



Rhodri Morgan

Assembly Secretary for Economic  
Development

National Assembly for Wales

Cardiff Bay

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Pwyllgor Datblygu Economaidd

Economic Development Committee

Bae Caerdydd / Cardiff Bay

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25 November 1999

Dear Rhodri

### **Preliminary draft budget**

You asked for the views of the Economic Development Committee on the preliminary draft budget (in accordance with Standing Order 19.2). As you know, the Committee discussed the matter at its meeting on 17 November and would like you to convey the following points to the Finance Secretary.

The Committee is very concerned to see that the budget for Economic Development has been cut by £6.6m. The economic problems of Wales are highlighted in the European Programme documents, and the Committee believes that cutting the Economic Development budget sends the wrong messages about how seriously the Assembly takes the task of raising the GDP of Wales. This is a time when greater flexibility, rather than tighter funding constraints, is appropriate. The Committee wishes to see the cut in the budget restored.

The Committee is particularly concerned with the cut to the WDA budget. The WDA will play a central role in delivering the Objective 1 programme and it is essential that it is fully funded to do this. The Committee considers that if the argument is that the cut is merely the extra money

which is no longer required for the LG project then any surplus money could be redirected to other parts of Wales, particularly West Wales or the Valleys.

While the Committee welcomes the reduction in the resources for Cardiff Bay, we are disappointed that this money has also been lost to the Economic Development budget rather than being reallocated to fund developments in other parts of Wales. We are concerned to note that the baseline budget increases again for 2001-02 and would ask you to consider whether there is scope for further reductions.

On the question of funding for European programmes, the Committee notes your assurances that there is sufficient funding available from end-year flexibility to allow the programme to proceed. We would however reiterate our view that it is vital that sufficient PES cover and match funding is made available in both the first and future years to ensure that Wales receives maximum benefit from the structural funds.

The development of indigenous business - micro, small and medium-sized businesses - particularly through innovation, is critical to the success of the Welsh economy. That is why the Committee placed such importance on it in its earlier letter on priorities for the Assembly budget. We are therefore disappointed to note that there is no new money specifically allocated for such development and that for some programmes expenditure for next year will be less than in the current year.

Overall, the Committee would like to see greater priority given to Economic Development and the restoration of the original baseline budget. The additional money should be targeted at support for indigenous business, particularly in West Wales and the Valleys. I hope that you will agree that this letter adequately reflects the views expressed at our last meeting.

Yours sincerely

**Val Feld AM**

Chair

Economic Development Committee