged to an ethnic minority [compared to x% in West Wales and the Valleys]. A much higher proportion of the population belonged to an ethnic minority in Great Britain (6.4%). Not surprisingly, the minority group proportions are lower than those of Great Britain for each minority group. The largest minority groups in Wales are the Pakistani and Chinese, which both account for around 0.3% of the total Welsh population [ WW&V comparison]. The relationship between the ethnic groups and economic development is considered in more detail below.

##### **3.2 Skills and Education levels**

A skills gap exists if there is a significant gap between the skills that employees have and those that their employers believe are needed to meet the firm's objectives. This seems to be more acute in Wales than in the rest of the United Kingdom with 20% of employers employing more than 25 employees in Wales mentioning it as a problem compared to 15% in the UK as a whole. This skills gap appears to be most acute in West Wales.[need to give WW & V comparison from Ecotec LMA].

Percentage of Employers mentioning a skills gap

UK Wales Mid North S-E West

Wales Wales Wales Wales

Yes 15 20 20 17 20 22

No 85 79 80 82 79 77

Don't Know - 1 - 1 1 1

Source: Future Skills Wales Table 4.2

There is little difference between the highest level of qualifications held by individuals in Wales and the United Kingdom as a whole, although more workers in Wales have no formal qualifications than in the UK as a whole [need a WW&V comparison]

Highest Qualifications obtained (%)

United Kingdom Wales West Wales

and the Valleys

Higher Degree/NVQ 5 3 3

Degree/NVQ 4 18 17

A level or equivalent 23 23

GCSE A-C or equivalent 23 23

GCSE D-G or equivalent 14 18

No formal qualifications 18 23

Source: Labour Force Survey, Spring 1998

The employer and residents survey in the Future Skills Wales project asked respondents to rank skills by their level of future importance. Those ranked "more important" by the most employers were basic IT skills, followed by understanding customers needs. Working residents tended to rank the different skills similarly to employers, although a much lower proportion of residents ranked literacy as more important.

The relative skills importance in the period 1998-2007 was considered by the authors of the Future Skills Wales project, based on forecasts of the change in occupational structure between 1998 and 2007. This suggested considerable change in the ranking of the most important skills. As such, there

will be a requirement to re-train the working population of West Wales and the Valleys in the skills requirements for the next decade and beyond.

Forecast Change in the Relative Importance of Particular Skills 1998-2007

Skills 1998 Ranking 2007 Ranking

Communication skills 1 3

Ability to follow instructions 2 6

Ability to learn 3 2

Understanding Customers Needs 4 1

Showing initiative 5 5

Team Working skills 6 4

Literacy 7 7

Numeracy 8 9

Problem Solving Skills 9 10

Product knowledge 10 8

Source: Future Skills Wales

### **3.3 Activity Rates**

#### **What explains high Welsh inactivity rates?**

Using Labour Force Survey data Welsh inactivity rates (of working age population) are some 5-6 percentage points higher than the GB average. This excess is largely explained by the much higher proportion of working age population who describe themselves as long-term sick - over 10 per cent of working age population in Wales, and roughly double the proportion of (ILO) unemployed, compared to about 6 per cent in Great Britain (where it is the same order of magnitude as unemployment). [In West Wales and the Valleys, inactivity rates are....]

Self-reported sickness, the main components of which are musculo-skeletal problems (arthritis, bad-backs etc), breathing problems (asthma, pneumoconiosis etc), heart problems and mental problems (especially depression), has been rising **across the UK** for over twenty years (see e.g. Census data, the General Household survey). And there has been a similar rise in the proportion of working age population claiming benefits related to long-term sickness, notably Invalidity Benefit and Incapacity



Benefit. The percentage increase in Wales has been no greater than elsewhere in Great Britain since 1980, but levels were high in Wales to start with, and the percentage gap has stayed fairly constant.

An alternative possibility seems more likely. There has been a combination of changes to the benefit system which have made long-term sickness benefits **relatively** (in absolute terms they are hardly generous) more attractive than unemployment related benefits, a fall in the rates of pay for the kind of unskilled work - which poorly-qualified entrants and re-entrants to the labour force can expect to earn and action by employers in a period when unskilled work was shrinking to shed first of all those who are most likely to take time off sick. This may have produced a situation where people with health problems who would have worked twenty years ago now cease to be economically active at all, not even seeking work and therefore not counting as unemployed.

Within this group middle-aged (45 plus) men with few qualifications from manual backgrounds are particularly over-represented. However the evidence suggests that the problem is by no means confined to a generation of ex-miners or steelworkers. Surveys of the inactive have reported a past history of jobs very similar to the overall pattern in Wales, with former service workers predominating among the inactive as they do in the working population. Concerns were expressed by the Group that, in certain areas, widespread worklessness had led to a situation where worklessness was regarded as normal and traditional exit routes, including education, were perceived as irrelevant.

It is possible that, with the right kind of support and incentives and provided suitable jobs were available, some of this large pool of inactive people could be brought back into the labour market.

## **4 Labour Demand**

### **4.1 Employment and Unemployment**

Data from the Annual Employment Survey for 1997 show that in total some 564,100 people are employed in the West Wales and the Valleys area. The table below shows the broad breakdown of this number:

**Table 2**

<b>Sector</b>	<b>West Wales and the Valleys (number)</b>	<b>West Wales and the Valleys (%)</b>	<b>Wales (%)</b>	<b>Great Britain (%)</b>
Agriculture & Fishing	1,900	0.3	2.8	1.7
Energy & Water	7,400	1.3	1.0	0.9
Manufacturing	126,800	22.5	21.7	17.8

Construction	23,900	4.2	4.7	4.3
Distribution, Hotels & Restaurants	117,800	20.9	21.1	22.5
Transport & Communications	21,100	3.7	4.3	5.8
Banking, Finance & Insurance etc	47,900	8.5	11.0	18.3
Public Administration, Education & Health	191,000	33.9	28.6	24.1
Other Services	26,300	4.7	4.8	4.7
<b>TOTAL</b>		<b>.0</b>	<b>100.0</b>	<b>100.0</b>

These figures do not include self-employed people, which causes the number engaged in some sectors (notably agriculture and fishing) to be understated. However the importance of public administration, education and health, manufacturing and distribution, hotels and restaurants in employment terms in West Wales and the Valleys is clearly illustrated.

A better measure of the importance of agricultural employment in West Wales and the Valleys can be seen from the annual Agricultural and Horticultural Census, which includes data on farmers partners and directors as well as other family workers, hired workers and seasonal or casual workers. This shows that there were over 38,300 workers (including spouses) in the agricultural sector in West Wales and the Valleys, 65% of the total agricultural workers in Wales.

On the traditional measure of unemployment - of people claiming unemployment-related benefits - (claimant count unemployment) - Wales has had unemployment rates at least a percentage point above UK levels for most of the last 80 years. However for a brief period during 1993 and 1994 the Welsh unemployment rate moved very close to, and even, in some months, below the UK rate. The alternative measure from the Labour Force Survey, of those who have looked and are available for work, shows a broadly similar picture. However, most attention has traditionally been focused on the unemployment rate, which almost certainly fails to reveal the full picture because people without jobs may not be openly unemployed and, the economically inactive - those without a job who are either (or both) not looking or not available for work - may include substantial numbers of people (e.g. women with children who would like a job given the right circumstances, people who believe no jobs are available and therefore are not seeking work etc) who are potential labour market recruits.

It may therefore be more useful to drop the distinction between unemployment and inactivity and concentrate on employment (or equivalently non-employment) rates. The chart below shows the percentage of the working age population with a job (whether part or full-time) - the employment rate - for both Wales and the UK. Since 1971 both Wales and the UK show an overall decline [which is

mirrored in West Wales and the Valleys]. But the striking fact is that Welsh employment rates have always been well below UK rates even in the period when Welsh **un**employment rates were below the UK's. Moreover the gap widened in the early 1980s recession, and although it narrowed in the late 80s and early 90s since then the gap has widened again and is now as large as in the early 1970s.

The next two charts show that there is a marked difference in the historical pattern between men and women. In 1971 the most significant reason for the relatively low employment rate in Wales was the low employment rates of women - about 10 percentage points below the UK. However by 1997 the gap between female employment rates in Wales and the UK had been halved. In contrast for men the Wales/UK gap has risen and is now wider than the gap for females. Moreover in both the UK and Wales female employment rates have risen significantly whereas male employment rates have shown a roughly offsetting fall. ((It should be recognised that this simple picture does not give a full picture of labour market participation. Women are much more likely than men to work part-time. Therefore men still continue to work considerably more hours than women even though employment rates are now only about 5 percentage points higher at UK level (and less in Wales). [This picture is similar in West Wales and the Valleys...])

The following chart shows that the gap between Welsh and UK employment rates has almost nothing to do - certainly in recent years - with differential **un**employment rates. (The top line shows the **difference** between employment rates in the UK and Wales, and the bottom how much of that is explained by differences in unemployment rates). Instead most of the differential must be explained by higher levels of **inactivity** in Wales.

The gender-age distributions of unemployment in Wales are, in many respects, similar. Unemployed claimants in Wales are marginally more likely to be in the shorter duration categories than is the case for the British claimant population as a whole, and this is the case especially for women. The notable exception, however, is amongst young male unemployed, where high proportion (50%) of total claimant unemployed in Wales are aged between 20 and 34. [In West Wales and the Valleys, this proportion is...., in comparison to Great Britain as a whole]

## 4.2 Earnings

In 1997, according to the New Earnings Survey, the average gross weekly pay in West Wales and the Valleys was £320.3, compared to £330.1 in Wales as a whole and £367.6 for Great Britain. Both genders are behind Great Britain levels, with average male gross weekly earnings being £351.3 in West Wales and the Valleys, compared to £363.5 for Wales as a whole and £408.7 for Great Britain. The equivalent female figures are £264.7 in West Wales and the Valleys, £269 in Wales as a whole and £297.2 for Great Britain. Hence, while males are proportionally further behind their contemporaries, Welsh females have a far lower base from which to develop. This reflects the fact that in most occupational groups, pay levels in Wales are lower than in Great Britain generally. It is also the case, however, that the industrial and occupational composition of the workforce in Wales has an above average concentration in industries and occupations that are characterised by below average rates of pay.

Pay levels also vary between areas within Wales. Data from Cardiff Business School show that average earnings in Cardiff (outside the West Wales and the Valleys region) and Swansea are only marginally below the English average. In comparison, average pay levels in areas of high unemployment (such as Merthyr Tydfil) and in rural Wales are significantly lower.

## **5 Transport Infrastructure**

### **5.1 Transport - Road and Rail**

The existence of a link between transport infrastructure and economic development for a peripheral area such as West Wales and the Valleys, while not uncontroversial, is widely accepted. Reduced transport costs have been seen to make an area more attractive to both indigenous and inward investors. Beneficial effects include expanding the market, gaining access to a larger pool of workers, and reducing costs, thus making the area's products more competitive. There may also be beneficial effects on perceptions by outside companies and individuals.

However, these beneficial effects are not guaranteed. The Standing Advisory Committee on Trunk Road Assessment (SACTRA) has shown an ambiguous link between transport and local economic development. This is for a number of reasons:

- roads carry two-way traffic, so that better access to a peripheral region could favour either the central or the peripheral region;
- better transport links may lead to displacement of economic activity rather than the creation of additional activity, and there is no guarantee that this displacement will not be from other deprived areas;
- whilst step changes in accessibility may have beneficial effects, the gains from marginal changes to mature systems are much less likely to have significant effects.

It follows that proposals for infrastructure improvements require justification on a case-by-case basis.

In Wales, the north and south coastal areas have good road links and, arguably, at least reasonable rail links, particularly at the eastern ends. However, mid Wales, parts of west Wales and parts of the valleys are much less well connected. This may have contributed to the relatively poor economic performances of these areas, and to the exclusion of groups within them. The poor north-south links have accentuated the peripherality of the region, such that the natural economic markets for goods and services often lie outside the region, and there is a need to develop further the internal links in order to develop the internal linkages within the West Wales and the Valleys economy.

A core road and rail transport infrastructure is largely in place, serving major towns and ports, but is constrained by the topography of West Wales and the Valleys. The importance of the mainline rail and road routes from east to west have been recognised by the European Commission by their designation as TENS routes in 1994. Intra-regional rail routes also exist in the Heart of Wales line running from

Llanelli to Shrewsbury, and the Cambrian Line running from Shrewsbury to Pwllheli via Aberystwyth. A number of sub-regional transport strategies have been prepared identifying in some detail sub-regional priorities. However, the use of the rail routes is limited by the level of services, often resulting in private travel to mainline stations. Routes between the north and south of the eligible area run largely outside the area, with the exception of the A487 along the western coast.

On an all Wales basis road traffic growth is expected to be of the order of 1% to 2% per annum, with cumulative growth of between 16% and 36% between 1996 and 2010, and between 32% and 71% between 1996 and 2025. These calculations are based on increases in economic activity and personal mobility, but do not include the effect of policy changes, such as traffic reduction initiatives. Indeed, in the most peripheral, rural and sparsely populated parts of West Wales and the Valleys car ownership naturally has a high priority.

The UK Government has just concluded a review of the trunk road programme in Wales in the context of the integrated transport strategy, which identified a new core network for Wales. Schemes identified by the review are being studied to assess their viability against criteria of environment, economy, safety and accessibility, together with integration.

## **5.2 Sea Ports**

Wales has a number of sea ports, providing transport links with the Irish Republic and other trading nations, and are particularly important for oil, steel, fishing, agro-economy and leisure use. The West Wales and the Valleys area has four ferry ports which provide links to Ireland: Holyhead (to Dublin and Dun Laoghaire), Fishguard (to Rosslare), Pembroke Dock (to Rosslare) and Swansea (to Cork). In addition, Milford Haven and Port Talbot provide deep berthing facilities. Holyhead, Fishguard, Milford Haven, Pembroke Dock and Swansea have been recognised by the European Commission as TENS seaports. However, these western ports suffer from the same problem of peripherality, in terms of road and rail links, which blights the rest of West Wales and the Valleys. If these ports are to reach their full potential, in terms both of freight and passenger numbers, then it is important not only to develop the ports themselves but also the access to them.

## **5.3 Air Links**

While West Wales and the Valleys has no airport with scheduled services, Cardiff International Airport does lie just outside the southern boundary of the region, and both Liverpool and Manchester Airports are within commuting distance from the northern part of the region. The region also possesses a number of civilian aerodromes, at Caernarfon, Aberporth Haverfordwest, Pembrey and Swansea which are important to the local economies and have the potential for expansion. The Royal Air Force bases on Anglesey, at Valley and Mona are keen to encourage the development of civil uses. These developments would reduce both the perceived and actual peripherality of the region, which can act, as seen above, as an inhibitor to economic development.

## **5.4 Other Infrastructure**

### *ICT Links*

One of the most potent methods to reduce peripherality is the continued development of ICT links, which would allow the economy of West Wales and the Valleys to develop into new areas, and especially the service sector, as well as decreasing the pressure on the region's transport infrastructure.

However, Wales as a whole lags behind in the usage of most technologies and applications, only ranking higher than Northern Ireland within the United Kingdom. Penetration of mobile telephones, according to a recent DTI sponsored report, is the lowest in the UK, with only 76% of companies using them, compared to 89% in London. This is in part explained by the topography of Wales, which provides a natural handicap to complete cellular coverage, especially in rural Wales. Also the geography and demography make the area unattractive to investments in modern telecommunication and cable TV networks.

Our relative poverty means that there is also a strong divide between ICT 'haves' and 'have-nots'. Many companies have not embraced ICT, but those that have appear to be using these technologies intensively. This division is indicated by three measures. First, LAN penetration in businesses is low, but those with LANs and e-mail systems are using them in advanced ways. Second, the region has the second lowest penetration of external e-mail in the UK,. Third, the proportion of companies connected to the Internet is below that of all UK regions except Northern Ireland,

### *Energy Infrastructure*

Our geography and demography and their implications for energy infrastructure investments, mean that much of the region suffer from poor energy service infrastructure - in particular industrial gas supplies and overhead line electricity connections which are susceptible to bad weather damage. Shortcomings in this area have had a clearly disadvantageous effect on the development of industry., Data from MANWEB shows that as a whole it serves 112 customers per square kilometre, compared to a GB total of 114. This, however, falls to 42 in MANWEB's north Wales region. MANWEB also has fewer customers per kilometre of network in its Welsh region (18) compared to 31 overall for MANWEB and 34 for GB as a whole. Swalec in south Wales has the worst record in the UK for 'loss of supplies' to customers.

Electricity generation in the south has declined dramatically in the last decade leading customers to pay excess charges for 'imported' energy. In addition ,whilst there are considerable opportunities for clean energy-generation developments, with considerable benefits to our environment, and opportunities for green community initiatives and to develop a much stronger indigenous 'environmental goods and services' sector, none of these are likely to progress without pump -priming support

## **6 BUSINESS PROPERTY MARKET**

**[Analysis of market failure and low returns]**

## **7 Social Characteristics**

## 7.1 Social Deprivation

The area suffers from high localised social deprivation. Eighty two of the 100 most deprived wards in Wales are in West Wales and the Valleys based on the Welsh Office Index of Socio-Economic Conditions. Of these 73 are in the Valleys. This social deprivation, or exclusion, is more than just financial poverty: it describes a way of life where opportunities are few, services are difficult to access and people lose hope. It is caused and perpetuated by a set of linked, and often cyclic, problems especially:

- low income
- worklessness
- poor health
- low educational attainment
- living in a poor physical environment
- high levels of crime

As such, there is a need to bring forward policies which promote integrated solutions to tackle these related problems.

## 7.2 Language

Welsh is one of the most vibrant of the European Union's minority languages, however, there is still concern about its decline in parts of the region. According to the 1991 census, the number of Welsh speakers was just over half a million— nearly 19%of the population. However, the traditional strongholds of the language fall entirely within rural West Wales. Table 1 shows the proportion of Welsh speakers aged 3+ within the West Wales and the Valleys area. This demonstrates considerable variation between rural and industrial areas, and illustrates the link between the language and the rural communities which have traditionally been its stronghold. It is also evident that, in the main, the largest percentage of Welsh speakers is in the younger age group. Despite this, there is still cause for concern. The contraction of what has been traditionally regarded as strongholds of the language appears to be continuing as a result of a number of inter related socio-economic factors.

Note: Map to be inserted

Table 1 - Proportion of Welsh Speakers in West Wales & the Valleys

County	Age Structure				Total	
	3-15	16-44	45-64	65+		
Gwynedd	90.9	75.6	65.6	68.4	74.3	
Anglesey	78.1	62.5	57.4	55.9	62.6	
Ceredigion	76.8	57.8	53.9	62.7	60.9	
Carmarthenshire	56.5	46.0	53.0	65.3	53.5	
Conwy	45.6	35.7	30.2	34.2	35.8	
Denbighshire	35.3	27.4	28.7	29.4	29.6	
Pembrokeshire	28.3	15.7	20.0	22.2	20.4	
Neath Port Talbot	21.7	14.1	19.5	26.0	19.1	
Swansea	16.0	8.5	15.1	21.8	14.0	
Bridgend	19.3	8.8	5.4	10.5	10.1	
Rhondda Cynon Taff	17.0	8.1	4.6	10.9	9.5	
Torfaen	29.2	3.8	3.3	3.1	8.3	
Merthyr Tydfil	13.7	6.6	4.8	9.5	8.1	
Caerphilly	17.4	6.1	3.3	4.5	7.4	
Blaenau Gwent	22.6	3.4	2.7	2.6	6.4	

Source: 1997 Welsh Household Interview Survey

### 7.3 Arts Sector

**[need analysis of different arts sectors apart from the voluntary arts sector]**

The voluntary arts sector contributes around £50m in direct spend in the economy each year. A strong arts and cultural sector reflects the creativity and innovation in Wales. Good design and distinctiveness



bring a competitive edge to Welsh businesses and stimulate exports. Arts and culture also contribute to social cohesion and have an important impact on local community capacity building. As such, they play an integral part in encouraging participation by socially excluded groups. Therefore, action to support the Welsh language and culture should be seen a way of promoting local identity and confidence, re-integrating disenfranchised groups, minimising outward migration and encouraging the development of individuals.

## 7.4 Health

Health in Wales in general is worse than in England, but health in many parts of West Wales and the Valleys is substantially worse than in the rest of Wales. Some communities in this area experience an expectation of life of five years or less than in more advantaged parts of Wales, and an excess premature mortality that rose from 48% to 69% over the decade from 1981 to 1991. The health gap is not only measurable in terms of deaths, but also in terms of health - related quality of life and well-being, and is one of the major causes of social exclusion.

People from the Valleys, for example, are known to report significantly worse physical and mental health than other parts of Wales, which is associated in many cases with withdrawal from the labour market, and a life of economic inactivity supported by benefits.

Underlying reasons for the relatively poor health of the Welsh population are thought to include a combination of relative socio-economic deprivation, occupational history, high unemployment, poor housing, polluted environment, high prevalence of unhealthy lifestyles, and poor diet.

As already discussed, one possible reason for the lower Welsh activity rates, which acts as a drag on economic development is the much higher proportion of working age population who describe themselves as long-term sick - over 10 per cent of working age population in Wales, and roughly double the proportion of (ILO) unemployed, compared to about 6 per cent in Great Britain (where it is the same order of magnitude as unemployment). [In West Wales and the Valleys, inactivity rates are...]

Self-reported sickness, the main components of which are musculo-skeletal problems (arthritis, bad-backs etc), breathing problems (asthma, pneumoconiosis etc), heart problems and mental problems (especially depression), has been rising **across the UK** for over twenty years (see e.g. Census data, the General Household survey). And there has been a similar rise in the proportion of working age population claiming benefits related to long-term sickness, notably Invalidity Benefit and Incapacity Benefit. The percentage increase in Wales has been no greater than elsewhere in Great Britain since 1980, but levels were high in Wales to start with, and the percentage gap has stayed fairly constant.

There is little difficulty in explaining why Wales [and especially the Valleys area] should have higher levels of reported long-term sickness than GB as a whole - given an industrial structure biased towards heavy industry and a poorer position on most health indicators. However it is difficult to explain why rates of reported illness should be rising generally when most objective health indicators (mortality rates etc) have been improving (continuing a long-term historical trend). One possibility is that the acknowledged increase in inequality in the 1980s and the possible deterioration in the living standards of the bottom decile have worsened health (though if so one would have expected some deterioration

in other health indicators).

This relatively poorer health has had an effect on activity rates across Wales [but especially in West Wales and the Valleys], and it is these lower activity rates which have a major impact on the low relative GDP per head in West Wales and the Valleys, because, as argued above, the workforce is relatively small because of the relatively high levels not of unemployment, but of **inactivity**.

## 7.5 Social economy

There is a strong tradition of voluntary activity, mutuality, and self-help in the region in what has been classified as the "social economy". Economic development in this context includes developing community involvement, skills and resources (social capital) as well as generating surplus or profit, and creating jobs.

These initiatives are usually underpinned by community voluntary action, although the development of worker co-operatives is often rooted in more conventional business development initiatives. The social economy is predicated on the ability of the community to engage in economic activity on the basis of collective action. Individuals may play a vital role in this, but their actions have to be accountable to and led by the community they serve.

Social economy initiatives contribute to the economic well being of West Wales and the Valleys in three distinct ways:

- generators of economic wealth - complementing traditional SMEs, but adept at sustaining the local economy through building and retaining locally controlled resources and wealth
- building the social capital of the local economy - voluntary participation is often the first step up the ladder to employment
- engines for local sustainability - investing in the long-term future of communities and their social, economic and environmental prosperity

### [comparison with GB level]

Over 11,000 voluntary and community organisations have been identified and classified in the West Wales and the Valleys working at the local authority or more local level - as well as larger organisations operating on a regional or national basis. Such organisations, reflecting the diversity of people and interests, are responding to social need and economic disadvantage. They represent a powerful resource in promoting social inclusion and restructuring economic and social well-being. However in rural areas sparsity of population makes the delivery of effective and comprehensive voluntary sector services harder to achieve than in densely populated urban areas. These organisations also faced problems through patchy and short-term financial support. While there has been European funding for these organisations through Objectives 2 and 5b and the LEADER programme and other Community initiatives, there is a need to put longer-term financing arrangements in place in order for these enterprises to achieve their potential.

There is also a need to improve the management capacity of these organisations, as while there is a wealth of skills, knowledge, ideas and abilities within communities, it is often under utilised. As such, there is a need for capacity building which would recognise this wealth and support it through training, organisational development and resource building. These skills, honed through voluntary work, can then increase the employability of individuals within the community.

## **7.6 Equal Opportunities**

Equal Opportunities (EO) has been mainstreamed as a horizontal theme for European structural funding for the period 2000-2006. This is the direct result of the 1997 Amsterdam Treaty (Article 141), which expanded the scope of EU Equal Opportunities policy, implementing a new employment strategy in which equality is a fundamental component, and extending the principles to include measures to combat discrimination based on racial or ethnic origin, religion or belief, disability, age or sexual orientation. This equality is defined as the "equal treatment of men and women in matters of employment and occupation, including the principle of equal pay for equal work or work of equal value."

The Objective 1 programme for West Wales and the Valleys adopts the above all-embracing approach to combating inequality, also including issues of language as appropriate to the unique bi-lingual nature of the region compared to other parts of the UK, but which is a common feature of other European regions.

Inequality results in the creation of barriers, both structural and attitudinal, which limit ability to participate in socio-economic activity. It is one of the causes of low participation rates and thus of low GDP. In West Wales and the Valleys economic activity rates for women are lower than the national average.

Gender segregation, both vertical and horizontal, is more marked in the regional labour market than in the UK as a whole, with women being concentrated in a narrow band of occupational sectors and in mainly low-paid, low-status work. In addition, Wales has one of the lowest levels of childcare provision in the EU, with rural West Wales and the Valleys being particularly disadvantaged in this respect.

It is also important to recognise other forms of discrimination, and to provide opportunities for other sections of society, including ethnic and disabled groups. The 1999 Labour Market Survey for Wales as a whole argues that, using data from the 1997 Labour Force Survey, that employment rates in Wales amongst ethnic minorities are considerably less than for the white population of working age and when compared with that for ethnic minority groups in the UK as a whole. For the black population, this primarily reflects high unemployment rates whilst amongst people in the Asian community of working age, it reflects above average inactivity rates. There is also some evidence that the level of qualifications amongst ethnic groups in Wales is lower than is found for the UK as a whole. [this will need to be supplemented by the WW&V labour market assessment, and will need to include analysis of disabled groups]. This aspect of the social characteristics of West Wales and the Valleys, and its effects on the economic development of the economy, will need to be studied in more detail throughout the life of the programme in order to produce more robust statistical evidence of the extent to which these groups are discriminated.

## **8 Environmental Characteristics**

**[This concentrates too heavily on the natural environment. Need to include issues such as the built environment, waste disposal etc. fitting with vade mecum]**

8.1 An environmental appraisal of the West Wales and the Valleys area is contained in Appendix 1. The appraisal contains two elements, firstly an overview of the environmental capital of each part of the eligible area, and secondly key local environmental and pollution problems derived from the Local Environment Action Plans (LEAPS) prepared by the Environment Agency Wales.

There are, however certain environmental problems and issues which apply to large parts of the eligible area or indeed the whole area, namely:

- climate change
- air quality
- freshwater quality
- coastal water quality
- landscape quality
- waste
- habitats and wildlife

Further details are contained in Appendix X

Appendix ? lists the national and international wildlife designations, together with other designations, to be found within the Objective 1 area.

### *8.2 Environmental Strategy*

The appropriate responses to the issues identified in Appendix 1 on the current environmental status of Wales are set out here. They are based on 'A Working Environment for Wales' produced by the Environment Agency Wales and 'The Living Environment of Wales' produced jointly by the Countryside Council for Wales and the Forestry Commission. Nine key objectives are identified:

- ***Saving energy by development of a sustainable energy strategy (including encouraging***

*clean energy sources)*

- ***Promote integrated transport***
- ***Promote efficient use of natural resources***
- ***Support sustainable land use***
- ***Protect and enhance biodiversity***
- ***Promote environmental education, community involvement and partnership schemes***
- ***Develop monitoring programmes to establish links between community health and environmental quality***
- ***Improve infrastructure to support sustainable development and protect vulnerable communities***
- ***Complete the remedy of the environmental damage caused by the industrial legacy***

### *Environmental Impact Evaluation of the Objective 1 Programme*

The environmental assessment procedures that will be applied to the projects within the Objective 1 programme will form a Strategic Environmental Appraisal (SEA). This will act as support to planners and decision makers, providing them with the relevant environmental information on the positive and negative implications of plans and programmes. Each SEA stage is meant to facilitate integration of economic, social and environmental objectives.

The overall aim of the SEA is to measure the extent to which the measures suggested in the programme meet the objectives of the Environmental Strategy. It should be used to steer the programme in a positive direction in terms of its environmental effects. There should be a tangible overall benefit.

### *Environmental Monitoring and Evaluation Procedures*

Environmental monitoring and evaluation of the Objective 1 programme for West Wales and the Valleys will be undertaken by the appropriate authorities set out in Section. Monitoring of the environmental consequences of the programme will be undertaken against baseline data appropriate to each priority and measure. Environmental indicators which will become available in 1999 are set out in Section 2.5.3. and Appendix ?.

### *Legal and Administrative Framework*

Environmental protection and monitoring functions in Wales are delegated to the Environment Agency Wales, the Countryside Council for Wales, and local authorities. For woodlands responsibility lies with the Forestry Commission.

## **ANNEX 2 - ASSESSMENT OF PAST INTERVENTION IN THE AREA**

### **Introduction**

2.1 This section provides an overview of the action which has been taken with the assistance of European funding to promote economic and social development in Wales and in alleviating the impact of the accelerating rate of economic and social change in the area since 1994.

The Objective 1 Programme area was formerly covered by the Objective 5(b) Rural Wales 1994 -1999 Single programming Document (SPD) 1994-1999 but which also included the County of Powys; the Valleys areas of the Objective 2 Industrial South Wales 1994-1996 and the 1997-1999 SPDs; the national Objective 3 and Objective 4 programmes and a number of Community Initiatives (CIs) whose boundaries are coterminous with those of the Objective 2 and 5(b) Programme areas.

### **Objective 5 (b) : Rural Wales SPD 1994-1999**

2.2 The overall aim of the Rural Wales Objective 5b programme is "to achieve growth in employment and income through an economic development strategy focusing on the development of the SME sector that promotes business efficiency and productivity. The strategy takes into account the environmental quality of the programme area".

Three Priorities were established for the Programme. The Priorities and related strategic objectives are :

- Priority 1 : Business Development : to assist the creation of a self sustaining market economy in Rural Wales by supporting the provision of business and agricultural infrastructures and support services and the development of the human resources of the area;
- Priority 2 : Development of Tourism : to develop and improve high quality tourism products, services and marketing in Rural Wales, so as to produce the maximum possible positive economic and social impact, whilst safeguarding the quality of the natural and built environment;

- Priority 3 : Countryside Management and Community Development : to support, encourage, and empower communities in Rural Wales to retain and develop community services and infrastructures and to enhance the rural environment.

The SPD sets out six overall targets for the programme as a whole :

Target	SPD
No. Jobs created 1994-1999	5200
No jobs safeguarded 1994-1999	1250
Amount of private sector investment 1994-1999 (£m)	140
No businesses assisted or advised for industrial development each year	1000
M2 of industrial workspace developed each year	10,000

2.3 It is still too early to make a definitive assessment of the overall impact which actions taken under the Programme will have on the economy of the area. An interim assessment in 1997 drew positive conclusions about the programme's achievements although it identified relatively weak linkages between projects and limited opportunities for synergy. The employment outputs, are indicative of the Programme's impact. An estimated 5,600 jobs will be created and 3,400 safeguarded comfortably exceeding the Programme targets, however, after taking additionality and displacement into account the likely impact of the projects approved up to the time of the evaluation will be to create or safeguard between 3,700 and 5,100 jobs;

2.4 The projects implemented have supported the efforts of the partner organisations in Rural Wales to implement an integrated economic and social development programme. While the range of measures used to set targets for individual measures was broadly based the midterm evaluation identified aspects of the overall Programme that were not reflected in targets especially targets at Programme or Priority level that seek to capture the environmental benefits of the Programme and its benefits to the community nor strategic targets that measure the impact of training in terms of the skills base of Rural

Wales. The lessons learned from previous programmes about the necessity for a formal monitoring and evaluation framework have been implemented and the evaluation of the impact of all successor programmes will be facilitated by the existence of such frameworks.

#### **Objective 4**

2.5 Covers the whole of Wales and supports small and medium sized businesses. Its aim is to facilitate the training of workers of either sex to adapt to changes in industry and production for example to update the skills of workers to enable them to adapt to more advanced technology.

#### **Objective 3**

2.6 A wide range of organisations in Rural Wales and Industrial South Wales have obtained assistance from the European Social Fund under Objective 3.

The resources are targeted at disadvantaged groups identified as needing particular help to integrate into the labour market. A significant part of these groups are the long term unemployed and those at risk of exclusion from labour markets. Projects are designed primarily to address the specific requirements of these target groups.

#### **Objective 2 : Industrial South Wales**

2.7 Two Objective 2 programmes have been approved since 1994, the 1994-96 ISW Single Programming Document (SPD) and the ISW Single Programming Document 1997-99. In addition the area has benefited from a number of Community Initiatives the most significant of which was the RECHAR programme for 1994 -1999.

Both Programmes are based around a well defined hierarchy of objectives comprising the overall strategic objective.

#### **The Industrial South Wales 1994 - 1996 SPD**

2.8 The overall strategic objective of the 1994-96 SPD was to "maximise robust economic growth



through the creation of a diversified industrial base, particularly in within the SME sector leading to a self-sustaining economy which takes full account of environmental considerations."

The Programme had four Priorities: Action for the Valleys and other disadvantaged urban communities; Action for industry and business; Action to support development of knowledge based industries and Action for tourism. It contained new targeting for the Valleys areas, involved a shift away from capital expenditure on infrastructure towards support for type measures to support economic development and it introduced an increasing emphasis on environmental issues and community economic development.

### **Priority 1 : Action for the Valleys and Other Disadvantaged Urban Communities**

2.9 The strategy for the Valleys Priority within the SPD is to provide additional targeted resources to help overcome identified weaknesses in the economic structure of the valleys. The strategy focuses on actions which provide the greatest potential to achieve value for money and the most significant impact. Actions complement and support activities which are already undertaken by other parties with domestic resources and with resources available under other priorities within the SPD.

2.10 The strategic priority for the Valleys Priority was to assist the creation of high quality jobs, improve training opportunities and enhance the supporting transport and community infrastructure whilst maintaining and improving the environment. Projects supported under the Priority include community development activities, measures to facilitate access from the coastal plain to the industrial sites in the Valleys, improvements to the environment and training to improve the local skills base of the area. Amongst the priority targets included were 700 jobs created or safeguarded.

2.11 A total of 290 projects were supported attracting over £26.8 million ERDF and £9.3 ESF grant support. This has led to 326 community businesses being established, 6.5 kilometres of roads being built or improved, over 20500 people benefiting from training courses, almost 3,800 jobs being created or safeguarded and £6.2m of private sector investment being generated. All targets set for the priority have been achieved.

### **Priority 2 : Action for Industry and Business**

2.12 The overall strategic objective of the Priority was to sustain and stimulate business so that industrial decline is combated by economic development and diversification, maximising the potential for positive economic and social impact whilst safeguarding and where possible enhancing the natural and built environment. The types of projects supported include the establishment and environmental improvement of industrial sites and premises, the enhancement of the economic infrastructure of the area , business support services and the provision of high quality vocational guidance and counselling to widen the skills base of the region. Amongst the priority targets were 8900 jobs created o safeguarded.

2.13 A total of 369 projects were supported attracting £38.8 million ERDF and £14.8 million ESF grant . As a result 14 hectares of land have been reclaimed, over 42,000 square metres of industrial workspace has been provided, more than 2700 businesses have received advice , 1447 companies have been provided with aid to product and process innovation and investment, almost 7400 jobs have been created or safeguarded and almost £60.9million of private sector investment has been generated. All targets set for the Priority are expected to be achieved once all the projects have been completed.

### **Priority 3 : Action to Support Development of Knowledge-Based Industries.**

2.14 The strategic objective of the priority was to expand and develop the knowledge base and competitiveness of local industry by building on regional strengths and thereby create a highly diversified and advanced industrial base

2.15 Grants were available to fund schemes which focused on the new technologies and the undertaking of research and product and process development to make the local economy more diverse and competitive, fostered the development of clean technologies, innovative methods of waste recycling and disposal and alternative energies and to provide training to ensure that an appropriately skilled workforce is available to enable firms to benefit from the dissemination and application of innovation and technological developments.

2.16 212 projects were supported attracting £9.1 million ERDF and £7.8 million ESF grant. This has resulted in 153 new products under development, 192 extra graduates employed by SMEs., 1556 jobs being created or safeguarded and 19% of trainees receiving relevant NVQ's or equivalent. The majority of the revised targets set for the priority were achieved on completion of the programme.

### **Priority 4 : Action for Tourism**

2.17 The strategic objective of the Priority was to encourage the development of tourism and to increase the economic benefit of this sector in the programme area. Projects supported under the priority included the provision of new and improved tourist facilities and attractions, marketing and promotion schemes of the region's attractions and vocational training in tourism related activities, including language training.

2.18 168 projects attracting £13.3million ERDF and £4.9 ESF have been paid to sponsors. This has led to 106 new or improved tourist attractions being supported, over £145.5 million of private sector investment generated, over 6,067 individuals receiving tourism related training and 46654jobs being created or safeguarded . The majority of the targets set for the Priority have been achieved.

## **The Industrial South Wales 1997 - 1999 SPD**

2.19 The overall strategic objective of the 1997 -1999 programme is "to maximise balanced and sustainable economic growth and job creation which increases equality of opportunity through creation of a diversified industrial base and successful exploitation of innovation, taking full account of environmental considerations." The Programme has five prime priorities: Community economic regeneration; Investment in the Valleys; Developing indigenous SME potential; increasing the innovative capacity of SMEs and Action for tourism and reflects a greater degree of emphasis on sustainable development, equal opportunities and innovation. An additional, sixth, priority is included for actions specifically carried forward from the 1994-96 ISW SPD.

### **Priority 1 Community Economic Regeneration.**

2.20 In highly disadvantaged areas a community economic development (CED) approach is required if such areas are to be regenerated effectively. The approach focuses on the creation of public/ community/ voluntary/private partnerships, the establishment of community capacity building programmes, the creation of community owned income generating assets and the design and implementation of sustainable long term strategies and actions for regeneration so laying the basis for maximising balanced and sustainable economic growth in such communities. Projects supported include proposals for a Community Action Plan for Upper Rhymney Valley and a Zero Tolerance Community Safety Strategy for Dowlais sponsored by Safer Merthyr Tydfil.

2.21 A total of 48 projects have been supported attracting £10.48million of ERDF grant support. ESF support of £1,0869,627 has been used to increase the sustainable skills of local people.

### **Priority 2 Investment in the Valleys**

2.22 The Priority supports the strategy to assist directly the Valleys to provide an integrated response for investment into the Valleys. It provides additional resources to produce added value through linked infrastructure developments with business support and human resource development and spatially strategic sites, premises and training facilities. Projects supported include Rhondda CBC Coedely Colliery and Coke Works Reclamation and Infrastructure, Shaw Trust Disability Action Centre and TEC, South East Wales The Call Centre

2.23 A total of 50 projects have been supported attracting £13.3 million of ERDF grant support and 43 bids were approved ESF funding of £3. 78 million

### **Priority 3 Developing Indigenous SME Potential**

2.24 The Priority concentrates on addressing key aspects of establishing and developing SMEs enabling them to become more competitive. The Priority supports soft business support activities to support entrepreneurs and managers of SMEs to establish SMEs and grow existing ones. Linked to

this is the provision of workspace and support services for SMEs and human resource development activities. Projects supported include WDA Integrated SME Benchmarking Networks, WDA "Internationalisation" of SMEs, Enterprise Taff Ely Ogwr Partnership SME Workspace Provision and IT Training for SMEs - Monmouthshire CC.

2.25 46 projects have been supported to date attracting £7.3 million ERDF grant support and 122 bids attracted ESF support of £7.63 million.

#### **Priority 4 Increasing Innovative Capacity of SMEs**

2.26 Innovation is one of the key influences on the prosperity of a region and its people. Wales has benefited from the acclaimed Regional Technology Plan (RTP) which has allowed a factual analysis to be made of the strengths and weaknesses of its business fabric, developed a consensus on the key innovation issues, identified priorities and put in place an implementation programme. The 1997-99 SPD provides continuity for those activities supported in the previous programme and reflects the priorities identified in the RTP. Projects supported include University of Glamorgan "SME Links Project", WDA "Energy Efficiency Partnership" and Enterprise Taff Ely Ogwr Partnership "Introducing the Innovative Culture to ISW SMEs"

2.27 44 projects have been supported to date attracting ERDF grant of £17.4 million and 58 bids attracted ESF grant of £2.6 million

#### **Priority 5 Action for Tourism**

2.28 The Priority addresses the need to spread the benefits of growth in the tourism industry throughout the ISW area. The Priority seeks to increase the number of visitors to ISW from outside the programme area. Measures include Strategic Tourism Development, Marketing and Human Resource development. Projects supported include Wales Tourist Board "Tourism Quality Initiative -ISW and support for the Rugby World Cup"

2.29 In addition to ERDF grant of £2.43 million approved for the Rugby World Cup, 19 other projects were supported with ERDF grant approval of £4.6million 44 bids attracted ESF grant of £2.2 million.

#### **Priority 6 Specific Carried Forward Actions.**

2.30 To improve rail freight access for South Wales companies.

A bid from Cardiff CC was awarded ERDF grant of £3.0 million

The Structural Fund resources allocated to the 1997-99 ISW Objective 2 Programme was 254.38 mecu (approximately £181 million). Delays in securing Programme approval and changes in the Secretariat arrangements hampered the early stages of implementing the programme and virement proposals

were agreed by the Monitoring Committee to ensure programme funds are fully committed within the Programme timescale. Latest commitment and expenditure analysis shows( £x allocation, £y spend on z number projects) per measure.

## **Outputs and Impacts**

2.31 As result of weakness in output monitoring data it is not possible to come to firm conclusions about progress towards output targets at this stage. However, according to data available at the interim evaluation at least some outputs are projected against some targets although the overall situation is less clear. It is anticipated that some targets will be overshoot whilst relatively little progress will be made against others.

## **Community Initiatives**

### **LEADER II**

2.32 The largest initiative operating in the Objective 5(b) area the LEADER II programme was approved in March 1995 covering the period November 1994 to December 1999. The purpose of the Initiative is to permit those engaged in the rural economy to implement measures which will help develop their own potential within an overall policy for stimulating rural development. LEADER II has three core areas of activity; Measure A , Acquiring skills; Measure B, Rural Innovation and Measure C, Trans-national co-operation. Eight local action groups are funded under the Initiative. ( NEED PROJECTS, ALLOCATION, COMMITMENTS, ACTUAL SPEND TO DATE)

### **INTERREG II**

2.33 The INTERREG II programme aims to develop links between Wales and Ireland and seeks to build on the potential for cross border co-operation between the two countries. Approved in July 1995 for the period November 1994 to December 1999. INTERREG II - aims to develop links between Wales and Ireland and seeks to build on the potential for cross-border co-operation between the two countries. Actions proposed under the programme are required to show they advance the aims of Objective 5(b) programme in a distinctive manner and without cutting across the provision made under other programmes. The focus of the programme is on the creation and development of networks of co-operation across the common maritime border. The cost of the programme is 122,265 mecu and covers the period November 1994 to December 1999. By the end of 1998 59 projects were approved. Joint Ireland/Wales contracts have been entered into for ERDF £45.324 million (£1,994,882 for projects in Wales) and ESF £1.636 million (£260,224 for projects in Wales). ( AS ABOVE LATEST DATA REQUIRED)

### **RECHAR II.**

2.34 The largest initiative operating in the Objective 2 area is the Rechar II 1994 -1999 programme which was approved in July 1995. The aim of the Initiative is to accelerate the economic conversion of

coal mining areas most seriously affected by the decline of the coal industry. The programme document is set out to achieve this through various activities which include economic infrastructure in mining villages, alternative economic activities in mining villages, local tourism initiatives, vocational training and employment measures, remedying damage caused by coal mining, community potential and community infrastructure. Structural funds assistance of £14.774 million ERDF and £3.537 million ESF has been allocated to the programme. By the July 1999 £11.748 million ERDF and £5.216 ESF grant had been committed to the programme and grant payments of £3.442 million ERDF and £4.874 ESF made.

## **RESIDER II**

2.35 The RESIDER II Initiative is to accelerate the economic conversion of steel areas concentrating on those most seriously affected by the decline of the steel industry.

The programme document is set out to achieve this through various activities which include remedying damage to the environment due to steel production, improving social and economic infrastructure for local communities within steel areas, alternative economic activity and vocational training and employment support. Structural fund assistance of £11.342 million ERDF and £2.223 million ESF have been allocated to the Programme. By July 1999 £6.539 million ERDF and £2.267 ESF had been committed to the programme and grant payments of £2.732 million ERDF and £2.101million ESF made.

### **Conclusion - Impact of European Funding within the Objective 1 Area.**

2.36 Socio-economic trends in the Programme area since the early 1990s have broadly followed the patterns of change in the UK as a whole. Unemployment has fallen markedly in absolute terms although the relative situation of most of the area has apparently worsened. Although some parts of the Programme area have performed better than average in unemployment terms others have performed much worse. It is a matter for concern that that the improving absolute unemployment situation in the area appears to mask relative deterioration in the majority of areas. A significant feature has been the importance of inward investment in maintaining the performance of the region over the 1990s as a whole. The indigenous sector of the economy has performed poorly and without the fillip which outside investment has provided the performance of the economy as a whole would have been poor. Whilst inward investment has raised issues about the characteristics and pay levels of many the new jobs in terms of the changing gender balance of employment, growth of part time working and earnings trends the overall pattern is similar to the national picture.

2.37 Much has been undertaken with the assistance of European funding to promote economic and social development in the Objective 1 area to help alleviate the impact of industrial decline and promote business efficiency and productivity. However, there remains a substantial scope for further developments if a self-sustaining and thriving economy is to be achieved. Many of the problems already addressed require long term assistance whilst new threats continue to emerge

## **ANNEX 3 - COMPLIANCE WITH EU REGS ON ENVIRONMENT, COMPETITION, PUBLIC**

## PROCUREMENT ETC

[ to be completed]

### COMPLIANCE WITH COMMUNITY POLICIES

Under Article 7 of the Regulation (EEC) No 2052/88 as amended, measures financed by the Structural Funds or the FIGF must comply with the provisions of the Treaties, with the instruments adopted pursuant thereto and with Community policies. This compliance is verified in the examination of requests for funding as well as during the implementation of measures.

#### 1. The competition rules

1.1 If the Community is to part-finance State aid schemes, the Commission must approve such aid in accordance with Articles 92 and 93 of the Treaty.

Under Article 93(3), Member States must notify the Commission of any measure granting, altering or extending State aids to firms.

However, aid which complies with the "de minimis" conditions set out by the Commission in the Community guidelines on aid to small and medium-sized enterprises(1) does not have to be notified and so does not require prior approval. It must comply with the implementing rules set out by the Commission in its letter to the Member States of 23 March 1993.

1.2 In addition, specific obligations as regards notification apply to aid granted in certain industrial sectors in accordance with the following Community rules:

- |                               |  |
|-------------------------------|--|
| - steel (NAC 221)             | ECSC Treaty, and in particular Decision 91/3855/ECSC |
| - steel (NACE 222)            | Commission Decision 88/C 320/03                      |
| - shipbuilding (NACE 361.1-2) | Council Directive 93/115/EEC                         |
| - synthetic fibres (NACE 260) | Commission Decision 92/C 346/02                      |

- motor vehicles (NACE 351)

Commission Decision 89/C 123/03 extended by  
Commission Decision 93/C 36/17

## **5.2 Award of contracts**

2.1 Implementation of measures part-financed by the Structural Funds or the FIG must comply with Community policy and directives for the award of contracts.

2.2 Pursuant to Article 25(6) of Regulation (EEC) No 4253/88, notices sent for publication in the Official Journal of the European Communities pursuant to those directives must specify the projects in respect of which Community assistance has been applied for or granted.

2.3 Applications for assistance in respect of the major projects referred to in Article 16(2) of Regulation (EEC) No 4253/88 must include a complete list of contracts already awarded and the relevant written reports when these are required under the public contracts directives. An updated version of this information is to be sent to the Commission with the application for payment of the balance for contracts awarded in the meantime.

In the case of other projects, in particular those included in operational programmes and forming part of structures(2) whose total value is above the thresholds laid down by Article 16(2) of Regulation (EEC) No 4253/88, the written report on each contract awarded, when provided for in the public contracts directives, shall be made available to the Monitoring Committee and sent to the Commission if it so requests.

## **5.3 Protection of the environment**

3.1 Measures part-financed by the Structural Funds and the FIG must abide by the principles and objectives of sustainable development as laid down in the "Community programme of policy and action in relation to the environment and sustainable development" included in the Council Resolution of 1 February 1993(3). They must also comply with Community legislation on the environment. Priority must be given to achieving the objectives set out in that legislation insofar as it is connected with the regional development envisaged.

3.2 For programmes or other similar operations (global grant or aid scheme) likely to have a significant impact on the environment, the Member States shall, as required by Article 14 of Regulation (EEC) No 4253/88, enclose with their application information to enable the Commission to evaluate the impact on the environment.

Applications for assistance concerning the major projects referred to in Article 16(2) of



Regulation (EEC) No 4253/88 must be accompanied by a questionnaire on the assessment of the environmental impact of the project concerned pursuant to Directive 85/337/EEC(4). This same questionnaire must accompany the information sent to the Commission concerning the large projects submitted for assistance from the ERDF in the framework of an operational programme as foreseen under Article 5 of Regulation (CEE) No 4254/88.

#### **5.4 Equal opportunities for men and women**

The measures part-financed by the Structural Funds and the FIFG must comply with and where appropriate contribute to, Community policy and legislation on equal opportunities for men and women. In particular, consideration should be given to applications concerning investments and training which facilitate the return to the labour market of people with children.

#### **5.5 Other Community policies**

Measures part-financed by the Structural Funds and the FIFG must comply with the other Community policies provided for in the Treaties, in particular the establishment of a space without internal borders, the common agricultural policy in all its aspects including the exclusions at points 1(b) et 2 of the annex to Commission Decision 94/174/EC(5), the common fisheries policy in all its aspects, social policy, industrial policy, policies concerned with energy, transport, telecommunications and information techniques, transeuropean networks and research and development.

#### **5.6 General provisions**

In implementing Community assistance, the Member States shall take all appropriate measures, whether general or specific, to ensure fulfilment of the obligations arising out of the Treaty or resulting from action taken by the institutions of the Community.

For its part, the Commission shall ensure respect of Community legislation arising from the treaties. The Member States shall facilitate the Commission's achievement of this task. To this end, they shall provide, at the Commission's request, any useful information required.

If the Commission considers that Community legislation has not been complied with in the case of a particular measure, it shall, in accordance with Article 24 of Regulation (EEC) No 4253/88, examine the case in the framework of the partnership, in particular requesting that the Member State or authorities designated by it to implement the operation submit their comments within a specified period of time.

If that examination confirms the existence of an irregularity, the Commission may initiate

infringement proceedings under Article 169 of the Treaty. Once this has been done (by the sending of a letter of formal notice), the Commission will suspend Community assistance to the project in dispute.