OBJECTIVE 1 SINGLE PROGRAMMING DOCUMENT 2000-2006

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THE ECONOMIC AND SOCIAL REGENERATION OF WEST WALES AND THE VALLEYS

Objective 1 Single Programming Document for the period 2000-2006.

April 2000

INTRODUCTION
This Single Programming Document (SPD) sets out the aims and strategy of the Welsh European Partnership and the National Assembly for Wales for the economic, social and environmental regeneration of West Wales and the Valleys over the period 2000-2006, using the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Financial Instrument for Fisheries Guidance (FIFG) and the Guidance Section of the European Agriculture Guidance and Guarantee Fund (EAGGF). The total of European receipts from these sources to be made available for this Objective 1 programme over the seven-year period is 1788bn Euros.

The designation of West Wales and the Valleys as an area meriting Objective One support derives from the fact that the region's Gross Domestic Product per head is less than 75% of the European Union average. The low GDP in Wales generally is attributable to two main factors - a smaller proportion of the working age population than elsewhere in the United Kingdom are in employment (in other words, there are high levels of inactivity) and, because of the adverse job and occupation mix, levels of productivity of those in work are lower than elsewhere. This analysis applies with particular force to the Objective 1 area.

Objective 1 status offers a major opportunity to address the needs and realise the aspirations of a region which has suffered from protracted economic decline. It can make a major contribution to the transformation of the regional economy so as to achieve: -

a high quality, job-creating, diversified, innovative and knowledge-driven economy; The economy of the region must be able to compete on quality, exploiting the potential of new technologies to develop new industries and improve the competitiveness of existing ones. There needs to be a major focus on the development of new enterprises and support for particular growth sectors.

a skilled, enterprising and adaptable workforce; The people of the region must 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 partly 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

prosperity and a high quality of life for communities across all parts of West Wales and the Valleys both urban and rural;

It is vital that the benefits of the programme are spread equitably to communities throughout the region. Peripherality has been a major factor in economic decline for too long. The economic development and continued viability of much of rural Wales will require support for diversity and modernisation of traditional land based industries, especially farming. We must also take steps to preserve the high quality environment in much of rural Wales and tackle the environmental problems that inhibit both economic and community development in former industrial areas.

The problems facing the region are considerable. The National Assembly is committed to policies which will offer West Wales and the Valleys a better future:

Building a Dynamic, Competitive and Modern Business sector

- Developing a strong indigenous SME sector based around high value added sectors
- Increasing access to ICT facilities and infrastructure
- Raising levels of innovation, research and development and making greater use of new technologies in the economy
- Promoting a business environment supportive of entrepreneurship in all its forms
- Maximising the benefits to the local economy and population from inward investment
- Improving access to markets and resources for business in the region
- Improving and protecting the quality of the region’s environment.

Building Sustainable Communities and achieving social cohesion

- Promoting community centred development which builds on the identified needs of local people to secure greater access to jobs and services
- tackling the underlying causes of social exclusion, including economic inactivity and reducing inequality of access to services.

Increasing employability and economic potential through skills development and training

- shifting the balance of our activity towards investment in people and developing local employment opportunities
- tackling youth unemployment, and inactivity among older people
- working to improve skills and standards of attainment and increase participation for those currently excluded
- ensuring young people develop the skills and attitudes needed for working life, including a greater awareness of the opportunities to be gained from entrepreneurial activities.

The Objective 1 programme will be one of the key vehicles for achieving these objectives. Its particular contribution will be set out in the specific programme targets proposed for the various Priorities and Measures which are described in subsequent chapters. The programme will achieve maximum effectiveness when its goals and delivery mechanisms are synchronised as closely as possible with other policy initiatives of the National Assembly and the UK Government, and it has been designed with this in view.

2.0 DESCRIPTION OF THE CURRENT SITUATION

In the following analysis, it has not always been possible to produce time series (particularly over the longer term) for the NUTS II West Wales and the Valleys region, or fully dis-aggregated analyses for sub-regional areas. This is because the boundaries of the region have been determined by reference to the new local authority structures than came into being in the mid 1990s. Therefore some data is presented on a best-fit basis, is available only for a relatively short period, and is available only at a relatively high level of aggregation. Data has only been used where we are confident that it does not distort the overall economic picture.

Table 2.0.1 summarises the relationship between the various areas identified within the analysis.

Table 2.0.1: Areas used for data analysis within the

Objective One region

Unitary authorities	**Areas**	**Old Counties**	**Sub-regional division**
Isle of Anglesey	Isle of Anglesey	Gwynedd	"West Wales"
Gwynedd	Gwynedd		
Conwy	Conwy and		
Dengbighshire	Denbighshire	*Part* of Clwyd	
Ceredigion	South West Wales	Dyfed	
Pembrokeshire			
Carmarthenshire			
Swansea	Swansea	West Glamorgan	"Valleys"
Neath Port Talbot	Bridgend and		
Bridgend	Neath Port Talbot	Mid Glamorgan	
Rhondda Cynon Taff	Central Valleys		
Merthyr			
Caerphilly	Gwent Valleys		
Blaneau Gwent		*Part* of Gwent	
Torfaen			

It should be noted that the "West Wales" area accounts for just under 40% of the total population of the Objective One region, which in turn accounts for about 64% of the total Welsh population.

A simple identification of "West Wales" with rurality should be avoided. Extensive rural areas exist within the Valleys, and a significant proportion of the population of West Wales lives in towns (traditional seaside resorts, ports and some industrial centres (eg Llanelli). Of the unitary authorities within West Wales, only one (Ceredigion) is classified by the ONS as unambiguously "rural". Most of the other authorities are classified as traditional rural/coastal (not included in the "rural" group, and similar, for example to Cornwall, the Isle of Wight and Scarborough). National Assembly calculations show that over 40% of the population of West Wales lives in urban settlements of over 5,000 people, and around 60% of the population of West Wales lives in urban settlements of over 1,000 people.

West Wales could therefore best be described as a coastal sub-region with a mixture of mainly small towns and other smaller urban areas set in a rural hinterland. The urban areas, which are often located on the coast, are dispersed across the sub-region. The only large town (defined having a population over 40,000) is Llanelli, which is on the edge of the sub-region, adjacent to Swansea. There is, however, also a concentration of population in the traditional seaside towns along the North Wales coast - particularly the area around Llandudno and Colwyn Bay.

The population of the Valleys sub-region is overwhelmingly urban. Swansea, the second largest city in Wales, is a major centre for retailing and associated services, a significant industrial location. The Swansea administrative area contains the Gower peninsular, an attractive coastal rural area and tourist destination. Bridgend and Neath Port Talbot comprise a series of medium sized towns together with rural hinterland. The Central and Gwent Valleys contain more-or-less continuous urban settlements arranged along the valley floors in a north-south direction. The hills above these valleys remain rural in character.

2.1 Population and Society

2.1.1 Population and Demographic Characteristics

The age-structure of the population of the Objective One region is broadly similar to that for Wales as a whole. However, the aggregate picture conceals significant variations, with the proportion above retirement age significantly above average in Conwy and Denbighshire, Anglesey, Gwynedd, and South West Wales - ie "West Wales". (see Table 2.1.1)

Table 2.1.1: Total population by age, 1998

	As a proportion of total population: Under 16	15-29	30-44	45-Ret.	Working age(a)	Retirement age (b)
Isle of Anglesey	20.5%	16.7%	19.2%	22.9%	57.5%	22.0%
Gwynedd	19.5%	19.6%	19.0%	21.0%	58.4%	22.1%
Conwy & Denbighshire	18.9%	16.9%	19.0%	21.3%	56.1%	25.0%
South West Wales	19.0%	17.9%	19.6%	22.5%	58.8%	22.2%
West Wales	**19.2%**	**17.8%**	**19.3%**	**22.0%**	**57.9%**	**22.9%**
Central Valleys	21.2%	19.8%	20.9%	21.1%	60.6%	18.2%
Gwent Valleys	21.9%	18.2%	21.5%	21.4%	59.9%	18.2%
Bridgend & N P T	20.3%	17.8%	21.3%	21.7%	59.5%	20.2%
Swansea	19.3%	19.9%	20.4%	20.9%	60.0%	20.7%
Valleys	**20.8%**	**18.9%**	**21.1%**	**21.3%**	**60.0%**	**19.2%**
West Wales & Valleys	**20.2%**	**18.5%**	**20.4%**	**21.6%**	**59.1%**	**20.7%**
Wales	**20.4%**	**18.7%**	**20.9%**	**21.4%**	**59.6%**	**20.0%**
United Kingdom	**20.4%**	**19.5%**	**22.5%**	**20.6%**	**61.4%**	**18.1%**

Source: ONS - Registar General's mid-year estimates

Notes:
(a) Working age is males 16 to 64 years old and females 16 to 59 years old.
(b) Retirement age is males 65 and over and females 60 and over

Table 2.1.2 shows that the overall population of the Objective One region grew by just under 2% between 19816 and 19987 (from 1.83428m to 1.8679m) - well below the 4% increase of over 4% seen in Wales as a whole. It is notable that this overall decline has been driven by changes the Valleys, where population fell by 0.6% over the period. Also notable is the large increase in population in the age group 45-retirement in West Wales. This is believed to be a reflection of the patter of in-migration, discussed further below.

Table 2.1.2: Population age structure trends

West Wales and the Valleys	**Under 15**	**15-29**	**30-44**	**45 - Ret.**	**Ret. Age**	**Total**
***Proportions of total*:**						
1981	20.4%	21.4%	18.9%	20.0%	19.3%	100.0%
1986	19.0%	21.9%	19.5%	19.5%	20.1%	100.0%
1991	19.1%	20.6%	20.0%	19.6%	20.6%	100.0%
1996	19.1%	19.0%	20.1%	21.2%	20.7%	100.0%
1998	18.9%	18.5%	20.4%	21.6%	20.7%	100.0%
Change: 1981 to 1998						
West Wales	**-2.6%**	**-9.1%**	**12.6%**	**17.4%**	**10.6%**	**5.7%**
Valleys	**-7.5%**	**-13.8%**	**8.5%**	**5.0%**	**7.6%**	**-0.6%**
West Wales & Valleys	**-5.7%**	**-12.1%**	**10.0%**	**9.7%**	**8.9%**	**1.8%**
Wales	**-3.1%**	**-10.9%**	**14.2%**	**12.2%**	**11.4%**	**4.3%**
United Kingdom	**-1.9%**	**-9.9%**	**21.8%**	**11.8%**	**7.0%**	**5.1%**

Source: ONS - Registar General's mid-year estimates

However, tThis overall picture again conceals substantial inter-area variations. Over the same same period Conwy and Denbighshire eredigion and Conwy and South West Wales saw increases of 910% and 612% in overall population respectively whilst Anglesey and the Gwent ValleysCaerphilly experienced population declines of 45% and 2% (see Table 2.1.3).

Table 2.1.3: Population change by area (000s)

Table 2.1.3: Population trends by area

	Thousands			*Percentage change*		
	1981	**1991**	**1998**	**1981-91**	**1991-98**	**1981-98**
Isle of Anglesey	68.0	69.4	65.4	2.0	-5.8	-3.9
Gwynedd	111.9	116.0	117.5	3.7	1.2	5.0
Conwy & Denbighshire	185.6	200.3	202.5	7.9	1.1	9.1
South West Wales	333.6	350.0	353.4	4.9	1.0	5.9
West Wales	**699.1**	**735.7**	**738.7**	**5.2**	**0.4**	**5.7**
Swansea	229.3	231.6	229.5	1.0	-0.9	0.1
Bridgend & Neath Port Talbot	269.0	268.8	270.2	-0.1	0.5	0.5
Central Valleys	298.9	297.3	297.3	-0.5	0.0	-0.5
Gwent Valleys	338.1	335.9	331.8	-0.7	-1.2	-1.9
Valleys	**1,135.3**	**1,133.6**	**1,128.8**	**-0.2**	**-0.4**	**-0.6**
West Wales and Valleys	**1,834.5**	**1,869.3**	**1,867.5**	**1.9**	**-0.1**	**1.8**
Wales	**2,813.5**	**2,891.5**	**2,933.3**	**2.8**	**1.4**	**4.3**
United Kingdom	**56,352.2**	**57,807.9**	**59,236.5**	**2.6**	**2.5**	**5.1**

Source: ONS - Registar General's mid-year estimates

These variations are primarily explained by differing patterns of migration see Table 2.1.4). Many of the more environmentally attractive areas have seen, often retirement led, inmigration, with young people often simultaneously leaving for reasons of lack of economic opportunity or housing affordability. The more urban - and some more remote areas - have tended to see net decline as a result of the outmigration by the young. The general result has been a relative increase in proportion of the population aged 55 or over to 28.7%, compared with the GB average of 21.2%.

Table 2.1.4: Population change and migration

			Thousands
	Population mid-1991	Net migration 1991-1998	Population mid-1998
Isle of Anglesey	69.4	-4.0	65.4
Gwynedd	116.0	1.9	117.5
Conwy & Denbighshire	200.3	* 7.3	* 202.5
South West Wales	350.0	7.4	353.4
West Wales	**735.7**	*** 12.6**	*** 738.7**
Swansea	231.6	-1.3	229.5
Bridgend & Neath Port Talbot	268.8	** 1.6	** 270.2

Central Valleys	297.3	-1.4	297.3
Gwent Valleys	335.9	-8.5	331.8
Valleys	**1,133.6**	****- 9.6**	**** 1,128.8**
West Wales and the Valleys	**1,869.3**	**3.0**	**1,867.5**
Wales	**2,891.5**	**33.4**	**2,933.3**

Source: ONS - Registar General's mid-year estimates

* after a population transfer of 1.8th to Wrexham due to April 1997 boundary change

** after a population transfer of 0.6th from The Vale of Glamorgan due to April 1997 boundary change

The population of Wales as a whole is projected to grow by around 2% by 2011, with the proportion in the 55 and over age group rising to 33%.

Source: ONS - Registar General's midyear estimates

The population of Wales as a whole is projected to grow by around 3% by 2011, with the proportion in the 55 and over age group rising to 30.9%.

The population of the region is ethnically relatively homogenous. Minority ethnic groups make up only 0.8% of the total compared with 6.4% in Great Britain as a whole, with the Pakistani and Chinese communities comprising the largest groups. Swansea (1.6%) has the largest proportion of population from minority ethnic groups.

2.1.2 Society, Social Deprivation and Health

Much of the region has historically been characterised by the close knit nature of its communities. This is reflected in the strong tradition of voluntary activity, mutuality and self-help. Over 11,000 voluntary organisations have been identified working at the local authority or a more local level – as well as the range of larger organisations operating at an all-Wales or wider level. Such organisations represent an important resource for promoting social inclusion and addressing social and economic problems, as well as offering a potential pathway back to mainstream employment for some of their volunteers. They form part of the vibrant wider ‘social economy’.

However, from a long term point of view there is a concern about the extent of the grant dependency of the voluntary sector. Studies have also highlighted the need in many cases for capacity building support and for the development of improved management skills if the role of this resource is to be developed fully.

The process of relative economic decline and in particular the loss of traditional training and employment opportunities for the young is undermining the social cohesiveness of many communities, particularly in the urban areas. It has contributed to feelings of alienation and hopelessness and the attendant problems of social exclusion – sometimes involving single parenthood, drug taking, crime and vandalism – as well as local environmental deterioration.

In many areas economic decline has added to existing problems associated with concentrations of poor housing, social deprivation and educational underattainment. The region includes 82 of the 100 most deprived wards in Wales based on the Welsh Office Index of Socio-Economic Conditions, of which 73 are in the Valleys.

There is a strong association between social deprivation – with attendant issues of diet, lifestyle and housing – the occupational history of parts of the region, environmental problems and high levels of ill-health. Health problems are, in turn, related to the low economic activity rates which were highlighted in the introduction, as well as the wider problems of benefit dependency and social exclusion.

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.

Standarised Mortality Ratios are shown in Table 2.1.5. West Wales generally exhibits mortality rates below the Welsh average whereas the Valleys area has above average mortality rates. In the Central and Gwent Valleys rates are 19% and 11% above the Welsh average, respectively. These higher are rates are a summary indicator of the poorer general health of the population, and reflect in particular higher incidences of the main "killer" diseases, coronary heart disease and cancer.

Table 2.1.5: Standarised mortality ratios

(SMRs), 1993-97

	Stand-ardised mortality ratio
Isle of Anglesey	95.0
Gwynedd	92.0
Conwy & Denbighshire	91.3
South West Wales	93.4
West Wales	**92.8**
Swansea	98.0
Bridgend & Neath Port Talbot	105.5
Central Valleys	118.8
Gwent Valleys	111.0
Valleys	**109.1**
West Wales and the Valleys	**102.6**
Wales	**100.0**

Source: Digest of Welsh Local Area Statistics

Note: SMRs are calculated as the actual number of deaths in each area in a given year as a percentage of the deaths that would be have been expected if the local populations had experienced the sex-and-age-specific mortality rates in Wales as a whole.

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. SSome communities in the 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.

In view of the strong association between mortality, health and deprivation, measures in the latter areas show a very similar distribution to the mortality ratios. People from the Valleys in particular experience significantly worse physical and mental health than norms elsewhere in Wales. Levels of both self-reported sickness and dependence on Invalidity and Incapacity Benefits have risen substantially since the 1980s,actually been rising rapidly, reflecting wider UK trends, even though the area started from a position which was already adverse.

The latest figures for the proportion of the population reporting limiting long-term illness is shown in Table 2.1.6. These show the generally high levels compared to England (UK or GB comparators are not available), and - again - the concentration of problems within the Central and Gwent Valleys.

Table 2.1.6: Proportion of population reporting

limiting long-term illness, 1998

	Limiting long-term illness
	%
Isle of Anglesey	13
Gwynedd	10
Conwy & Denbighshire	11
South West Wales	13
West Wales	**12**
Swansea	13
Bridgend & Neath Port Talbot	14
Central Valleys	16
Gwent Valleys	17
Valleys	**15**
West Wales and the Valleys	**14**
Wales	**13**
England	**9**

Source: Welsh House Condition Survey

There is a considerable body of research evidence that links the determinants of health with low incomes (both in relative and absolute terms) and with other features of social exclusion. The higher SMRs and levels of limiting long-term illness in the Valleys areas therefore represent the consequences of low standards of living and of social exclusion. Of course, they also reflect factors which contribute to low levels of economic activity and income.

2.1.3 Language, Culture and Identity

A substantial proportion of the population of the region is Welsh speaking, with nearly 75% of the 508,000 Welsh speakers living within the region – in particular within the farming communities of West Wales which are the traditional strongholds of the language (Appendix Table 1). Language is an important factor defining the identify of many parts of the area and underpinning their unique culture.

Although Welsh is one of the EU's most vibrant minority languages, there is concern about its decline in parts of the region as a result of migration and other socio-economic factors. There are also indications that Welsh speakers face some particular issues in relation to access to economic opportunities – reflected, for example, in their – reportedly - relatively low levels of involvement in new business formation. At the same time, the culture of the area and the arts sector with which it is linked (see 2.3 below) are significant assets in relation to the process of drawing in visitors, particularly from overseas.

2.2 The General Economic Context

2.2.1 Overview

Since 1971 (when the official regional series begins) GDP per head in Wales has a whole has moved broadly in line with UK GDP per head. However, Wales started from, and remains at, a point well below the UK average.

The most recent figures (1997) show Welsh GDP per head at only 82% of the UK average - easily the lowest in GB and now only just above Northern Ireland.

West Wales and Valleys (for which a long time series is not available) had a GDP per head in 1996 of only 73 % of the UK average (see Table 2.2.1). Even this hides pockets of more severely reduced GDP per head, 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 (see Table 2.2.4, below).

2.2.1 Output and Investment

Table 2.2.1: GDP relative to UK (UK = 100)

GDP:	Year	West Wales	Valleys	West Wales and Valleys	East Wales	Wales
per head	1995	71	74	73	105	84
	1996	73	74	73	100	83
per person of working age	1995	76	76	76	106	87
	1996	77	76	76	102	86
per workforce job	1995	84	96	91	102	95
	1996	83	94	89	101	94

Source: National Assembly calculations

The immediate causes of low GDP in West Wales and the Valleys are a combination of a relatively small proportion of the population working and low GDP per person for those in work.

GDP per head of population of working age in both West Wales and the Valleys and in Wales overall is a little closer to the UK average than GDP per head. This reflects the fact that both have a rather more elderly population than the UK as whole. However, this accounts for only about 3 percentage points of the 27 percentage point shortfall for the Objective 1 region.

A more dramatic convergence to the UK is shown by the comparison with GDP per workforce job. For West Wales and the Valleys as a whole, the convergence in 1996 is from 76 to 89, ie thirteen percentage points. This convergence mainly reflects a high non-employment rate compared to the UK as a whole, but there is also an effect from out-commuting, mostly from the Valleys.

Most of the non-employment is inactivity, rather than open unemployment. In West Wales and the Valleys, inactivity rates are 28% of the population of working age, compared to 24% in East Wales (26.5% overall in Wales), and only 22% in the UK. (Inactivity and unemployment is discussed in section 2.3, and in more detail, in full the labour market assessment, included as an Annex.)

Table 2.2.1 also demonstrates that whilst the major explanation of low GDP per head in the Valleys is the low level of activity, in West Wales, low GDP per workforce job (measured productivity) is relatively more important (although low levels of activity still pay a significant role).

The Labour Force Survey shows that, at the all-Wales level, most of the difference between area rates in GB and Wales is explained by people reporting long-term illness. The concentration of inactivity in the Valleys is therefore also reflected in the proportion of the population reporting limiting long-term illness (see Table 2.1.6, above).

It should however be noted that some of the convergence in GDP per workforce job is accounted for by residents who are employed outside the area, rather than by inactivity. Broad estimates suggest that commuting effects account for about three percentage points of the gap between GDP per head in West Wales and Valleys and the UK. Neverththeless, this leaves a very substantial part of the gap to be explained by non-employment, and especially inactivity.

As GDP is intended to measure economic output, it does not take account of other factors which affect standards of living. In particular, and as noted above, account is taken neither of differences in the proportion of pensioner households, not of the impact of commuting. A broader measure of living standards, which takes account of both of these factors, as well as social transfer payments, is provided by data on household disposable income. Table 2.2.2, shows the most recent available data, which is presented on the basis of the "old" counties (data on the basis of the new administrative boundaries should be available later this year). Mid Glamorgan covers all of the central Valleys and some areas beyond. The Dyfed portion of Dyfed and Powys covers the southern part of West Wales; Powys is part of the new Objective 2 area (see Table 2.0.1; note that separate data is not available for Dyfed).

Table 2.2.2 : Gross Domestic Product Compared with Household Income, 1995

	GDP per head UK=100	Household disposable income per head UK-100	Net in-commuting %	Persons over pensionable age %
Gwynedd	76.2	95.9	-0.4	22.8
Mid Glamorgan	67.3	79.6	-15.0	18.1
Dyfed and Powys	93.9	91.7	-2.7	22.1
Wales	84.3	91.1	-1.2	19.9
UK	100	100	0.0	18.2

Source: Regional Trends

West Wales (and particularly Gwynedd, which has the highest figure in Wales) shows some convergence in terms of household disposable income per head with other relatively low income counties in the UK. But the position of Mid Glamorgan remains stark. In the rest of the UK, only six other counties (out of 62) showed a figure under 90, and only one was under 85 (Tyne and Wear, with 84.6).

Data on average wage levels reflect the general picture described above. Wage levels in West Wales and Valleys are generally below those in Wales as a whole, and significantly below those in GB as a whole. Table 2.2.3 shows that, in contrast to the position in respect of non-employment, the problem of low wages is concentrated in West Wales.

Table 2.2.3: Average hourly earnings: all employees, 1998

	Average hourly earnings £
Isle of Anglesey	n/a
Gwynedd	8.05
Conwy and Denbighshire	7.69
South West Wales	7.72
Central Valleys	8.15
Gwent Valleys	8.02
Bridgend and Neath Port Talbot	8.51
Swansea	8.74
West Wales and the Valleys	**8.19**
Wales	**8.44**
GB	**9.54**

Source: DTI Competitiveness Indicators

Note: A gender split is not currently available for these data; neither are sub-totals for West Wales and the Valleys separately. We are investigating with the ONS the possibility of providing this information.

As discussed in section 2.3 below, and the labour market assessment, the low average wage levels are largely a reflection of industrial and occupational structure, with an over-concentration of employees within relatively low-paying industries (the relatively high proportion in manufacturing being an exception) and occupations.

2.2.2 Output and Investment

All of the separately identifiable areas within the region have levels of GDP per head (of resident population) significantly below the EU and UK averages and in the Central Valleys and Anglesey the figure falls to only around two-thirds of the average (Table 2.2.41). As noted above, Llocal figures may, of course, be distorted somewhat by commuting as well as demographic factors..

GDP per head in the area as a whole increased more rapidly than the EU and UK average over the period 1993-96 but there are marked variations in performance. Significantly, some of the more accessible areas exhibited the strongest growth, perhaps reflecting patterns of inward investment interest.

Table 2.2.41: GDP in WWest Wales and the Valleys

	GDP per head (£)			Index (UK=100)		
	1993	**1996**	**Change (%)**	**1993**	**1996**	**change**
Isle of Anglesey	6,365	7,329	15.1	69	68	-1
Gwynedd	7,186	7,678	6.8	77	72	-5
Conwy and Denbighshire	6,225	7,831	25.8	67	73	6
South West Wales	6,227	7,856	26.2	67	73	6
Central Valleys	6,081	6,815	12.1	66	64	-2
Gwent Valleys	6,052	7,894	30.4	65	74	9
Bridgend and Neath Port Talbot	7,499	9,275	23.7	81	87	6
Swansea	7,097	7,806	10	76	73	-3
West Wales and the ValleysObjective 1 area	6,528	7,862	20.4	70	73	3
Wales	7,676	8,900	15.9	83	83	0
UK	9,282	10,711	15.4	100	100	0

Source: ONS

No dData is not yet available on overall levels of investment at this stage. Options for obtaining such data are being investigated with the ONS. However, there has been over a billion pounds of capital expenditure associated with inward investment projects in the region between 1995/96 and 1998/99, creating nearly 17,000 jobs (Table 2.2.5). To put this context, however, this means that the region, which covers some 60% of the population of Wales, has attracted only 20% of its inward investment over this period (although it should be noted that this figure may be distorted by one particularly large investment that took place during the period in East Wales).

Table 2.2.5: Inward Investment in Wales 1995-1999

		1995-96		**1996-97**		**1997-98**		**1998-99**
	West Wales & the Valleys	**Wales**	**West Wales & the Valleys**	**Wales**	**West Wales & the Valleys**	**Wales**	**West Wales & the Valleys**	**Wales**
No of projects	72	122	74	135	75	128	54	110
Capital expenditure (£m)	2265.627	976.174	3021.712	2,9543.734	3298.587	695.321	174.419	7165.997
New jobs	3,852	6,800	4,878	13,772	4,033	8,961	4,076	9,807
Safeguarded jobs	3,715	5,848	2,131	3,012	2,844	4,881	1,182	2,322

Source: Welsh Development Agency 1999

2.2.2 Competitiveness and Innovation

In recent years Llevels of Gross Value Added per head in manufacturing are have been below the averages for the UK and Wales in the Mid Glamorgan and North West Wales TEC areas but are above average in the West Wales TEC area (Table 2.2.63). The data, however, show a sharp reversal in West Wales in 1997.

The last is generally high levels in West Wales are likely to reflect the importance of capital intensive industries such as steel in the former West Glamorgan area rather than pointing to any advantages in performance. The sharp decline in 1997 is almost certainly due to changes in the way the output of these capital intensive industries has been allocated across the UK, rather than a genuine fall in value-added. We are investigating this with the ONS. The same factor almost certainly lies behind the apparent sharp deterioration in the all-Wales level in 1997.

The overallrecent improvement in relative levels of GVA per head in Mid Glamorgan and North West Wales is encouraging but its significance is unclear since it could reflect factors such as new investment flows or a decline in lower productivity sectors. Anecdotal evidence suggests that there may be substantial productivity differences between the major, modern externally owned and controlled manufacturing plants and the indigenous sector which, as indicated below, has apparently performed fairly poorly in employment terms.

Table 2.2.63: Gross vValue aAdded per head in manufacturing

(pre 1999 TEC area), 1998

		UK	WALES	Mid Glamorgan	North West Wales	West Wales
Total gross value added in manufacturing. £m						
	1993	112,912	5,642	644	229	1,236
	1994	122,947	6,577	705	314	1,309
	1995	129,186	7,139	1,125	340	1,455
	1996	138,752	7,667	895	356	1,674
	1997	142,226	6,986	1,343	352	1,013
Change 1993-97 (%)		26	24	109	54	-18
Employment in manufacturing, 000s						
	1993	4,218	198	30	11	38
	1994	4,243	208	30	13	38
	1995	4,205	207	44	13	39
	1996	4,256	217	30	13	39
	1997	4,299	220	48	13	38
Change 1993-97 (5)		2	11	60	19	0
Gross value added per head in manufacturing, £						
	1993	26,768	28,466	21,455	20,947	32,636
	1994	28,969	31,570	23,754	24,169	34,291
	1995	30,719	34,517	25,463	25,954	37,750
	1996	32,601	35,392	30,163	27,934	43,015
	1997	33,081	31,699	28,187	27,994	26,479
Change 1993-97		24	11	31	34	-19

	UK	WALES	Mid Glamorgan	North West Wales	West Wales
1993	26,768	28,466	21,455	20,947	32,636
1994	28,969	31,570	23,754	24,169	34,291
1995	30,719	34,517	25,463	25,954	37,750
1996	32,601	35,392	30,163	27,934	43,015
% change 1993-96	21.8	24.3	40.6	33.3	31.8

Source: Business Competitiveness Indicators, DTI

Note : Changes over time in TEC boundaries may create some inconsistencies in the data

A more detailed all-Wales analysis for the European Task Force shows that average productivity in manufacturing is has been generally above the UK average (although this position may have been eroded in the latest year for which we have data, 1997) whilst service sector productivity is considerably below average. and t (The key data are shown in table 2.2.7.) This is likely also to be true of the Objective One region. There are likely to be substantial productivity differences between the major, modern externally owned and controlled manufacturing plants and the indigenous sector which, as indicated below, has apparently performed fairly poorly in employment terms.

Table 2.2.7: GDP per employee by industry

	GDP per employee, 1996 (000s)	
	Wales	UK
Agriculture, Hunting, Forestry and Fishing*	12.8	22.6
Mining, Quarrying including Oil and Gas Extraction	55.1	60.0
Manufacturing	33.9	32.8
Electricity, Gas and Water Supply	98.2	105.7
Construction	18.9	20.9
Wholesale and Retail Trade	22.4	25.0
Transport and Communication	30.6	35.1
Financial Intermediation	n/a	n/a
Public Administration and Defence	20.4	26.1
Education, Health and Social Work	17.6	18.2
Other services	5.3	4.7
Total	**22.8**	**25.1**

Source: Regional Trends

Note that the relatively low GDP per employee figure for Agriculture etc in Wales may to some extent be an artifact of relatively high self employment in the sector in Wales.

More generally, the Panel of Economists' report highlights notes that the measured 'productivity gap' between Wales and the UK as a whole is largely explained by Welsh industrial and occupational structure rather than by true productivity differences within a given occupation and industry.

For historic reasons the economy has developed a pattern of specialisation in 'lower order' activities, with an under-representation of professional and higher order functions. Even though the presence of so many leading edge multinational companies such as Bosch, Ford and Sony in and around the region provides an opportunity to develop local supply chains, it is noteworthy that this presence typically takes the form of assembly plants. (It should be noted, however, that analysis carried out for the National Assembly revealed that jobs in foreign-owned plants had on average higher pay and were more secure than jobs in UK-owned plants, but with advantages over jobs in Welsh-owned plants being less marked.)

This pattern of activity is reflected in the relatively low proportion of UK business expenditure on research and development and of patent applications for which Wales as a whole accounts (Tables 2.2.84 and 2.2.95), although the available data is subject to limitations. The situation has been improving – perhaps because of the effects of initiatives such as the Welsh Technology Plan – but Wales accounts for only 1.2% of UK business R and D expenditure and for only 1.4% of its patent applications, despite accounting for over 4% of the UK's total stock of businesses. It is clear that the micro businesses which dominate the private sector within much of the Objective One region, as argued below, are generally characterised by very low levels of research activity and innovation and this will not be easy to change.

Table 2.2.84: Business rResearch and dDevelopment eExpenditure 1995-1997 (£ million)

	1995	1996	1997	% of total
North East	230	189	216	2.3
North West	965	1,036	999	10.5
Merseyside	128	137	188	2
Yorkshire & Humberside	279	279	256	2.7
East Midlands	615	710	679	7.1
West Midlands	663	628	647	6.8
Eastern	2,024	2,085	2,303	24.1
London	881	745	659	6.9
South East	2,232	2,284	2,296	24
South West	754	717	760	8
England	8,769	8,810	9,003	94.2
Wales	96	109	113	1.2
Scotland	328	361	356	3.7
Northern Ireland	61	82	81	0.8
UK	9,254	9,362	9,553	100

Source: Survey of Business Enterprise R&D, 1997

Note : Excludes the HE Sector

Table 2.2.95: Patent Applications 1990-1996

	1996	1995	1994	1993	1992	1991	1990
Wales	67.5	65.1	46.2	66.5	63.8	53.9	58.8
United Kingdom	4,766.8	4,625.2	4,509.2	4,367.8	4,318.8	4,388.6	4,727.1
European Union	35,572.4	34,360.7	32,024.5	30,862.1	30,658	29,075.3	32,236.9

Source: New Cronos, EUROSTAT

Wales has in recent years developed a good reputation for its co-operative and adaptable workforce. Table 2.2.10 shows that Wales has shared in the dramatic UK-wide decline in industrial disputes resulting in stoppages. Wales has also moved from a position in which days lost were above the UK average to one in which they are below that figure.

Table 2.2.10: Industrial disputes:

Days lost per 1000 employees:annual averages

	Wales	UK
1979-82	1,280	559
1983-86	1,364	461
1987-90	186	149
1991-94	17	25
1995-98	21	25

Source: DTI

Of course, a low rate of industrial disputes is only one element in creating a competitive workforce. Wales fares far less well in terms of skill levels, as discussed in section 2.3 below, and in the labour market assessment (included as an Annex).

2.2.4 Business size profile and sectoral analysis

Data on business size and sector is not currently available for the Objective 1 area. Consequently data is presented in Tables 2.2.11 on an all-Wales basis.

Table 2.2.11: Number of businesses by size band and industry section, Wales, start of 1998

Industry	Businesses (number) (a)	Size of business (number of employees) (per cent)			
		0	1-49	50-249	250+
Agriculture, forestry and fishing	20,120	82.6	17.4	-	-
Mining and quarrying; energy and water; manufacturing	10,945	50.0	45.4	3.5	1.1
Construction	31,980	81.9	18.0	0.1	-
Wholesale, retail & repairs; hotels & restaurants	35,560	46.4	53.0	0.6	-
Transport, storage & communication	5,260	57.8	41.5	0.6	0.1
Financial intermediation; real estate, renting and business activities	20,885	53.1	46.2	0.6	0.1
Education, health and other services	28,595	78.0	21.3	0.5	0.1
Wales: All industries	153,345	66.0	33.3	0.6	0.1
Wales: All industries excl agriculture, forestry and fishing	133,225	63.5	35.7	0.7	0.2
UK: All industries	3,657,880	64.0	35.2	0.7	0.2
UK: All industries excl. agriculture,forestry and fishing	3,459,565	64.0	35.3	0.7	0.2

Source DTI

a. Counts have been rounded to the nearest 5 to avoid disclosure.

- nil or negligible.

Businesses are classified into **small**, **medium**, and **large** enterprises according to the number of employees that they have. Small enterprises have less than 50 employees, medium enterprises have from 50 to 249 employees, and large enterprise have 250 or more employees.

At the start of 1998 152,200 businesses (99.3 per cent) were small, 900 (0.6 per cent) were medium and 200 (0.1 per cent) were large. These proportions are similar to those in other UK regions.

Small businesses, making up over 99% of the total stock of businesses, accounted for 57 per cent of employment and (excluding the finance sector) 47% of turnover. Again, these figures are broadly similar to other regions.

In contrast, the 200 large enterprises in Wales (0.1 per cent of all businesses) accounted for 31 per cent of employment and 40 per cent of turnover (again excluding the finance sector). With the exception of Northern Ireland these shares of employment and turnover were lower than in other regions of the UK.

An estimated 101,200 businesses (66 per cent) in Wales were sole traders or partners without employees. Apart from the South West and the South East, this proportion was higher than in other regions of the UK. However, this is a reflection of the preponderance of such businesses within agriculture and related sectors in Wales. In these sectors, over 80 per cent of the businesses were sole-traders or partners without employees. If this sector is removed, the overall picture is again similar to that in the UK as a whole.

It must be noted, however, that in the compilation of these statistics employment is attributed to businesses on the basis of the location of head offices. This tends to systematically overstate the importance in Wales of small businesses. The view of most researchers is that if this distortion could be corrected for, small businesses would account for a reduced proportion of employment, and considerably less than in most of the rest of the UK. The National Assembly is currently exploring with the ONS the options for producing statistics which will resolve this issue,

2.2.3 Business Density, Formation and Survivall

Table 2.2.12 demonstrates the relatively low business density in the West Wales and the Valleys Objective 1 region, compared both to Wales as a whole, and, to an even greater extent, the UK.

Table 2.2.12: Estimated VAT registered businesses per 10,000 adults aged 16+ by industry

	Agriculture hunting forestry and fishing	Mining quarrying energy and water supply	Manufacturing	Construction	Wholesale retail and repairs	Hotel and restaurants
Isle of Anglesey	145	1	19	42	88	38
Gwynedd	155	1	22	48	107	50
Conwy & Denbighshire	100	0	20	40	90	38
South West Wales	225	1	24	49	95	42
Central Valleys	7	1	22	33	56	22
Gwent Valleys	9	0	27	27	58	21
Bridgend & N P T	11	0	20	29	56	23
Swansea	13	0	16	24	67	23
West Wales & Valleys	75	0	22	35	73	30
Wales	75	0	24	36	74	28
UK	33	0	34	37	83	22

	Transport and communication	Financial intermediation	Business services	Public administration and other services	Education and health	TOTAL	TOTAL ex cl. agriculture hunting forestry and fishing
Isle of Anglesey	12	0	33	20	3	401	256
Gwynedd	14	1	39	31	5	471	315

Conwy & Denbighshire	14	1	41	22	5	372	273
South West Wales	17	1	39	25	4	521	296
Central Valleys	10	1	24	13	3	191	184
Gwent Valleys	11	0	24	14	2	194	185
Bridgend & N P T	13	0	33	16	4	206	195
Swansea	9	1	43	18	4	219	206
West Wales & Valleys	13	1	34	19	3	305	230
Wales	14	1	45	20	4	323	247
UK	16	3	87	31	4	352	318

Source: DTI and National Assembly calculations

It is noticeable that density is particularly low in the Valleys (except in manufacturing), and in business services across the whole region.

This low business density is even more marked once agriculture, within which there is a preponderance of small businesses in Wales, is removed from the analysis. Low business density is symptomatic of the lack of a tradition of entrepreneurship in the region.

In contrast to the UK as a whole, the Objective One region has been losing businesses in recent years (Table 2.2.126), with deregistration rates outstripping registrations in all of the unitary authority areas. Survival rates tend however, to be rather higher than in the UK in general from the data available (Table 2.2.137). The more rural areas tend to have very low business formation rates (down to 5% in Ceredigioan) but rather higher survival rates than the more urban authorities in the south and east. This is likely to reflect in part a combination of the more limited opportunities but lesser competition within more isolated areas, as well perhaps as the particular characteristics of agricultural businesses.

Table 2.2.126: Business rRegistration and dDe-registrations 1994-96

	Year	Stock of businesses	Registrations	Rate (%)	De-registrations	Rate (%)
Objective 1 area	1994	48,790	3,625	7.4	5,245	10.8
	1995	47,170	3,515	7.5	4,300	9.1
	1996	46,380	3,565	7.7	4,005	8.6
	1997	45,810	3,645	8.0	3,785	8.3
	1998	45,670	3,540	7.8	3,540	7.8
Wales	1994	80,000	7,200	9	8,000	10.2
	1995	76,100	6,000	7.8	7,100	9.2
	1996	75,700	6,100	8	6,500	8.6
	1997	75,415	6,240	8.3	6,320	8.4
	1998	75,335	6,135	8.1	6,240	8.3
United Kingdom	1994	1,570,250	190,000	12.1	185,000	11.8
	1995	1,600,100	164,000	10.2	173,200	10.8

1996	1,611,300	168,200	10.5	157,000	9.8
1997	1,603,200	182,570	11.4	164,435	10.3
1998	1,621,360	186,250	11.5	155,930	9.6

Source: DTI, Regional Trends 1998

Table 2.2.137: Business sSurvival rRates (pre 1999 TEC areas), 1998

	UK	WALES	Mid Glamorgan	North West Wales	West Wales
12 mths	84.9	85.9	83.2	85.4	87.3
24 mths	68.6	68.9	63.6	67.9	71.4
36 mths	56.1	56.7	49.7	57.4	60.1

Source: Business Competitiveness Indicators, DTI

The data below suggests, as indicated, that oOne aspect of the performance of the area is believed to have has been the typically poor growth exhibited by indigenous businesses. This is likely to be the result of a combination of : their sectoral structure, lack of competitiveness and isolation from wider markets, problems of access to capital and associated reliance on overdraft finance, and limited management capacities – as well, in some cases as, aspirational factors.

2.2.4 Overall Employment Structure and Change

i. *Structure*

Excluding self-employment for which no detailed recent figures are available – but which is discussed further in 2.3.1 below - the most important providers of employment in the region are in order of significance (see Table 2.2.148) :

- *Public administration, education and health* which in the region in general is much more important than in Great Britain as a whole. It is particularly important in the rural areas, accounting for over 37% of all employment in Gwynedd and almost 40% in Ceredigion (which includes a major University College);
- **Manufacturing*, which again is a more significant provider of jobs than in Great Britain as a whole. Manufacturing employment is, however, strongly concentrated in the urban south east of the region – accounting for nearly 44% of employment in Blaenau Gwent but only 10% in Ceredigion. The most important components of manufacturing in employment terms are : transport equipment; metal manufacture and fabrication (with steel and tinplate particularly important in the Neath, Port Talbot, Swansea, Llanelli area); optical and electrical equipment; and, the manufacture of timber, rubber and plastic;***
- *Distribution, hotels and restaurants*. Data from Regional Trends suggests that tourist related industries (hotels, pubs, restaurants and other leisure facilities) account for 8% of total employment in the region, rising to over 20% in parts of the West.

The *coal mining* industry which once dominated the economy of the Valleys has now virtually gone. *Oil refinery and storage* is a significant provider of jobs in the south of the region.

The *primary sector* appears relatively insignificant on this basis but this partly reflects the exclusion of self-employment, which is particularly important within farming, from the data. Taking this into account the Assembly estimates that *agriculture* directly employs some 38,300 people in the region, half of whom work in Carmarthenshire, Pembrokeshire and Gwynedd. Other work suggests that a further 15,000 jobs are likely to be indirectly dependant on farming and, again, these will be concentrated within the more rural communities. The *forest industries* support around a further 4,500 jobs. *Fishing* remains is a significant source of employment in the port towns of MIilford Haven and Holyhead.

More generally, the very limited scale of many rural economies and their associated dependence on very specific activities represents a potential source of vulnerability.

Reflecting the points about structure made previously, it is noteworthy too that the rapidly growing *business and financial services* sector – and the higher productivity, higher paying jobs this provides - are so underrepresented.

Table 2.2.148: Employees in eEmployment – Objective One Area, 19977

	Number	%	Number	%	Number	%
Agriculture and fishing	1,282	0.2	2,217	0.2	70,936	0.3
Energy and water	5,886	1.1	9,533	1.0	214,710	1.0
Manufacturing	124,573	22.6	213,893	22.2	4,059,710	18.0
Construction	27,940	5.1	46,472	4.8	987,442	4.4
Distribution, hotels and restaurants	121,269	22.0	208,532	21.7	5,131,647	22.8
Transport and communications	22,042	4.0	42,559	4.4	1,319,252	5.9
Banking, finance and insurance, Etc.	50,053	9.1	108,605	11.3	4,182,333	18.6
Public administration, education And health	172,802	31.3	282,655	29.4	5,496,492	24.4
Other Services	26,510	4.8	47,721	5.0	1,068,498	4.7
Total	552,357	100.0	962,187	100.0	22,531,020	100.0

Source: Annual Employment Survey, 1995 & 1997

	West Wales %	Valleys %	West Wales & the Valleys %	Wales %	Great Britain %
Agriculture and fishing	6.7	0.7	3.0	2.8	1.7
Energy and water	1.4	0.8	1.0	1.0	0.9
Manufacturing	12.1	28.1	21.9	21.7	17.8
Construction	5.8	4.4	4.9	4.7	4.3
Distribution, hotels and restaurants	25.4	18.8	21.3	21.1	22.5
Transport and communications	4.1	3.7	3.9	4.3	5.8
Banking, finance & insurance, etc	8.7	8.9	8.8	11.0	18.3
Public admin, education & health	31.0	30.0	30.4	28.6	24.1
Other services	4.8	4.6	4.7	4.8	4.7
Total emps. in employment (000)	220	348	568	987	22,846

Source: Annual Employment Survey

Note (1) that the data do not include self-employment. Self-employment contributes differentially across industries, and is particularly high in agriculture and in hotels and restaurants.

Note (2) that gender split is not currently available for this data. We are investigating with the ONS the possibility of providing this information.

The other structural aspect of particular note is the extent to which the turnover and employment of most of the region's economy is dominated by relatively small businesses (although this is largely a reflection of the preponderance of small businesses within the agricultural sector, and is also to some extent a statistical artifact, as explained above). Major employers are very important to some of the Valley economies but in the rural West there are typically few large private sector employers (Appendix Table A2 provides some, all – Wales data)

i. *Change*

Over the period 1995-1997 the region saw employment growth of 2.6% - less than in Great Britain but much better than the contraction in Wales as a whole (Table 2.2.159). However, taken with the evidence that new inward investment was generating substantial employment growth the indigenous sector was clearly growing much more slowly.

Table 2.2.159: Change in eEmployment – Objective 1 Area 1995-1997

	Production		Construction		Distribution, hotels and restaurants		Transport and communications	
	Number	%	Number	%	Number	%	Number	%
Anglesey	34	8.0	251	39.4	240	7.1	9	2.9
Gwynedd	-1,452	-8.4	1,114	29.7	-776	3.1	-122	25.6
Conwy	158	-15.2	472	51.0	167	7.8	-62	11.9
Denbighshire	-348	8.0	629	22.8	771	6.4	161	-0.1
Carmarthenshire	408	-15.6	294	45.1	466	-7.2	-10	-5.0
Ceredigion	-458	8.9	426	68.8	320	3.5	348	-8.5
Pembrokeshire	137	4.1	157	9.8	777	10.7	-460	-25.0
Merthyr Tydfil	-405	-8.6	441	80.6	172	6.4	-97	-19.7
Rhondda, Cynon, Taff	668	3.3	197	7.4	-1,536	-12.4	162	6.8
Blaenau Gwent	55	0.7	-22	-3.5	575	20.7	7	1.4
Caerphilly	-692	-4.4	36	2.0	781	10.9	163	13.6
Torfaen	-28	-0.2	-174	-11.0	167	3.3	32	3.8
Bridgend	3,515	26.6	257	12.3	860	10.4	251	17.0
Neath Port Talbot	660	4.6	262	9.5	-585	-8.6	339	27.9
Swansea	-910	-8.5	-341	-13.5	-255	-1.3	-375	-8.4
Total West Wales	**-1,521**	**-4.9**	**3,343**	**35.7**	**1,965**	**3.6**	**-127**	**-1.4**
Total Valleys	**2,863**	**2.9**	**656**	**4.5**	**179**	**0.3**	**482**	**3.8**
West Wales & Valleys	**1,344**	**1.0**	**3,998**	**16.7**	**2,145**	**1.8**	**351**	**1.6**
Wales	**-9,919**	**-4.4**	**5,546**	**13.5**	**9,606**	**4.8**	**-983**	**-2.3**
Great Britain	**72,534**	**1.8**	**100,929**	**11.4**	**276,596**	**5.7**	**19,840**	**1.5**

	Banking, finance and insurance, etc		Public administration, education & health		Other services		All industries, except agriculture, forestry and fishing	
	Number	%	Number	%	Number	%	Number	%
Anglesey	1,180	105.3	-789	-16.3	45	7.7	968	6.6
Gwynedd	-1,178	8.6	-4,759	-8.3	149	-23.1	-7,024	-14.4
Conwy	-140	-3.8	2,138	23.8	229	14.5	2,962	17.3
Denbighshire	-126	-4.7	1,989	16.1	215	20.8	3,289	11.8
Carmarthenshire	-111	-24.2	1,430	-27.4	266	8.9	2,753	10.1
Ceredigion	266	-6.6	-1,314	36.0	-487	22.3	-900	-2.3
Pembrokeshire	-26	-1.1	325	4.0	275	15.7	1,184	4.5

Merthyr Tydfil	-39	-2.3	-939	-15.4	237	40.2	-630	-3.8
Rhondda, Cynon, Taff	-327	-7.2	673	3.2	1,042	49.3	879	1.3
Blaenau Gwent	-27	-3.4	159	4.0	19	1.8	765	4.3
Caerphilly	-207	-5.3	-890	-8.2	1,302	92.7	493	1.2
Torfaen	80	4.1	804	7.3	147	11.4	1,028	3.1
Bridgend	412	10.6	-526	-4.4	-41	-2.3	4,730	11.1
Neath Port Talbot	1,627	67.0	-495	-5.0	399	36.4	2,206	5.7
Swansea	7	0.1	3,293	12.1	-6	-0.2	1,412	1.8
Total West Wales	**-135**	**-0.7**	**-980**	**-1.4**	**692**	**7.0**	**3,232**	**1.6**
Total Valleys	**1,526**	**5.2**	**2,079**	**2.0**	**3,099**	**24.2**	**10,883**	**3.2**
West Wales & Valleys	**1,393**	**2.9**	**1,097**	**0.6**	**3,790**	**16.7**	**14,119**	**2.6**
Wales	**3,444**	**3.3**	**-6,342**	**-2.2**	**4,040**	**9.2**	**14,926**	**1.6**
Great Britain	**306,064**	**7.9**	**39,686**	**0.7**	**77,266**	**7.8**	**879,765**	**4.1**

Agriculture and fishing	-298	-18.9	-16968	-88.4	-211790	-74.9
Energy and water	-2524	-30.0	-4803	-33.5	-13152	-5.8
Manufacturing	3863	3.2	4409	2.1	72279	1.8
Construction	3988	16.7	5530	13.5	100589	11.3
Distribution, hotels and restaurants	2122	1.8	9570	4.8	275850	5.7
Transport and communications	348	1.6	-989	-2.3	19722	1.5
Banking, finance and insurance, etc.	1382	2.8	3420	3.3	305160	7.9
Public administration, education and health	1093	0.6	-6348	-2.2	39563	0.7
Other Services	3783	16.7	4029	9.2	76975	7.8
Total	13757	2.6	-2150	-0.2	665196	3.0

Source: Annual Employment Survey, 1995 & 1997.

Note: Figures for agriculture etc have been excluded because they are not available on a consistent basis; figures for energy etc are included with manufacturing in "production" to avoid disclosure of confidential information.

The *public sector* has been subject to a variety of financial pressures. Some sub-sectors such as health and education are likely to grow in the future because of demographic trends, public policy priorities and/or the tendency for demand to grow with rising real incomes. However, in other areas there may be contraction – for example, despite a series of rundowns and closures, defence activities remain an important employer in some areas. In overall terms it is clear that growth in the public sector will not provide an engine for the step change in economic performance which is required.

Equally, there are areas and sectors where *manufacturing* employment can grow. However, the long term trend in developed economies has been for manufacturing employment to contract and the Panel of Economists' report concludes that "significant employment growth is unlikely; almost 90% of new jobs are likely to come from the service sector""

One possible growth sector for manufacturing is the growth in demand for 'green ' products which are low in resource intensity, re-usable and recylable, require nil or low levels of packaging and are energy efficient in use. A study for WDA by ECOTEC showed that the Welsh environmental sector consists of over 250 firms, generates approximately £525m turnover, and employs 4,800 people. 65% of the 250 firms are indigenous firms, representing 45% of the sector's employment. 90% of the 250 firms have fewer than 50 employees, and 60% have less than 10 employees. By location, 60% of the firms were located in south Wales, with the remaining 40% in rural and north-east Wales.

The prospects for *tourism* are less clear. *Tourism* is a significant source of employment in the Objective One region. "Tourist-related" jobs are shown in Table 2.2.16. Such jobs include, for example, employee jobs in hotels, restaurants, bars, travel agencies, libraries, museums, and sport and other recreational activities. (It is therefore clear that these jobs are not entirely dependent on the tourist market.)

Table 2.2.16: Employee jobs in tourism-related industries, September 1996 (000s)

	Males	**Females**	**Full-Time**	**Part-Time**	**All**
Isle of Anglesey	0.4	1.1	0.5	1	1.5
Gwynedd	1.1	2.9	1.4	2.6	4.0
Conwy	1.6	3.3	1.9	3.0	4.9
Denbighshire	1.0	2.1	1.2	2.0	3.1
Ceredigion	0.6	1.4	0.9	1.1	2.0
Pembrokeshire	0.9	2.4	1.3	2.1	3.3
Carmarthenshire	0.7	2.1	1.0	1.8	2.8
West Wales	**6.3**	**15.3**	**8.2**	**13.6**	**21.6**
Swansea	2.1	3.6	2.2	3.5	5.7
Neath Port Talbot	0.6	1.5	0.8	1.3	2.1
Bridgend	0.9	1.9	1.1	1.8	2.8
Rhondda, Cynon, Taff	1.0	2.3	1.1	2.2	3.3
Merthyr Tydfil	0.2	0.6	0.2	0.5	0.8
Caerphilly	0.7	1.7	0.7	1.6	2.3
Blaenau Gwent	0.2	0.6	0.2	0.6	0.8
Torfaen	0.4	1.4	0.9	0.9	1.8
Valleys	**6.1**	**13.6**	**7.2**	**12.4**	**19.6**
West Wales and Valleys	**12.4**	**28.9**	**15.4**	**26.0**	**41.2**
Wales	**21.8**	**47.5**	**26.0**	**43.2**	**69.2**

Source: Office for National Statistics, Annual Employment Survey

Note: The definition of "tourism-related industries" is that adopted by the Office for National Statistics in "Labour Market Trends".

The tourist industry is subject to conflicting trends. Some areas remain dependent on the traditional, declining seaside holiday market and accommodation and facilities have suffered from a lack of investment. However, there is clearly potential to develop the rural short-break, business and day visitor markets. As noted too, arts and culture provides the basis for a distinct niche market which has further development potential. The sector as a whole should also benefit from rising real incomes and leisure time. Whilst the industry is characterised by seasonality and low pay, it provides jobs in areas where alternatives would be difficult to develop and it supports the viability of local services.

Tourism can, of course, impose environmental costs. 85% of tourists who visit Wales do so by car (source: *Digest of Welsh Statistics 1999*), and this can increase problems of congestion and exacerbate local and global air pollution issues. This is a particular problem because the perceived quality of the natural environment, and the associated quality of life, is the key to attracting tourists to Wales.

Environmentally-friendly tourism therefore represents a potential growth area. The network of public rights of ways, bridleways, cyclepaths and the National Path that follows the Pembrokeshire Coast are a significant asset in attracting visitors for walking and cycling holidays, although much work need to be done to maintain and enhance these - survey work has shown that only 69% of bridges, 75% of stiles and 76% of gates on public rights of way are in satisfactory condition. In addition, work is required to allow access standards to reach the BT Countryside for All standards for disabled access.

The *agricultural* sector – which is largely dependent on livestock rearing (and within this increasingly sheep) because of the constraints of climate, topography and soils – has been in long term decline in terms of both employment and income.

West Wales and the Valleys accounts for 63% of all land and around two-thirds of Welsh agricultural holdings. Over 80% of the land is classified as Disadvantaged or Severely Disadvantaged, with the latter accounting for about 52% of the total area (see Table 2.2.17). The proportions of land of different types varies considerably, with the proportion of severely disadvantaged land being particularly high in the Valleys, Gwynedd and Conwy and Denbighshire.

Table 2.2.17: Land

	Severely Disadvantaged		Disadvantaged		Non-disadvantaged		Total
	Sq. Km	%	Sq. Km	%	Sq. Km	%	Sq. km
Isle of Anglesey	-	-	389	54.5	325	45.5	714
Gwynedd	2,013	79.0	417	16.4	118	4.6	2,548
Conwy & Denbighshire	1,402	71.1	187	9.5	384	19.5	1,973
South West Wales	1,998	34.6	2,493	43.1	1,289	22.3	5,780
Central Valleys	465	86.9	49	9.2	21	3.9	535
Gwent Valleys	423	82.5	62	12.1	28	5.5	513
Bridgend & N P T	472	68.4	135	19.6	83	12.0	690
Swansea	58	15.3	179	47.4	141	37.3	378
West Wales and Valleys	**6,831**	**52.0**	**3,911**	**29.8**	**2,389**	**18.2**	**13,131**
Wales	**11,659**	**56.1**	**4,809**	**23.1**	**4,311**	**20.7**	**20,779**

Source: Farming and Rural Conservation Agency

Note: Data covers all land, not just agriculture.

The current distribution of the main agricultural activities is summarised in table 2.2.18. The dairy herd is concentrated in South West Wales - Pembrokeshire and Carmarthenshire. The beef herd is also concentrated in this area, but less heavily so, with significant representation in Gwynedd, and to a lesser extent, Conwy and Denbighshire. The sheep flock generally grazes the uplands which are less suited to other kinds of livestock. There has been a long run trend for sheep numbers to increase (driven in part by the nature of the subsidy regime), and for the numbers of other kinds of livestock to decline (largely in response to competition from other areas).

Cropping is not a large-scale activity in the region, but potato growing is a feature of agriculture in Pembrokeshire.

Table 2.2.18: Distribution of main agricultural activity: Percentages of Welsh total, 1998

	Holdings	Area	Dairy herd	Beef herd	Sheep flock
Anglesey	5	4	2	3	3
Gwynedd	9	13	3	11	12
Conwy and Denbighshire	8	10	7	9	14
South West Wales	38	30	55	27	21
Central Valleys	1	2	0	1	2
Gwent Valleys	2	1	1	1	2
Bridgend and Neath Port Talbot	2	2	1	3	2
Swansea	2	1	1	2	1
West Wales and the Valleys	**67**	**63**	**70**	**58**	**56**

Source: Agricultural Census

Total (full-time equivalent) employment in agriculture has been falling gradually over the long term (see Table 2.2.19), and there is also a well-established trend decline in total income from farming - although this is masked to some extent by the volatile nature of measures of farming income (see Table 2.2.20). (Note that in neither area is data available separately for the Objective 1 region.)

Table 2.2.19: Agricultural employment in Wales

	Employment (full-time equivalents)
1977	40,470
1981	39,005
1986	37,419
1991	33,900
1996	32,083

Source: Welsh Agricultural Statistics, and National

Assembly calculations.

As a result of changes in definitions, the most recent information on employment in agriculture is not available on a basis which is consistent with that in Table 2.2.19. However, the available data indicates a continuation of the long-run decline, but with a much sharper drop of around 2,000 jobs between 1998 and 1999. This is undoubtedly a reflection of the current difficulties facing the industry.

Table 2.2.20:

Total Income from Farming in Wales

	Total income from farming	
	Current prices (£m)	**Annual change (%)**
1990	167	
1991	172	3
1992	183	6
1993	250	37
1994	321	28

1995	313	-2
1996	313	0
1997	210	-33
1998	114	-46

Source: National Assembly calculations.

It should be noted that the long-run decline in employment in agriculture has been more than compensated by the growth of jobs in other sectors. Presentation of data on employment over the longer term is complicated by changes in administrative areas and the associated discontinuities in statistical series. Table 2.2.21 shows the longer term pattern of employment change across the counties of Dyfed and Powys, the "best fit" available for the west Wales parts of the Objective 1 region.

Table 2.2.21: Total employment in the counties of Dyfed and Gwynedd (full-time equivalents)

	1981	1989	1995	Change 1981-95	Percent-age change 1981-95
Agriculture, forestry and fishing	22,806	22,109	21,018	-1,789	-8
Energy and water supply	8,367	4,943	2,445	-5,922	-71
Manufacturing	24,036	24,750	22,717	-1,319	-5
Construction	7,393	5,763	5,869	-1,524	-21
Distribution, hotels/catering; repairs	23,555	29,529	31,368	7,813	33
Banking, finance and insurance, etc	6,684	8,231	12,388	5,704	85
Transport/communication	7,385	7,816	6,339	-1,046	-14
Public administration, defence & other service industries	42,717	51,085	48,475	5,758	13
Total	144,924	156,215	152,614	7,675	5

Source: National Assembly calculations

The longer run decline in agriculture has been compounded by an adverse combination of circumstances over the last four to five years. These circumstances have included the BSE crisis, a strong exchange rate, and low levels of demand in certain key export markets, particularly Russia. The result has been a sharp decline in farmers incomes (see table 2.2.22).

.**Table 2.2.22 Net Farm Income for farm types in Wales (indices)**

Farm Type	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00(f)
At Current Prices:							
Diary	124	81	137	121	87	49	30
LFA Cattle and Sheep	162	97	198	155	93	45	40
All Dairy and Livestock	136	87	159	131	81	41	30
In Real Terms:							
Diary	111	71	115	100	69	38	25
LFA Cattle and Sheep	145	84	167	128	75	35	30
All Dairy and Livestock	122	36	134	107	65	31	25

Source: Farm Business Survey

Note

Indices of Net Farm Income per farm (1989/90-1991/92=100

Low incomes and dependence on declining levels of subsidy have resulted in trends towards part-time working, consolidation of farms into large holdings and a rapidly ageing workforce. More recently, the industry has been thrown into crisis by the BSE problem and its aftermath, the appreciation of the exchange rate, falling prices and rising milk collection costs.

The movements in farmers' incomes in Wales have largely reflected changes across the UK. However, table 2.2.23 shows that over the 1990s as a whole the deterioration has been, if anything, worse in Wales

Table 2.2.23: Net Farm Income: Annual averages, Wales and UK

	1990-92 £ per farm	**1997-99 £ per farm**	**Change %**
Wales			
Dairy	32,268	14,700	-46
LFA Cattle and Sheep	12,257	5,459	-45
All types (excl. horticulture)	18,090	7,178	-40
UK			
Dairy	29,740	12,016	-40
LFA Cattle and Sheep	10,586	4,513	-43
All types (excl. horticulture)	20,827	7,955	-38
Wales-UK difference			
Dairy	2,528	2,684	..
LFA Cattle and Sheep	1,670	946	..
All types (excl. horticulture)	-2,737	-777	..

Source: Farm Business Survey

One of the ways in which farmers have responded to lower incomes from farming is by diversifying. But on average, income earned from off-farm sources remains low (see table 2.2.24).

Table 2.2.24: Farmers' off-farm income

All Farm Types; per farm	**1997/98**
Cash income	£22,500
Net farm income (NFI)	£11,400
Other on-farm income	£500
Off-farm income	£4,200
of which:	
employment & self-employment	£2,600
investment, pensions & other	£1,600
Off-farm income as % of cash income	19
Off-farm income as % of NFI	37

Source:

Farm Business Survey

Farmers, of course, remain critically dependent on subsidy. Table 2.2.25 shows average levels of subsidy per farm in

Wales. "Indirect Support" is a government estimate of the value to farmers of price support resulting from the operation of the CAP.

Table 2.2.25: Dependency of Farms on Subsidy

All Farm Types; per farm	1997/98
Direct subsidy	£16,900
Indirect support (est)	£16,000
Total support (est)	£32,900
Net Farm Income	£11,400
direct subsidy as %	148
total support as %	289

Source: Farm Business Survey

This crisis raises issues not only for the wider rural economy but also in environmental terms because of the intimate link between traditional farming methods and the rural landscape. The sector may face a future of adapting to long term decline but the situation can be improved by, for example, initiatives to develop markets such as organic production, introduce quality assurance schemes and ‘add value’, as well as to make maximum use of ‘agri-environment’ support.

The decline in farming has implications for the wider rural economy. Published studies suggest that each ten full-time job in agriculture support around another four jobs in related sectors. The principal related downstream sector is food processing.

Table 2.2.26 provides data on the number of jobs in food production and related activities in Wales It should be noted that the data source excludes plants with employment of ten or less, so the figures will be to some an extent an underestimate.

It is obvious that only some of the jobs in the table are dependent on Welsh agriculture. A broad estimate might be that around half the total jobs, perhaps 10,000 in total, are generated by activities that use the products of the Welsh agricultural industry. (It should be noted, of course, that agriculture purchases inputs from Welsh industries, so jobs in input-producing activities will also be dependent on Welsh agriculture).

Table 2.2.26: Employment in food production and related activities,

Wales, 1999

Activity	Employment
Manufacture of bread, fresh pastry goods and cakes	3,899
Other meat and poultry meat processing	2,929
Manufacture of rusks and biscuits, and of preserved pastry goods and cakes	1,447
Liquid milk and cream production	1,374
Butter and cheese production	1,105
Processing and preserving of fruit and vegetables n.e.c	1,042
Manufacture of beer	843
Production and preserving of poultry meat	830
Bacon and ham production	790
Slaughter of animals other than poultry and rabbits	746
Manufacture of cocoa and chocolate confectionery	675

Manufacture of prepared feeds for farm animals	645
Manufacture of breakfast cereals and cereals-based foods	638
Production of mineral waters and soft drinks	392
Processing and preserving of potatoes	374
Manufacture of other food products not elsewhere classified	366
Manufacture of macaroni, noodles, couscous and similar products	350
Manufacture of fruit and vegetable juice	336
Manufacture of sugar confectionery	320
Manufacture of ice cream	200
Manufacture of condiments and seasonings	134
Production of coffee substitutes	106
Manufacture of other milk products	80
Grain milling	64
Freezing of fish	56
Other	236
Total employment In food processing and related activities	19,977
as percentage of total employee jobs	2

Source: Welsh Register of Manufacturing Employment

The impact on the wider rural economy of the difficulties facing agriculture need to be placed in context. Section 2.1 noted that West Wales has seen population growth over the last 20 years which is both above that for Wales as a whole and above that for the United Kingdom. However, this out-performance has not been maintained in the most recent period. And population growth has reflected in-migration, often retirement-led, which has masked a pattern of out-migration by the young, particularly in the more remote areas.

Whilst the population in the more rural areas has relatively good health, inactivity and unemployment are high compared to the UK as a whole, and average earnings are relatively low. Once agriculture is excluded, business density is below the UK average (even though self-employment is above average), and this is symptomatic of the absence of a tradition of successful entrepreneurship. Levels of skill are generally below the UK average, but not as markedly so as in the Valleys.

This all paints a picture of the more rural areas as not being particularly well-placed to cope with the decline of agriculture. Nevertheless, it must be noted that over the two most recent decades, growth in employment in other industries, particularly services, has more than offset the decline in employment in agriculture. However, this is not uniformly true, and the more remote areas in particular have found it difficult to generate replacement jobs.

The problems facing the agricultural sector, of course, raise issues not only for the wider rural economy but also in environmental terms because of the intimate link between traditional farming methods and the rural environment and landscape

Agricultural ntensification, in particular, has had negative environmental effects. The quality of the Welsh uplands has been reduced by such intensification, with ecological overgrazing by livestock, poor burning practices, and afforestation. This impacts on wildlife. For example, the continuing degradation of heather moorland has caused a rapid fall in numbers of black grouse (*Tatrao tetrix)*. Surveys by the RSPB have shown that the number of displaying males fell from 232 in 1986 to 135 in 1997, a decline of 42%.

In many areas the landscape has been damaged and is still being threatened by agricultural changes such as the removal of traditional field boundaries. A survey by the Institute of Terrestrial Ecology showed a 10% net loss of hedgerows in Wales in the period 1990-93. This followed on from a loss of 25% of hedges in Wales in the period

1984-90. Figures show that 70% of the loss of hedges is due to lack of management (so that hedges become gappy and are eventually lost), and 30% of the loss due to the actual removal of the hedges.

In the lowlands, semi-natural grasslands of all types have suffered major declines since the 1930s and species threatened as a result include green-winged orchid and the marsh fritillary butterfly.

Forestry and woodland represents another land use and source of employment in rural areas.

There are approximately 269,000 ha of woodland in Wales (13% of the total land area) 235,000 (94%) of which is considered to be productive and, of which, 119,000 (51% and 116,000 (49%) is private and state owned respectively.

The forest estate in Wales can be broken down into three main groups: large softwood forests (mainly Forest Enterprise and forest investment companies); smaller mixed woodlands (mainly private estate and forest investment), and small mainly broadleaf woodlands (mainly in farm ownership).

Broadleaved woodland is a widespread but fragmented habitat, accounting for about one-third of the total woodland area, or 4% of the land area of Wales. Broadleaved woodlands contain a diversity of plants, including flowers and shrubs. They have a role to play in soil creation, water retention, nutrient balancing and carbon retention. The condition of woodland is often unfavourable due to over-grazing by domestic stock or wild deer, and infestation with dense rhododendron, all of which limit woodland regeneration. Small-scale loss of woodland to development exacerbates habitat fragmentation.

The late 1980s and early 90s saw a revival in Britain's forestry industry generating over £800 million of domestic and international investment in wood processing. A substantial investment of approximately £350 million was made in the processing industry in Wales during the same period.

In addition to the major markets for timber (softwood) in the border country (which is outside the Objective One region), there are a number of smaller sawmills throughout Wales. However, in parallel with the expansion of the major wood using companies, there has been a decline in medium and small-scale wood user companies. The resulting loss of local markets (both hardwood and softwood) has effected many small-scale growers who generally do not produce sufficient quantities to interest the larger mills.

The Forestry Industry Council estimate that nearly 85% of Britain's annual consumption of forest products is currently imported. Some 80-85% of this is softwood (conifer) based and two thirds is in processed or semi-processed form (ie value has already been added in the country of origin).

The 1993-1994 Forest Employment Survey found that 4,750 people were directly employed in the forestry and primary wood processing sectors in Wales. Of these 1,200 were employed by the Forestry Commission, 1,100 by private estate owners, 125 by forest management companies, 515 by timber harvesting companies and 1,740 by the wood processing industries. Separate figures are not available for the Objective One region.

The 1993/94 survey found that total employment if forestry in Britain has fallen 15% since the 1988/89 Survey. A significant restructuring has occurred within the industry, with increases in the number employed by harvesting and processing activities, as well as in 'other' forest uses such as recreation, conservation and sport. This is a trend that is likely to continue unless there is an increase in the current rate of new plantings. A new Forestry Employment Survey is currently being undertaken.

On the basis of the 1993/94 survey, the industry in Wales represents 14% of the British total (34,820 employed), with 19,410 (56%), and 10,660 (31%) employed in England and Scotland respectively. Of the 11,215 of the workforce employed by the wood processing industry in Britain, 1,740 are employed in Wales (with 6,445 in England, and 3030 in Scotland).

A Fraser of Allander Institute study based on 1984 statistics (source, HGTAC) indicated that for every job in the forest, another 3.7 jobs are created in the wider economy. However, this estimate seems high when compared with research carried out in other sectors. An up-to-date forestry multiplier study is being undertaken by the Forestry Commission which will quantify the contribution that forestry makes to the economy, both through primary production and through associated and ancillary activities.

The *Fishing Industry* in Wales is of limited scale but localised importance.

It is estimated that approximately 1200 full time and 300 part-time fishermen are employed on Welsh vessels with a further 800 employed in fisheries related shore jobs. In addition approximately 400 men, nominally recorded as Welsh fishermen, work on the Spanish owned, UK registered, high seas vessels based at Milford Haven. These vessels operate mainly out of Spanish ports but bring some economic benefits to the area when they visit Milford Haven to make compliance visits in accordance with UK fisheries legislation. Spanish vessels apart , the majority of the Welsh fleet of about 500 vessels are under 10 meters and mainly fish inshore in the Irish Sea and Bristol Channel, for shellfish and some whitefish. Many of these vessels land to their catches to Holyhead in the north or Milford Haven in the south, but the majority land to the many smaller harbours scattered throughout the Objective 1 area.

The Welsh shellfish industry accounts for about 6% of UK recorded landings, although it is difficult to be precise as large landings of shellfish are made by under 10metre vessels which are not required to submit landing statistics to Fisheries Departments. Lobsters and crabs are landed in large quantities throughout Wales and there is an important local cockle fishery in the Burry Inlet, and a number important mussel fisheries at Conwy and Menai Straits.

Shellfish farming continues at a low level, but of late interest has turned to the potential for farming sea fish. A number of multi-national organisations have shown interest in locating in Wales and work is about to start on a 500 tonne per annum turbot farm at a cost of £2.8m . The Greek company involved already has plans to create a processing facility once fish are being produced in sufficiently large numbers. The proposed facility could also handle species other than turbot and will be a welcome addition to a very depleted processing sector.

Commercial stocks of fish and shellfish around the coast of Wales are regulated by the Sea Fisheries Committees. The major commercial stocks have been overfished, leading to an increased reliance on small coastal vessels exploiting fish and shellfish within a few miles of the shore. Cockles and mussels are taken from many estuaries. There is a need to monitor carefully the effects on the natural environment of the commercial methods used to take cockles, muscles and scallops.

The inland fisheries of Wales make an important contribution to the rural economy. Although salmon fisheries have declined on many rivers the region is well known for the quality of sea trout fishing. Similar to salmon, some wild brown trout fisheries have declined although some good quality fishing remains. The stocking of some stillwater fisheries with brown and rainbow trout provides popular recreation for both local and visiting anglers. Stillwater coarse fisheries are a growth area in Wales, particularly privately managed lakes and competition angling. The Environment Agency Wales sells over 60,000 rod licences in Wales each year but in addition a further 60,000 anglers visit Wales each year. From the 1998 UK tourism survey it is estimated that anglers visiting Wales spent an average of £325 per visit, an input of about £20 million to the Welsh economy. This is an important contribution to employment in tourism related jobs within Wales although no accurate figures are available.

2.3 The Labour Market

2.3.1 Overview

The labour market is considered in detail in the Labour Market Assessment (included as an Appendix). Key features are highlighted here to inform the description of the current situation.

There are important problems in the labour market, which inhibit the prospects for economic development and employment growth. Although there is a base of traditional skills, skill levels in the population generally tend to be low and there is underachievement in terms of qualifications. In some areas, this underachievement starts at school level, with very poor performance in some localities (Appendix Table A3).

Inactivity is high compared to the UK as a whole, and unemployment is higher in most of the region than in the UK. Unemployment is higher in most of the area than in the UK (Appendix Table A4), and, as indicated, a significant minority of people is economically inactive, opting out of the labour market entirely (see Technical Annex for further details). Some localities are suffering are suffering employment decline as well as depopulation.

The occupational structure shows an under-representation of more highly skilled jobs. Managerial jobs are in short supply and there are probably shortages of managerial skills in the population, which may account in part for the low levels of business formation highlighted in 2.2 above. There are fewer hard to fill vacancies than in the UK, and people in work are more likely to lack the skills employers need. In some areas prospects are very bleak with high unemployment, little new investment and poor skills development, with skills gaps being significant.

The structure of employment is changing. Part-time employment, in line with wider UK trends, is becoming increasingly prevalent, with almost one third of employees now in part-time occupations. The growth in part-time work has been concentrated in the service industries and especially in occupations traditionally dominated by women. Women comprise the majority of part-time workers. A significant amount of employment in rural areas is seasonal.

The predominance of low-skilled sectors and occupations feeds through into levels of earnings in the area (see Appendix Table)(Appendix Table A5). Average hourly earnings figures across the area are consistently below the Wales average and substantially below the GB figure, being less than 80% of the latter in the case of Gwynedd.

However, the patterns of economic adjustment and consequent employment growth are uneven. There are ‘hotspots’ where filling vacancies appears to be a significant problem for some employers. The localised nature of labour markets throughout the area continues to act as a serious constraint on the ability of some areas to benefit from economic growth and on business development.

From a positive viewpoint the area benefits from a well developed network of universities and further education colleges. However, there have been issues about the availability of facilities for more specialised training. The constraints of population sparsity and poor communications also affect access to training opportunities more generally.

The main analysis here is organised, as requested by DGV, according to the pillars of the European Employment Strategy which is linked through to the strategy for the Plan in Section 5 below.

2.3.2 Analysis by Pillar

(i) Improving Employability

The population of the Objective 1 area suffers from some significant disadvantages in terms of employability. There are a number of statistics that indicate the nature and scale of these difficulties.

First, as indicated in the overview, economic activity rates are significantly below those of the UK (Table 2.3.110). In 1998/99, an estimated 28 percent of people of working age in West Wales and the Valleys were economically inactive. This compares with 22% across the UK as a whole. The overall difference is similar for both males and females. Inactivity in Valleys area is particularly high relative to the UK amongst females of working age, and amongst men aged 50-64. The more detailed analysis within the Labour Market Assessment has shown that within the Valleys area as defined in the table, these problems are particularly concentrated within the Central and Gwent Valleys, the area which has suffered most from the decline of coal mining and related industries. These rates clearly reflect lack of opportunities in the labour market linked to low skill levels, as well as factors such as health problems and social exclusion.

In West Wales, inactivity is particularly high amongst females aged 50-59. It should be noted that the apparently high level of inactivity (particularly for females) aged 16-24 in West Wales is a consequence of this group's high level of participation in further and higher education. At the all ages level, this effect serves to disguise the higher general level of inactivity in the Valleys when compared with West Wales.

Data in the Labour Market Assessment shows that there has been little change in this overall picture in the period since 1995. Since then, the total level of employment in Wales has increased by 3%, but this is lower than for GB as whole, for which the increase was 5%. The strongest growth sectors in the Objective 1 area were construction, other services and manufacturing. The only sectors to record a decline in employment were energy and water and agriculture.

These rates clearly reflect lack of opportunities in the labour market linked to low skill levels, as well, as argued, as factors such as health problems and social exclusion.

TabTablele 2.3.1 2.10: Economic inaActivity rates by age and gender 1998/99 (%)

	16-24			25-49			50-59/64			All aged 16-59/64		
	M	F	All	M	F	All	M	F	All	M	F	All
West Wales	37	44	40	11	23	17	37	46	41	23	33	27
Valleys	26	32	29	11	30	21	45	45	45	23	34	28
WW and V	30	36	33	11	28	19	42	46	44	23	33	28
East Wales	32	39	35	9	27	18	30	43	36	19	32	25
Wales	31	37	34	10	27	19	38	45	41	22	33	27
UK	24	33	28	8	24	16	28	36	31	16	28	22

Source: Labour Force Survey Local Area Database

	Objective 1		Wales		Great Britain	
	1995	1999	1995	1999	1995	1999
Male	77.3	76.7	78.5	78.8	84.9	84.3
Female	67.2	67.0	68.3	67.6	70.9	72.3
All	72.4	72.0	73.6	73.5	78.2	78.6

Source: Labour Force Survey, 1995, 1999

Second, unemployment, although falling in recent years, remains is above the all-Wales and GB levels. Table 2.3.2 shows unemployment measured on the ILO definition. The figures show that the rate of decline over the period since 1995/96 has been less for males in the Objective One region, and in Wales as whole, than in Great Britain. For females, the rate of decline has been higher in the Objective One area than in both Wales and Great Britain.

Table 2.3.2: ILO unemployment rates (%)

	West Wales and the Valleys		**Wales**		**Great Britain**	
	1995/96	1998/99	1995/96	1998/99	1995/96	1998/99
Male	10.6	9.0	10.2	8.5	9.8	6.8
Female	8.6	5.8	7.1	5.5	6.9	5.2
All	9.8	7.6	8.8	7.2	8.5	6.1

Source: Labour Force Survey

Although claimant unemployment has been falling in line with UK trends, rates remain high (see Table 2.3.3). In July 1999 claimant unemployment stood at 6%, compared with 5.2.% for the whole of Wales and 4.3% in Great Britain as a whole. This masks major variations across the area, with rates varying from 10% in Blaenau Gwent to 3.9% in Ceredigion (the most "rural" area, according to the ONS classification). The Valleys suffer from particularly high rates of unemployment (see Appendix Table A4), reflecting the loss of their traditional economic base of coal mining and the difficulties in generating replacement activities.

Table 2.3.3: Claimants of unemployment -related benefits in West Wales and the Valleys

People	**July 1996**		**July 1999**		**%**
	Claimants	**rate**	**claimants**	**rate**	**change**
Anglesey	3,265	13.1	1,967	7.8	-39.8
Carmarthenshire	5,594	8.7	3,778	6.1	-32.5
Ceredigion	2,196	6.5	1,302	3.9	-40.7
Conwy	3,887	8.3	2,192	5.2	-43.6
Denbighshire	3,115	7.5	1,728	4.3	-44.5
Gwynedd	5,295	9.3	3,105	5.4	-41.4
Pembrokeshire	4,847	10.6	2,811	6.2	-42.0
Total West Wales	**28,199**	**9.0**	**16,883**	**5.5**	**-40.1**
Blaenau Gwent	2,974	13.4	2,219	10.0	-25.4
Bridgend	3,689	6.9	3,001	5.4	-18.7
Caerphilly	6,500	11.9	3,630	6.8	-44.2
Merthyr Tydfil	2,563	11.3	1,619	7.7	-36.8
Neath Port Talbot	4,201	7.7	3,366	6.7	-19.9
Rhondda, Cynon, Taff	8,573	9.9	5,744	6.8	-33.0
Swansea	8,319	8.6	5,341	5.6	-35.8
Torfaen	3,179	6.4	1,752	4.3	-44.9
Total Valleys	**39,998**	**9.1**	**26,672**	**6.3**	**-33.3**
Total West Wales and Valleys	**68,197**	**9.0**	**43,555**	**6.0**	**-36.1**
Wales	**104,145**	**8.2**	**64,189**	**5.2**	**-38.4**
Great Britain	**2,067,278**	**7.4**	**1,210,646**	**4.3**	**-41.4**

Men	**July 1996**		**July 1999**		**%**
	Claimants	**rate**	**claimants**	**rate**	**change**
Anglesey	2,497	17.1	1,458	9.7	-41.6
Carmarthenshire	4,151	10.9	2,811	7.6	-32.3
Ceredigion	1,510	8.1	931	5.2	-38.3
Conwy	2,972	12.0	1,667	8.0	-43.9
Denbighshire	2,344	10.9	1,333	6.3	-43.1
Gwynedd	3,979	12.8	2,333	7.8	-41.4
Pembrokeshire	3,787	14.3	2,136	7.9	-43.6
Total West Wales	**21,240**	**12.1**	**12,669**	**7.5**	**-40.4**
Blaenau Gwent	2,340	17.7	1,727	13.5	-26.2
Bridgend	2,795	9.7	2,248	7.4	-19.6
Caerphilly	5,015	16.7	2,808	9.5	-44.0
Merthyr Tydfil	2,013	17.0	1,271	11.8	-36.9
Neath Port Talbot	3,282	10.0	2,541	8.6	-22.6

Rhondda, Cynon, Taff	6,742	14.1	4,515	9.8	-33.0
Swansea	6,408	13.0	4,162	8.8	-35.0
Torfaen	2,463	9.3	1,379	6.0	-44.4
Total Valleys	**31,058**	**12.9**	**20,642**	**9.0**	**-33.5**
Total West Wales and Valleys	**52,298**	**12.6**	**33,311**	**8.4**	**-36.3**
Wales	**79,141**	**11.4**	**49,045**	**7.3**	**-38.0**
Great Britain	**1,549,003**	**10.0**	**917,519**	**6.0**	**-40.8**

Women	**July 1996**		**July 1999**		**%**
	Claimants	**rate**	**claimants**	**rate**	**change**
Anglesey	768	7.4	509	5.0	-33.7
Carmarthenshire	1,443	5.5	967	3.8	-33.0
Ceredigion	686	4.5	371	2.5	-45.9
Conwy	915	4.2	525	2.5	-42.6
Denbighshire	771	3.8	395	2.1	-48.8
Gwynedd	1,316	5.2	772	2.8	-41.3
Pembrokeshire	1,060	5.5	675	3.6	-36.3
Total West Wales	**6,959**	**5.0**	**4,214**	**3.1**	**30.4**
Blaenau Gwent	634	7.1	492	5.2	-22.4
Bridgend	894	3.6	753	2.9	-15.8
Caerphilly	1,485	6.0	822	3.4	-44.6
Merthyr Tydfil	550	5.1	348	3.4	-36.7
Neath Port Talbot	919	4.2	825	4.0	-10.2
Rhondda, Cynon, Taff	1,831	4.7	1,229	3.2	-32.9
Swansea	1,911	4.0	1,179	2.5	-38.3
Torfaen	716	3.0	382	2.1	-46.6
Total Valleys	**8,940**	**4.4**	**6,030**	**3.1**	**-32.6**
Total West Wales and Valleys	**15,899**	**4.7**	**10,244**	**3.1**	**-35.6**
Wales	**25,004**	**4.4**	**15,144**	**2.7**	**-39.4**
Great Britain	**518,275**	**4.1**	**293,127**	**2.3**	**-43.4**

Source: Benefits Agency

Examination of claimant unemployment by travel-to-work area (Table 2.3.4) shows that particular problems exist in a number of port/traditional coastal towns within West Wales, notably Holyhead and Pembroke, despite the generally rather lower unemployment in West Wales when compared with the Valleys.

Table 2.3.4: Claimant count by Travel-to-Work area: Rates (%)

	Men	Women	People
Aberystwyth	4.4	2.1	3.3
Bangor And Caernarfon	9.7	3	6.4
Cardigan	6.2	3.6	5.1
Carmarthen	6.2	2.3	4.5
Dolgellau & Barmouth	11	3.5	7.1
Fishguard & St. David's	8.8	5.2	7.1
Haverfordwest	9.6	3.9	7.2
Holyhead	10.1	5.7	8.5

Lampeter	7.4	3.6	5.7
Llanelli	8.2	3.6	6.4
Machynlleth	11.1	2.9	6.9
Merthyr	12.4	3.3	8
Neath & Port Talbot	7.4	3	5.6
Pembroke & Tenby	12.1	6.5	9.9
Pontypridd & Aberdare	8.6	2.7	5.9
Porthmadog & Ffestiniog	11.1	5.8	8.8
Pwllheli	7.8	3.9	6.2
Rhyl & Denbigh	8.7	2.6	5.7
Rhymney & Abergavenny	10.4	3.4	7.2
Swansea	9.3	2.4	5.9

Source: Benefits Agency

Overall, the Table 2.3.5 shows that the proportion of unemployed people in the Objective 1 area who are claiming benefit and are long-term unemployed (i.e. without a job for more than 12 months) is 224% - equal to that for Wales and just below that for GB (245%). (Note that the percentage breakdown in the table is within age-groups. Thus for persons under 25 in West Wales and the Valleys, 81.4% were unemployed for less than 6 months and 18.6% for more than 6 months. This sums to 100%. 2.9% were unemployed for over 12 months, and this figure is included within the 18.6%, as these people were also unemployed for over 6 months.)

Table 2.3.5: Claimants of unemployment benefit, by age and durations,

Persons, 1999 (%)

Persons	**West Wales and the Valleys**	**Wales**	**Great Britain**
Under 25, unemployed for:			
up to 6 months	81.4	82.2	79.9
over 6 months	18.6	17.8	20.1
over 12 months	2.9	2.7	4.3
over 24 months	0.6	0.6	1.0
25-49, unemployed for:			
up to 6 months	53.8	54.4	53.0
over 6 months	46.2	45.6	47.0
over 12 months	27.9	27.6	28.8
over 24 months	12.3	12.7	13.1
50 and over, unemployed for:			
up to 6 months	47.2	47.9	47.3
over 6 months	52.8	52.1	52.7
over 12 months	36.1	35.7	36.7
over 24 months	20.7	20.6	21.5
All ages, unemployed for:			
up to 6 months	60.5	61.1	58.7
over 6 months	39.5	38.9	41.3
over 12 months	22.2	22.0	24.1
over 24 months	10.4	10.6	11.6

Men	**West Wales and the Valleys**	**Wales**	**Great Britain**
Under 25, unemployed for:			
up to 6 months	80.6	81.4	79.4
over 6 months	19.4	18.6	20.6
over 12 months	3.1	2.9	4.5
over 24 months	0.6	0.6	1.0
25-49, unemployed for:			
up to 6 months	51.4	52.1	50.7
over 6 months	48.6	47.9	49.3
over 12 months	29.9	29.6	30.7
over 24 months	13.3	13.8	14.3
50 and over, unemployed for:			
up to 6 months	45.1	45.9	45.5
over 6 months	54.9	54.1	54.5
over 12 months	38.3	37.9	38.8
over 24 months	22.5	22.5	23.5
All ages, unemployed for:			
up to 6 months	58.0	58.6	56.3
over 6 months	42.0	41.4	43.7
over 12 months	24.3	24.1	26.2
over 24 months	11.5	11.8	12.8

Women	**West Wales and the Valleys**	**Wales**	**Great Britain**
Under 25, unemployed for:			
up to 6 months	83.4	84.0	81.1
over 6 months	16.6	16.0	18.9
over 12 months	2.4	2.3	4.0
over 24 months	0.4	0.4	0.8
25-49, unemployed for:			
up to 6 months	64.2	64.6	61.7
over 6 months	35.8	35.4	38.3
over 12 months	19.2	19.1	21.5
over 24 months	7.9	8.0	8.7
50 and over, unemployed for:			
up to 6 months	53.1	53.8	52.6
over 6 months	46.9	46.2	47.4
over 12 months	29.5	29.1	30.5
over 24 months	15.2	14.8	15.7
All ages, unemployed for:			
up to 6 months	69.1	69.5	66.3
over 6 months	30.9	30.5	33.7
over 12 months	15.0	15.0	17.5
over 24 months	6.6	6.6	7.5

Source: Benefits Agency

The Labour Market assessment shows that Llong-term unemployment rates vary across the area, however, from 16.7% in Neath Port Talbot and Denbighshire to 34.5% on the Isle of Anglesey. There is no discernible north/south or urban/rural pattern. The overall long-term rates may be surprising given the entrenched employment problems of the area. On the other hand it it may indicate people removing themselves from the unemployment register in the face of very poor employment prospects. Certainly the last explanation would tie in with the low economic activity rates described above.

The area suffers from particular problems relating to young adult unemployment. Unemployment rates amongst the under-25s are higher than the GB rate in twelve of the fifteen Unitary Authorities covered by Objective One. The highest rates (above 30%) are all to be found in southern urban areas. In Torfaen the figure reaches 45%.

However, table 2.3.6 shows that the largest fall in claimant unemployment in West Wales and the Valleys in the period 1996 to 1999 is for those aged under 25 (38%). (This is nevertheless lower than the falls of 40% in Wales and 45% in Great Britain.) Within this group, particularly large falls have been recorded for those unemployed for over 12 months (91%) and over 24 months (94%), with a fall of 72% for those unemployed for over 6 months.

There are also significant falls in claimant unemployment for those aged between 25 and 49 and unemployed for over 12 months (51%) and over 24 months (61%). There has also been a fall of 47% for those within this age group who have been unemployed for over 6 months.

The falls in claimant unemployment have been less significant for those aged 50 and over. For this age group, numbers unemployed for over 6 months have fallen by 35%, over 12 months by 34%, and over 24 months by 41%. The lower responsiveness of unemployment in this age group may reflect similar factors to those underlying the high levels of inactivity for the same group.

Table 2.3.6: Claimants of unemployment benefit, by age and durations, percentage change 1996-1999

Persons	**West Wales and the Valleys**	**Wales**	**Great Britain**
Under 25, unemployed for:			
up to 6 months	-13.9	-16.5	-23.0
over 6 months	-72.3	-74.2	-74.2
over 12 months	-91.0	-92.0	-89.3
over 24 months	-94.1	-95.0	-93.3
all durations	-38.1	-40.3	-45.0
25-49, unemployed for:			
up to 6 months	-18.7	-20.5	-22.4
over 6 months	-47.2	-49.7	-51.8
over 12 months	-51.0	-53.4	-56.5
over 24 months	-61.4	-62.1	-66.1
all durations	-34.9	-37.1	-39.7
50 and over, unemployed for:			
up to 6 months	-15.2	-18.0	-20.7
over 6 months	-34.8	-39.0	-46.9
over 12 months	-34.1	-38.5	-47.7
over 24 months	-40.7	-44.4	-52.6
all durations	-26.8	-30.5	-37.1
All ages, unemployed for:			
up to 6 months	-16.4	-18.7	-22.4
over 6 months	-51.0	-53.5	-55.6
over 12 months	-55.3	-57.7	-60.1
over 24 months	-60.3	-61.8	-65.9
all durations	-34.7	-37.1	-40.7

Men	**West Wales and the Valleys**	**Wales**	**Great Britain**
Under 25, unemployed for:			
up to 6 months	-11.7	-13.9	-20.6
over 6 months	-73.4	-74.9	-74.8
over 12 months	-91.4	-92.3	-89.7
over 24 months	-94.4	-95.2	-93.7
all durations	-39.0	-40.6	-45.0
25-49, unemployed for:			
up to 6 months	-16.9	-18.3	-20.0
over 6 months	-46.9	-48.9	-51.1
over 12 months	-51.0	-53.2	-56.5
over 24 months	-61.7	-62.2	-66.4
all durations	-34.8	-36.6	-39.1
50 and over, unemployed for:			
up to 6 months	-17.9	-20.3	-22.8
over 6 months	-35.3	-38.7	-47.0
over 12 months	-34.3	-37.6	-47.4
over 24 months	-40.0	-42.9	-51.8
all durations	-28.5	-31.4	-38.2
All ages, unemployed for:			
up to 6 months	-15.2	-17.0	-20.6
over 6 months	-50.9	-52.9	-54.9
over 12 months	-55.2	-57.2	-59.8
over 24 months	-60.6	-61.6	-65.9
all durations	-35.0	-36.9	-40.4

Women	**West Wales and the Valleys**	**Wales**	**Great Britain**
Under 25, unemployed for:			
up to 6 months	-18.7	-22.3	-27.9
over 6 months	-68.7	-72.1	-72.6
over 12 months	-89.5	-90.7	-87.9
over 24 months	-93.2	-94.0	-91.8
all durations	-35.7	-39.6	-44.9
25-49, unemployed for:			
up to 6 months	-24.1	-27.4	-29.3
over 6 months	-49.2	-53.5	-54.9
over 12 months	-50.8	-54.6	-56.3
over 24 months	-59.1	-61.4	-64.4
all durations	-35.5	-39.4	-41.9
50 and over, unemployed for:			
up to 6 months	-7.2	-11.6	-14.9
over 6 months	-33.0	-40.3	-46.6
over 12 months	-33.6	-41.8	-48.8
over 24 months	-43.5	-50.2	-55.7
all durations	-21.4	-27.6	-33.6
All ages, unemployed for:			
up to 6 months	-19.6	-23.3	-27.0
over 6 months	-51.8	-56.2	-58.1
over 12 months	-55.8	-60.0	-61.8

over 24 months	-58.9	-62.5	-65.9
all durations	-33.4	-37.6	-41.6

Source: Benefits Agency

Short-term unemployment rates (ie less than 6 months) remain above the GB levels for the under 25s. The Labour Market Assessment shows this to be a particular problem in West Wales due to seasonal employment factors.

It should be noted that the complexity and variety of obstacles faced within the labour market can make the interpretation of statistics problematic, particularly for the younger age-groups. Thus the lack of suitable employment may be masked to some extent by the out-migration of better educated young people due to a lack of opportunities. This is a problem across the region, but it is perhaps most acute in the more remote rural areas. The young are also disadvantaged by low skills and attainment: these factors are discussed below.

The occupational structure of the area, summarised in Table 2.3.7, gives a broad indication of the skills of the labour force. It indicates the comparatively small proportions of people in higher level occupations such as management, administration, and the professions (3220% compared to the Great Britain figure of 3276%), and also in lower skilled service jobs in clerical, personal and protective services and sales occupations (320% against 343%). Jobs in manufacturing related employment are correspondingly more significant, reflecting the industrial structure of employment.

More positively, the area has a good representation of associate professional and technical jobs, which are important for the future growth and development of manufacturing industry.

Table 2.3.711: Employment by Occupation (%)

	1995			1998		
	All	**Male**	**Female**	**All**	**Male**	**Female**
West Wales and the Valleys						
Managers and administrators	14	17	10	13	15	9
Professional occupations	9	9	9	9	9	8
Associate professional & technical occupations	9	7	10	10	9	11
Clerical,secretarial occupations	11	5	18	12	5	20
Craft and related occupations	15	25	3	15	25	2
Personal,protective occupations	13	7	20	12	6	19
Sales occupations	7	4	11	8	4	13
Plant and machine operatives	13	18	6	13	18	6
Other occupations	10	8	13	10	9	12
Wales						
Managers and administrators	14	18	10	14	17	10
Professional occupations	10	10	8	10	11	9
Associate professional & technical occupations	9	7	11	9	8	10
Clerical,secretarial occupations	13	6	21	12	5	21
Craft and related occupations	14	23	3	14	24	2
Personal,protective occupations	12	6	18	12	6	20
Sales occupations	8	5	11	8	5	12
Plant and machine operatives	12	17	5	12	17	6
Other occupations	10	8	12	9	8	11
GB						
Managers and administrators	16	20	12	16	19	12
Professional occupations	10	11	9	11	12	9
Associate professional & technical occupations	9	9	10	10	9	11
Clerical,secretarial occupations	15	7	25	15	7	25

Craft and related occupations	13	21	3	12	20	2
Personal,protective occupations	11	7	16	11	7	16
Sales occupations	8	5	11	8	5	11
Plant and machine operatives	10	14	4	9	14	4
Other occupations	8	7	10	8	7	8

	Objective 1		Wales		Great Britain	
	1995	1999	1995	1999	1995	1999
Managers and administrators	12.3	10.7	12.9	12.1	15.4	15.2
Professionals	9.4	9.0	9.9	9.8	9.8	10.5
Associate professionals and technical	8.3	10.0	8.6	9.8	8.9	9.8
Clerical occupations	12.2	10.8	13.1	11.0	14.3	14.4
Craft related occupations	12.7	13.4	12.3	13.2	12.1	11.4
Personal and protective services	11.2	11.8	10.7	11.5	9.9	10.5
Selling occupations	6.7	7.6	6.7	8.1	7.4	7.8
Plant and machine operatives	12.1	11.7	10.4	11.2	9.2	8.7
Unskilled occupations	5.7	5.9	9.5	8.4	8.1	7.3
Other	9.4	9.1	5.9	4.8	4.9	4.3

Source: Labour Force Survey

Notes : The Labour Force Survey is subject to some problems of reliability at the regional level because of sample size. Data are annual averages: March 1995 to Feb 1996 and March 1998 to Feb 1999.

Preparation at school for the labour market in terms of attainment levels is problematic in certain parts of the Objective One area. Preparation at school for the labour market is an area in which there are recognised deficiencies. The standard of basic literacy and numeracy post-16 is far too low and Wales lags behind the rest of the UK in terms of the level of qualifications in the workforce. Research undertaken by Beaufort Research Ltd on behalf of the Basic Skills Agency in 1995 revealed that 16% of people in Wales had low or very reading skills and 44% had low or very low numeracy skills. Overall more women than men had problems with reading and numeracy.

Problems were found across all age groups. Younger women and those aged 55-59 were more likely to have poor reading skills. Older women and men in their early twenties were more likely to have poor numeracy skills.

There was a consistent relationship between poor basic skills and employment. 24% of men aged 19-24 with low or very low reading skills were unemployed compared to 6% of those with good skills. 39% of women aged 19-24 with low or very low reading skills were "unwaged" compared with 12% of those with good skills.

The highest difficulties with both reading and numeracy skills were in Gwent and Mid Glamorgan.

The Basic Skills Agency, in conjunction with The Opinion Research Business, is preparing new research into literacy and numeracy skills in selected local authorities in Wales. The results are expected to become available in late March 2000. Preliminary results indicate that 18 per cent of respondents involved in the new survey are rated low or very low in literacy; 42 per cent are rated very low or low in numeracy skills.

The level of qualifications attainment in the Objective 1 area is similar to Wales as a whole but significantly lower than GB. Attainment levels of school leavers are particularly problematic in certain parts of the Objective One area. With the exception of Swansea, all the southern urban areas have levels below the all-Wales figure (see Appendix Table A4 Labour Market Assessment), although the situation has been improving. As noted above, pParts of the Valleys suffer from particularly acute problems. This remains a fundamental weakness which seriously threatens the ability of the area to grow and develop a knowledge-based economy. The situation in the rural areas is significantly more favourable.

Levels of participation in full-time education amongst 16-19 year olds are higher in the Objective One1 area than in Wales and Great Britain (see Table 2.3.8), but the participation rate for young men in the Valleys (55%) is significantly below that of West Wales (65%). However, this can Furthermore, high participation rates can reflect lack of employment opportunities, and data is not available which will enable an analysis of the outcomes of this post-16 participation. However, the high levels of young adult unemployment noted above highlight the difficulties young people face in the labour market, and suggest that they are not achieving the attainment levels post-16 which they need to gain employment. Parts of the area report significant problems with people dropping out of full-time education, training and employment after the age of sixteen.

Table 2.3.8: Percentage of people aged 16-19 in full-time educationby gender

	1995/96			1998/99		
	Male	Female	All	Male	Female	All
West Wales	55	65	60	65	69	67
Valleys	54	51	53	55	67	61
West Wales and the Valleys	54	57	55	59	68	63
East Wales	55	60	57	52	67	59
Wales	54	58	56	56	68	62
GB	52	55	53	54	60	57

Source: Labour Force Survey

Data disaggregated for ethnicity is partial and out of date. It is nevertheless possible to identify some generic barriers to labour market participation:

- Lack of basic literacy and numeracy skills (especially among non-English speaking minorities - the needs of first generation immigrants are different from those of second and third generation);
- Little or no appropriate work experience, or up-to-date and appropriate vocational/academic qualifications;
- Lack of information, guidance and counselling regarding realisable training and opportunities for employment/ self-employment;
- Lack of affordable and religion-cultural sensitive childcare facilities. Lack of registered childminders from minority communities;
- Workplace discrimination (stereotyping on the basis of dress and accent).

Within the generic term ‘ethnic minority’ there is considerable diversity. Groupings have different migration histories, skills levels, cultural orientations to the labour market, and experiences of discrimination, all of which affect their prospects in the labour market.

According to research by Disability Wales, at least 400,000 disabled people live in Wales, 1 in 6 of the population Definitional problems mean it is difficult to generalise about their position in the labour market. However, wider UK research suggests that disabled people in employment are more likely to work in manual and lower skilled occupations; and the average take home pay of disabled employees tends to be lower than that of non-disabled employees (£196 per week compared to £212).

There are significant barriers to participation in the labour market for disabled people. Environmental barriers include access to buildings, and to affordable transport. Attitudinal barriers include stereotypical views of the ‘body normal’ employee which persist despite the loss of manual occupations (Williams et al, 1999). Institutional barriers include some stemming from legislation. Under the Disability Discrimination Act of 1995, a disabled child has no right to mainstream education. In the recent past some Welsh disabled children from Wales have been sent to residential special education needs schools in England. This has created problems on their return to Welsh speaking parts of Wales. Under the Disability Discrimination Act, only an employer with 15 or more staff has a duty to disabled employees.

(ii) Developing Entrepreneurship

Section 2.2 deals fully with business formation, SME numbers, start-ups and failures.

As indicated in Section 2.2 above, business density rates are lower in the Objective 1 area when compared with Wales and the UK as a whole. Ssome parts of the area have a very low proportion of businesses per head of population, and some have low rates of business formation. In contrast with the UK as a whole, the Objective 1 area has been losing businesses in recent years, with de-registration rates outstripping registration rates. The more rural areas tend to have very low business formation rates. Low business density is symptomatic of the lack of a tradition of entrepreneurship in the region.

Rates of self-employment are significantly below the all-Wales and Great Britain rn

rates in the Valleyssouthern urban districts (Table 2.3.9152). Though they are above average in the rural areas, this reflects to a considerable extent the high rates of self-employment within one traditional sector - agriculture.

Table 2.3.912: Self-employment

	As % of all in employment	As % of all in employment - excluding agriculture, forestry and fishing
West Wales	20.0	15.4
Valleys	8.7	8.6
West Wales and Valleys	13.1	11.2
Wales	12.7	10.7
UK	11.9	11.3

	% of all in employment	No.
Clwyd	12.8	24,000
Dyfed	14.8	20,000
Gwent	8.4	15,000
Gwynedd	17.1	18,000
Mid Glamorgan	7.8	18,000
West Glamorgan	9.2	13,000
Wales	11.5	140,000
Great Britain	11.7	3,100,000

Source: Labour Force Survey Spring 1999

In addition, the employment profile of the area shows an under-representation of managerial skills within the local population. In terms of knowledge-based industries, what evidence is available suggests that these are tending not to develop in the Objective One area but rather to the south in Cardiff and the Vale of Glamorgan.

In the rural parts of the area, there are, as indicatedd, some very low rates of business formation. At the same time, problems in agriculture suggest that diversification into new activities will be required which will require new skills, not least in generic management skills, in order to build robust new businesses.

Core skills development for managers and business start-ups will therefore important in order to put in place the human resource capacity to support entrepreneurship in the area.

(iii) Encouraging Adaptability in Businesses and their Employees

Adaptability will be important for the future development of the economy of the area, enabling both the employed and the self-employed to respond to the changing needs of business. High levels of skills in the population tend to mean greater flexibility, not least because it is amongst the more highly skilled that there is a greater propensity to learn and to retrain.

Section 2.2 has reviewed evidence on low GDP per person, and on low levels of R&D expenditure. Both factors are indicators of a lack of adaptability. Low qualification and skill levels are a further indicator.

Levels of qualifications within the population are low compared to both Wales and especially Great Britain (Table 2.13). The proportion of the working population qualified to NVQ Level 3 is 35% compared to the Great Britain average of 40%, and that to NVQ Level 4 is 18% compared to the Great Britain average of 22% (Table 2.3.10).%. These represent key deficiencies in the skills base. This deficiency reflects more a more widespread problem with skill levels, which is discussed more fully in the Labour Market Assessment.

Table 2.13: Participation and Attainment Levels

	Objective 1		Wales		Great Britain	
	1995	1999	1995	1999	1995	1999
% 16-19 yrs in FT education	58.7	64.9	58.4	62.6	59.2	60.3
% work aged qualified to NVQ level 3	31.9	35.4	33.1	36.2	35.8	40.2
% work aged qualified to NVQ level 4	N/A	18.4	N/A	19.7	N/A	22.3

Source: Labour Force Survey, Spring 1999

Table 2.3.10: Highest qualification by age 1999, percentages

	16-24			25-49			50-59/64			All aged 16-59/64		
	NVQ 4 & above	Below NVQ 4	No quals	NVQ 4 & above	Below NVQ 4	No quals	NVQ 4 & above	Below NVQ 4	No quals	NVQ 4 & above	Below NVQ 4	No quals
West Wales	9	73	18	26	56	19	18	41	41	21	55	24
Valleys	11	72	16	18	60	22	15	48	37	16	59	25
WW and V	10	73	17	21	58	21	17	45	38	18	57	25
East Wales	12	71	17	27	59	15	21	48	31	23	58	19
Wales	11	72	17	23	58	19	18	46	36	20	58	23
UK	12	75	13	26	59	15	19	51	30	22	60	18

Unsurprisingly in this context, it has been noted in section 2.2 that the area has comparatively small proportions of people in higher level occupations such as management, administration, and the professions.

Patterns of vacancies by sector and occupation are broadly similar to those in the UK. There tend to be fewer unfilled vacancies but this is unlikely to be reflecting a better skills match and more the fact that the labour market is less buoyant in the Objective One area. This is supported by the fact that a smaller share of employers in the Objective One area report hard-to-fill vacancies compared to Wales as a whole.

However, there are clearly ‘hotspots’ in the area, with some areas recording as many as 40% of employers reporting hard-to-fill vacancies. Localised labour markets are a significant contributory factor to this phenomenon. Furthermore, whilst low skilled industrial and plant operative jobs are readily filled, a large proportion of craft and related occupations remain unfilled, indicating recruitment difficulties at higher skills levels for manufacturers. There are also indications that local suppliers are not responding sufficiently to the needs of inward investors in terms of the staff training required to make the quality improvements needed to win or maintain places in supply chains.

The proportion of firms reporting skills gaps is fractionally higher than at an all-Wales level, suggesting that people in work are more likely to be deficient in the skills currently demanded by their employers. Some areas of high unemployment, such as Merthyr Tydfil and Caerphilly also report high levels of skills gaps, which reflects the particular skills problems faced by these areas.

The Future Skills Wales Survey, carried out on an all-Wales basis, suggests that employers recognise the need for new skills and improving the skills of their existing workforce to remain competitive. Half of employers in Wales have funded off the job training in the past 12 months, and most people in work believe that they do get to use their full range of skills and have the opportunity to develop them further. However, certain occupations receive more training than others, for example managers and administrators, and clerical/secretarial staff are most likely to receive training, followed by professionals, and craft workers. Plant and machine operatives and largely unskilled workers are least likely to receive training. There is no reliable evidence on disparities between the Objective 1 area and Wales or GB.

The Labour Market Assessment indicates that the main barriers identified by individuals to further learning are the costs associated with learning and childcare/family commitments. Cost and staff time are the most significant barriers to training for employers in the Objective 1 area.

Generic skills most likely to be in demand in the future include: ICT, ‘soft skills’ (ability to learn, communication, initiative, team working), and business-focused skills (understanding customer needs, product knowledge).

Labour mobility continues to be a constraint on adaptability. Labour markets have a tradition of being highly localised and in some areas this continues with low levels of commuting to areas where jobs are available, not least because of access problems and the associated high costs of travel. However, there are signs that these patterns are starting to break down. Although no recent data are available, there are indications that levels of out-commuting from the Valleys are increasing, with people accessing the more plentiful, higher order jobs in Cardiff and the Vale of Glamorgan.

(iv) Strengthening policies for equal opportunities

Gender

Information on employment, unemployment and inactivity by gender is provided in section (i), Improving Employability.

Just over half of the workforce in the Objective 1 area is female. Female workers are most highly represented in public administration, education and health, distribution, hotels and catering, and banking and finance. They are least represented in energy and water, construction, and transport and communications. Women comprise the majority of part-time workers. The growth in part-time employment has been concentrated in service industries and in occupations dominated by women.

A key feature of the structural shifts occurringoccuring in the area is the rising importance of women in the labour market – the ‘feminisation’ of the labour market . Indeed, women are rapidly becoming predominant; in some parts of the Objective 1 area, females already make up well over half the number of employees. Although women have lower economic activity rates than men (67% against 77% for men) this is countered to some extent by lower unemployment counts (3.1% against 8.4% for men). Despite this feminisation, old attitudes to female work remain, with men still tending to be perceived as chief family ‘breadwinners’ and women as ‘topping up’ the family income.

Opportunities in the labour market are still shaped by gender. Indeed the labour market is characterised by horizontal, vertical and contractual segregation, as follows:

Horizontal segregation**.** Women and men tend to work in different industries. It has been noted above that, in the Objective One area, women are ‘over-represented’ in service sector industries (Public Administration, Education and Health, Distribution, Hotels and Restaurants and Banking, Finance and Insurance).

Vertical segregation. Women and men tend to work at different levels within the same industries. In Wales, women constitute 78% of employees in clerical and secretarial occupations, 71% of those in personal and protective services and 65% of those in sales. Men meanwhile make up 81% of plant and machine operatives, 67% of managers and administrators and 57% of employees with professional occupations .

Contractual segregation**.** Women are more likely than men to work part-time. Part-time working is most common in those sectors in which women are over-represented: Public Administration, Education and Health, Distribution, Hotels and Restaurants and Banking, Finance and Insurance. Almost half those women in employment in Wales work part-time compared with one in twelve men Part-time workers generally have less access to training and promotion opportunities.

The pay gap has been closing in Wales. In 1978, women earned 70% of male earnings; in 1998, the figure was 84%. However, the gap still exists and its reduction in recent years probably has more to do with the deterioration of male earnings in Wales than anything else.

Most obstacles to equal labour market participation by women in Wales arise from the labour market and welfare system model of breadwinner males (earning family wages) and homemaker females (earning supplementary wages). Three of the main obstacles are listed below.

- Low wages and poverty which restrict access to transport, childcare, education and training, and start up funds;
- Lack of provision of support services (Britain as a whole has the lowest level of childcare provision in the European Union with the exception of Portugal);
- Sex role stereotyping which restricts choices made by young people in their subjects at school and their post school influences employers in allocating jobs and investing in employees’ training, and restricts the extent to which women can persuade enterprise agencies to invest in their businesses and the extent to which women in business are taken seriously.

The deficit in terms of baseline data relating to women’s activity in entrepreneurship in Wales is recognised. It is intended that as part of the bidding process within Objective One will be for technical assistance to address this shortfall. This will provide a platform from which development work can proceed.

Ethnicity

Within the generic term ‘ethnic minority’ there is considerable diversity. Groupings have different migration histories, skills levels, cultural orientations to the labour market, and experiences of discrimination, all of which affect their prospects in the labour market.

Data disaggregated for ethnicity is partial and out of date. It is nevertheless possible to identify some generic barriers to labour market participation:

- Lack of basic literacy and numeracy skills (especially among non-English speaking minorities - the needs of first generation immigrants are different from those of second and third generation);
- Little or no appropriate work experience, or up-to-date and appropriate vocational/academic qualifications;
- Lack of information, guidance and counselling regarding realisable training and opportunities for employment/ self-employment;
- Lack of affordable and religion-cultural sensitive childcare facilities. Lack of registered childminders from minority communities;
- Workplace discrimination (stereotyping on the basis of dress and accent).

Disability

According to research by Disability Wales, at least 400,000 disabled people live in Wales, 1 in 6 of the population Definitional problems mean it is difficult to generalise about their position in the labour market. However, wider UK research suggests that disabled people in employment are more likely to work in manual and lower skilled occupations; and the average take home pay of disabled employees tends to be lower than that of non-disabled employees (£196 per week compared to £212).

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Multiple deprivation

Section 2.1.2 highlighted the predominance of concentrations of deprivation in the Objective One region. Such areas of high multiple deprivation tend to suffer from particularly low levels of educational attainment and post-16 participation, low levels of basic skills in the adult population, and high unemployment.

Valley communities and some rural areas suffer from poor access to both learning and labour market opportunities, leading to significant social exclusion problems. As indicated, labour markets have a tradition of being highly localised and this is only now just starting to break down. Spatial imbalances threaten to get worse as areas that are better positioned see faster rates of economic growth than the most depressed areas. There are long-term problems involving second and third generation unemployment within families and entrenched negative attitudes towards education, training and employment. As argued too, labour market issues are linked to a complex web of other social issues, including crime and health.

2.4 The Property Market

The supply of industrial and office floor space within the Objective One region is limited in both quantity and quality, and provides a barrier to broadening the economic base and bringing new job opportunities to the area.

There is a need for a wide spectrum of sites and premises to meet the demand in two particular areas:

First, for large strategic sites for major employment projects - these are primarily categorised as reclaimed brownfield and greenfield developments which anticipate and cater for known future demand.

Second, for high quality but smaller scale developments crucial to servicing SME demand at the local level - these will be a mix of speculative and reactive developments which cater for local expansion programmes and provide a mix of accommodation from under 1,000 sq.ft. to 15,000 sq.ft.

Previous programmes under ERDF, Industrial Improvement and Urban Investment grants have made limited inroads into the problem. The Welsh Development Agency (WDA) has developed numerous sites often with very encouraging results, but the development opportunities still exist.

Currently, in Gwynedd for example, about 5,400 jobs are provided on industrial estates out of a total employment in the County of about 39,700 (excluding agriculture and fishing). Approximately 75% of manufacturing jobs in Gwynedd are located on these sites.

In the entire Meirionnydd and Ceredigion area only 8% of the WDA's existing stock as the major commercial premises developer remains available for letting. This situation pertains despite extensive selling of asset stocks to re-finance new building programmes with a predicted sever shortfall of larger premises over 5,000 sq.ft.

The supply of sites and premises in the Objective 1 region is heavily dependent on provision by the public sector or on joint ventures supported by the public sector. This has underpinned development of the sub-region, and has left a legacy of expectation.

i. Rentals for *industrial floorspace* for prime well located sites in the M4 corridor can reach up to £4 per ft^2 but are generally lower in the Valleys where the market is weaker and in rural areas. Rentals fall to as little as £1.50 - £3 per ft^2 for older accommodation in the Valley locations. As a rental of perhaps £3.50 per ft^2 is needed to make speculative development viable, the private sector is presently unlikely to bring schemes forward in the vast majority of the region;

   Within Wales demand tends to be focused on the established markets of South Glamorgan, where, driven by good communication networks, some locations – have succeeded in attracting significant mobile projects, – although, of course, the largest users tend to require bespoke premises and the availability of serviced sites is increasingly the key issue;

ii. Rentals for *office floorspace* reach up to £12 ft^2 for purpose built accommodationccommodation in Swansea and up to £10 per ft^2 at business parks along the M4 corridor, falling to as little as £4 per ft^2 in many towns for traditional above the high street locations. They rarely approach the indicative level of £12.50 per ft^2 or so at which speculative private sector provision may become viable.

Private sector demand for offices is extremely limited in many areas and largely takes the form of requirements for small suites by locally oriented professional and other service sector firms. Some better located business parks have attracted larger, potentially mobile private sector tenants, although in other cases occupiers appear to be predominantly public sector. Local Government absorbed a significant element of new build void accommodation during the process of change to unitary authorities in 1996.

West Wales and the Valleys needs to ensure a continuing pipeline of site opportunities is available throughout the area to present a realistic chance of securing the new wave of inward investors and to nurture and encourage the expansion of indigenous firms. In large parts of Wales the WDA and local authorities have had to take on the role of developers of employment sites and owners of existing and future industrial and commercial premises due to the reluctance of the private sector to get involved.

The need for intervention is, of course, more acute in relation to industrial development on brownfield sites where reclamation and remediation requirements create substantial 'abnormal' additional costs. Development costs are also, of course, much higher in relation to town and city centre developments where additional costs for acquiring interests, site clearance and relocation and disturbance often exceed the market value of the assembled sites.

In some of the Valleys the lack of suitable flat sites is a constraint on development. In the rural areas the desire to preserve the quality of the local environment can be a major constraint, particularly in the National Parks. However, policy generally tends to be more supportive of development than in much of the UK.

Data on Employment Land infrastructure in Wales is held within the data files of development plans of local authorities and the Welsh Development Agency's land bank.

In addition to business premises, site development works are necessary to provide the basic infrastructure in preparation for the building programme.

Each of the Agency's Regional Divisions has worked with partner organisations such as the Regional Economic Fora to identify and agree regional priorities.

In mid Wales for example, it is clearly recognised that there is an immediate need for a large strategic site based on the main employment centre of Aberystwyth - a key strategic location for the whole of Ceredigion. At present there is no strategic site over 4 acres in size capable of early or easy development. Studies into the supply and demand clearly indicate that a much larger site than those initially identified is needed to satisfy the medium and longer term local demand.

In Gwynedd, a recent in-depth study concluded that to accommodate future demand there is an immediate need for at least one large scale site based in Bangor.

In the South Eastern part of Wales the investment market is dominated by transactions involving the former assets and estates of the Agency. Private sector development activity has been concentrated outside the Objective 1 area, on the Newport/Cardiff coastal belt and has mainly been on a bespoke or pre-let basis. Within the lower valleys, Treforest has the critical mass and communications to hold its own, however, Llantrisant and Caerphilly have attracted little new business over the past five years.

Similarly, the Pembrokeshire peninsular is now a Government priority location for inward investment and business generation following the closure of much of its structural industry. Closures included the Gulf Oil Refinery at Milford Haven, Pembroke Dock Power Station and MOD establishments at Milford Haven, Trecwn and Brawdy. Already a development area, few significant development projects have been attracted to date. Good quality sites such as Cleddau Bridge, have only recently become available and the perception of poor communications will remain until the whole communications infrastructure is significantly improved. There is little stock of larger industrial property to attract new industry. Attention therefore needs to be given to developing a more flexible industrial property market to help the economy grow.

In South West Wales as a whole, extensive work has been undertaken by the Economic Forum focusing on a number of key strategic locations in each of the Unitary Authority areas. Agreement has been reached on a number of key strategic priorities operating on a 'hub and spoke' principle to spread prosperity from key nodes such as Cleddau Reach, Cross Hands and Baglan to the surrounding hinterland.

In North Wales, W S Atkins were commissioned in 1998 to undertake a study of existing and future infrastructure provision at a number of sites in the area. The overall objective of the study was to 'assess the level of infrastructure improvements necessary at selected locations in North Wales in order to make such locations more attractive for investment and investigate the possibility of encouraging such investment to take place'.

The study involved discussion with representatives of the Welsh Development Agency, the six unitary authorities in North Wales, the utility companies including water supply/sewage disposal, telecommunications networks (including mobile and data links, power supplies) and the Environment Agency.

In total, 57 'designated' sites within North Wales were recognised which could be developed in the short, medium and long term (within 15 years).

In compiling the site appraisals reference was made to current local plans, structure plans and various reports and studies.

This research forms the basis of a clear and agreed strategy and action plan which is being replicated throughout the Objective 1 area.

The studies follow a common pattern and include –

- a summary of the current provision of infrastructure
- an assessment of the improvements required
- the likely cost and timing of projects
- prioritisation of projects
- overview of the long term investment strategies of the utilities
- methods of brining projects forward, e.g. public/private partnerships, etc.
- analysis of the market place.

In taking this work forward, account has been take of the comments made by the European Court of Auditors in respect of the audit of the development of industrial sites in South Wales carried out in 1999. As described above, a more strategic approach is being taken to the identification of suitable sites, and the assessment and prioritisation and all project plans will include detailed proposals for ensuring robust evaluation.

Reclamation of derelict land also remains a major priority within Agency programmes with the emphasis on

- projects which clear hazardous or contaminated sites which are a danger to people or to the environment, and
- projects which result in the subsequent redevelopment of the site by the private sector.

It is estimated that over 2,500 hectares of derelict land remain to be reclaimed throughout Wales. Detailed analysis of every Local Authority area has yielded a four year rolling programme of site specific projects which are required to clear this remaining dereliction. In order to accelerate this process significant investment needs to be attracted

2.5 **Infrastructure and Services**

The pattern of provision of infrastructure and services has been shaped to a substantial extent by the combination of the barriers of distance and topography on the one hand and population sparsity on the other. Surrounded by sea to the north west and south west, much of the interior beyond the coastal plains is hill country or in some areas mountains. The natural barriers involved have played an important part in shaping patterns of communications.

2.5.1 Transport Infrastructure and Services

(i) *Overview*

A core road and rail transport infrastructure is largely in place, serving cities, major towns and ports but significant lengths of the road network have not been brought up to appropriate modern standards and represent an inhibition for access to the market (A40, A477, A465, A470). The main rail routes on the north and south coast littorals also suffer line speed restrictions, capacity limitations and gauge restrictions. The importance of the main line rail and road routes from East to West along the northern and southern littoral have been recognised by Europe by their designation in 1994 as TENS routes and. In 1999, by the designation of the rail lines as TERFN routes. The strategic north-south routes, by rail and road via Shrewsbury and Chester, and by road through mid-Wales, perform an important role in providing links between the industrially developed areas of the north and south of the Principality. These routes require improvements to facilitate safe and reliable journey times. They provide important corridors to facilitate economic re-generation in more central and rural areas, and facilitate movement of people and freight to other parts of the UK. The majority of the existing road infrastructure is not suitable for use by walkers or cyclists, and separate infrastructure networks for those modes are incomplete.

Intra regional routes comprise the Cambrian Coast and Heart of Wales railway lines, and a significant network of trunk roads. These routes supply important links onto the key strategic routes, and further improve the accessibility of the more peripheral and rural areas. However, use of the rail routes is undermined by the level of services and gauge restrictions, and connections to the core road network are still deficient, particularly in west Wales (A484/485/486) and north Wales (A497, A499, A525), with problems also for the Valleys area (A4058/4233 and A473). These limitations inhibit travel to work and business movements because of the time taken to access key routes.

At the more local level urban and suburban rail routes serve the major cities and towns of Newport, Cardiff and Swansea on the south coast, and Wrexham in the North. The local road network, of principal, non-principal roads across the whole of Wales comprises some 95% of the total road network.

There are also considerable local and trans-regional footpath and cycle networks in place and under development. These bring a major contribution to the local and 'green' tourism industry, with users spending more in the localities than car-borne tourists. In more urban areas these networks can contribute to competitiveness by reducing congestion on roads, and by contributing to accessibility and inclusivity for people without access to their own car or to public transport.

Table 2.5.1 provides the most recent available data on mode of transport to work in West Wales and the Valleys and shows the extent of dependence on the car. It should be noted that the apparently relatively low figures for car use in the more rural areas is misleading, as these areas tend to have a relatively high proportion of the population working at home.

Table 2.5.1: Mode of transport to work (percentages of total journeys to work)

	Rail	Bus	Car	Pedal cycle	Foot	Motor cycle or other	Work at home
Isle of Anglesey	0.4	3.5	65.4	2.3	12.9	5.9	9.7
Gwynedd	0.4	5.4	61.8	1.4	14.9	3.9	12.2
Conwy & Denbighshire	0.7	4.3	66.3	1.8	13.7	3.5	9.8
South West Wales	0.4	3.7	64.4	0.9	12.6	4.2	13.8
Swansea	0.5	9.4	71.3	0.9	10.6	3.6	3.7
Bridgend & Neath Port Talbot	0.7	7.3	71.7	1.3	11.7	4.0	3.2
Central Valleys	2.2	9.2	68.9	0.5	12.9	3.3	3.1
Gwent Valleys	1.8	8.5	68.4	0.7	14.4	3.7	2.6
West Wales and the Valleys	**1.0**	**6.8**	**67.8**	**1.0**	**12.9**	**3.8**	**6.7**
Wales	**1.2**	**7.4**	**67.1**	**1.4**	**12.6**	**3.8**	**6.4**

Source: ONS

Note: this data relates to 1991. The options for obtaining up-to-data data are being investigated.

(ii) The Highway System

The M4, running part of the way along the southern coastal plain, and the A55 along the north provide high quality links into the UK strategic highway system and form part of the TENS network. Elsewhere the highway system largely consists of a network of single carriageway, all purpose roads serving both local and long distance movements. Table 2.5.2 shows that higher quality roads of motorway and trunk classifications form a smaller proportion of the network in West Wales and the Valleys than in the rest of Wales.

In fact, Tthere has only been limited investment in the network outside the northern and southern corridors and feeder roads. Traffic levels in other areas – though comparatively modest - are rising. Average speeds on many key routes are relatively low and accident rates are often high.

Table 2.5.2: Road types in West Wales and the Valleys (km)

	Motorway	Trunk - A	County - A	B and C
Isle of Anglesey		36	105	484
Swansea	15	-	102	227
Gwynedd		216	315	1,067
Bridgend Neath Port Talbot	36	25	214	255
South West Wales	5	381	561	3,961
Conwy and Denbighshire	-	196	244	1,337
Central Valleys	9	66	189	229
Gwent Valleys	-	27	188	347
West Wales & the Valleys	66	947	1,918	7,907
Wales	133	1,576	2,683	12,756
WW and V as % of Wales	50	60	74	62

The road network in Wales totals some 34,000 kilometres, half of which is accounted for by unclassified minor roads (not included in Table T). The motorway and trunk road network, which is the direct responsibility of the National Assembly, comprises 1,700 kilometres (5% of the network) It carries around 33% of car traffic and 50% of goods traffic using primary routes - including more than 80% of the mileage of the heaviest articulated vehicles (1997 figures).

Traffic has grown significantly, and at rates of increase higher than those in England, in recent years. Between 1986 and 1996 traffic on motorways and trunk roads grew by 80%, with the most heavily used parts of the network experiencing average daily flows in excess of 80,000 vehicles, and more lightly trafficked rural sectors experiencing daily average flows of less than 3,000 vehicles a day. Forecasts in traffic growth - which take account of increases in economic activity and personal mobility, but do not project forward the consequences of policy changes - suggest that total traffic is likely to grow on major roads by 1% to 2% per annum. Current forecasts (September 1997) predict a cumulative increase of between 16% and 36% between 1996 to 2010, and of between 32% and 71% between 1996 and 2025. On a GB basis, goods vehicles for the same periods are forecast to increase by between 14% and 37% (1996 - 2010), and by between 35% and 78% (1996 -2025). These forecasts predict a slower rate of growth than experienced in the previous 10 year period, but there are nevertheless concerns about the implications for sustainability. Current policy are aimed at slowing the rate of growth even further, partly through modal shift.

Investment in the road network lags significantly behind that in England and mainland Europe. Key sections of the TENS route, on the A40 west of St Clears and the A477 (which give access to the main south western ports), and other parts of the core network on the A465 (linking Swansea to the Midlands), and the A470 route through the heart of Wales have yet to be completed to an acceptable standard.

The remaining 95% of roads in Wales are the responsibility of the 22 Welsh local authorities and are maintained and improved by them. Structural surveys have confirmed that an increasing length of the local highway network has reached the end of its predicted life. Authorities are currently indicating that between 25% - 30% of their principal and non-principal road network requires immediate attention with a further 20% - 30% having less than 10 years life left.

Under EC Directive(85/3/EEC)UK bridges must accept vehicles weighing upto 40 tonnes on the road network from 1

January 1999. It is predicted that, without additional funding, bridge strengthening work and assessment and upgrading as necessary of 208 kilometres of retaining walls, to comply with the requirements of 40 tonne vehicles, will not be completed until 2020. This will mean disruption of the road network by weight restrictions and diversionary routes, with increased unit costs to the transport industry, delays and consequential impacts on air quality, increasing fuel consumption and pollution. The tourist industry will be directly affected by such delays and disruptions.

There are other capacity pinch points on the local road networks, relating to width of roads, and heights of bridges. Road links to development sites and to the core network are incomplete, inhibiting economic growth and access to markets. The proposed A4046 Cwm Relief Road would address the problem of poor accessibility which is impacting on local businesses, aid the regeneration of the Ebbw Fawr region and improve the quality of life of the local residents. The A497 Aberech to Llanystundwy scheme in Gwynedd would develop and maintain the existing competitive tourism market as well as improving road safety. The A486/B4336 Ceredigion Links Road would address both the issue of rural accessibility and encourages sustainable economic development in West Wales, by improving links to the A48/M4 corridor.

The A4058/A4233 Porth Lower Rhondda Relief Road, the A473 Church Village Bypass in South Wales and the A525 Route Improvement scheme in Denbighshire would provide quality access to assist economic development. The Church Village Bypass in particular would relieve traffic congestion and all three schemes would improve links to the trunk road network.

There is little doubt that the highway system represents a significant constraint on the attraction of investment and contributes to the tendency for businesses to focus on their local markets which was noted above. Particular issues arise in relation to the Valleys where local east-west movements are heavily constrained and the success of communities in generating development has been heavily influenced by the quality of their road links into the M4 corridor. More generally, north-south road links within the region are relatively poor.

i. *Rail and Bus*

Public transport services in Wales include scheduled coach and bus services, tourist services, and school transport services together with some less conventional community services, especially in rural areas. There are some 600 licensed operators in Wales running around 5,000 vehicles and employing some 8,500. There has been a significant increase in the number of vehicle kilometres travelled by local bus services since 1986, although passenger journeys reduced by around 15 per cent between 1986-87 and 1996-97.

There are a total of 877 rail route miles in Wales, of these 624 miles carry passengers and freight and 183 miles are freight only lines (some 57 miles of which are currently out of use). There are in addition some 70 miles of tourist tracks. Services include local, regional and national rail services. The number of railway stations in Wales has increased steadily over the past decade, and the number of route kilometres in operation has also increased slightly. Passenger journeys on the Valley line network within the Objective 1 area were around 4.8 million in the 1999 calendar year. This represented a 14% growth on1998. Growth of 16% is predicted for 2000 with a 10% growth thereafter year on year. Infrastructure investment is predicted to lever in at least a further 1.3 million passenger journeys. Local journeys on the West Wales mainline from Bridgend west are estimated at 1.6 million passenger journeys in 1999. The North Wales coast line carries about 1,703 freight trains per annum (1.1 million tonnes) with at present only very limited services into Holyhead port. The south West Wales mainline, from Bridgend to the west and including the Ebbw Vale line, carries some 42,445 freight trains per annum (52.3 million tonnes) . Of this 40% of the traffic has origin and destination with the west Wales area, some 875,000 tonnes are transported to/from Fishguard. The Cardiff Valleys network carries some 4,238 freight trains per annum (4.5 million tonnes), with the majority travelling to the west.

Again, tThe rail routes along the south and north coast are of reasonable standard, link into the UK strategic network and form part of the TENS system. Like most of the UK network, however, they have seen little investment in either track or rolling stock in recent years so that performance has tended to deteriorate.

These core InterCity rail routes via Crewe from Holyhead, and via Bristol from Fishguard, to the UK and Europe need enhancements to increase linespeed and thereby reduce journey time, gauge enhancements to join other UK routes and enable the lines to carry more freight (loading gauge to SBIC and route availability for 23 metre rolling stock and increase axle weight), and provide improved access to air and sea ports. The published investment strategy of Railtrack is addressing capacity pinch points on these routes in England and east Wales, but includes little significant investment in the westernmost areas, reflecting the current economic base and low levels of traffic.

A basic network of intra-regional lines has been retained, although north-south links are fairly limited. The system again has seen only limited investment in recent decades, except for some improvements in the lines between the Valleys and Cardiff which were supported through the Objective 2 programme. Across the region as a whole levels of service are typically limited by relatively low potential passenger numbers.

There has been a 15% growth in volume of the freight carried by rail in Wales over the last decade . Development opportunities exist for freight handling facilities and intermodal terminals at strategic localities on the Heart of Wales line, the Cambrian Coast line, the West Wales line and the North Wales Blaenau branch line. Such developments would facilitate the creation of economic nodes and the creation of added value in Wales. Studies are underway to identify potential freight customers and to examine ways of meeting their needs. Core route ends, connecting with sea and air ports, also need development, with rail interchange facilities to improve the development of brownfield sites and enhance transport links to Ireland, opportunities have been identified particularly in Port Talbot, Swansea, Milford Haven and Holyhead. In all locations rail loading gauge is a current constraint. There is evidence in the Bridgend area and to the west that if gauge enhancements to take 9'6" standard box containers were made then existing business could operate more profitably and could expand. It is estimated that this investment could bring a 20 - 33% growth in rail freight traffic. If no gauge enhancements are made some business are considering re-locating further east. Rail freight is now competitive, and securing the transit of more freight by rail will reduce congestion for those journeys which need to go by road. The Shrewsbury - Pwllheli railway line has a serious capacity restriction at the Barmouth viaduct, present capacity only allows light weight passenger vehicles to travel beyond Dovey Junction to Pwllheli. The whole route has limited gauge clearance. More generally, the rail infrastructure needs investment to develop intermodal interchanges to serve the core route, in gauge enhancements to link into core routes, and in increased capacity and linespeed, particularly on the Cardiff Valley lines, to make rail an attractive alternative to the private car as part of an overall corridor public transport strategy, and to promote the development of new rail links to brown field sites and new development sites and the development of freight loading points on rural rail routes to reduce road transport movements. There are projects on the Valley line network, for instance at Rhymney and Abercynon, which could bring direct jobs as well as facilitate the location of other industry through provision of good rail links. There are also some freight only lines - some of which are out of use - which may have the potential to be upgraded to passenger use (Ebbw Vale, Swansea Bay and in north Wales, Amlwch, Trawsfynydd, and from Caernarfon.)

Whilst the more urban areas have retained a reasonable network of bus services and there have been efforts to retain at least some basic services elsewhere, the rural areas – as elsewhere in the UK – have become heavily car dependent. Scope clearly exists for specific initiatives to encourage improved services and integration but it is difficult to envisage any fundamental turnaround in this situation.

i. *Air*

The region has no airport offering scheduled services and probably could not generate the density of traffic to support such a facility. However, there are a number of civilian and military aerodromes which may have further potential for development, for example for business use. Parts of North Wales have reasonable access to the major international airport at Manchester. The urban areas to the south have access to the more limited services through Cardiff International– Wales airport.

There is a steadily growing demand for air travel in Wales as a whole. Cardiff International Airport is the main airport within Wales; the new owners (TBI plc) have completed an ambitious programme upgrading its facilities. The airport is now handling well over one million passengers each year. There are scheduled services to Amsterdam, Paris and

Brussels, which provide ready access to extensive world-wide connections. The airport performs a gateway role through providing air services, thereby assisting with inward investment and job creation and encouraging overseas visitors. The airport itself generates jobs in peripheral services.

The Royal Air Force bases on Anglesey, at Valley and Mona, are keen to encourage the development of civil uses. Wales also has a number of smaller civilian airports, such as those at Caernarfon, Hawarden, Haverfordwest, Pembrey, and Swansea, which can provide an important service for the business traveller and which have the potential for considerable expansion.

There is considerable potential for air travel and freight to develop further; in particular, in support of companies owned by or trading with other community partners. Landing slots need to become available for major European centres like Germany and Italy and more domestic and international scheduled routes need to be introduced for this potential to be realised. A study of air service infrastructure, focusing on the scope for new and enhanced services and the role of airports in economic development, is currently underway and is expected to report in Spring 2000.

i. *Seaports*

The region includes four ports providing ferry services to Ireland. Milford Haven is an important point of entry for oil imports and others are of some significance for steel or more general cargoes, as well as for fishing and/or leisure uses. Holyhead, Fishguard, Milford Haven, Pembroke Dock and Swansea have TENS seaport status.

In the coastal areas ports have an important and developing part to play in short sea shipping - taking freight and passengers away from congested land routes, as well as providing critical connections with the rest of Europe, to Ireland and with the rest of the world. Welsh ports are particularly significant for the links they provide to the Irish Republic, and for oil, steel, fishing, agri-economy and leisure use. Road and rail network connections to the port areas have potential for further development, particularly in terms of freight access and handling facilities. The sector is very diverse, with the ports differing in size, type of operation, national and/or local significance. Ports are recognised as generators of trade and employment, and have statutory responsibilities to provide and maintain harbour facilities, to provide safe navigation and carry out dredging and construction within the harbour area. In total all Welsh ports handled just over 62m tonnes of traffic in 1997, some 11% of total UK trade. Volumes have been increasing gradually in recent years (1989 57.7m tonnes). There is considerable scope to further develop ports in Wales, in particular there are brownfield site opportunities in most of the major port installations.

Wales has four ferry ports with services to Ireland: Holyhead (to Dublin and Dun Laoghaire), Fishguard (to Rosslare), Pembroke Dock (to Rosslare) and Swansea (to Cork). The **Holyhead** - Dun Laoghaire route carried 2.4m passengers in 1997, making it the most significant UK/Eire link and 2.9m tonnes of freight. Numbers of passengers using the Holyhead port has increased steadily over the past 10 years from a level of 1.6m in 1989, with similar increases in freight. The **Fishguard** - Rosslare route carried 829,000 passengers in 1998, 53% of the market on this route, and 420,000 tonnes of freight. These ports are on the Trans European Road and Rail Networks and form a vital part of the communications chain linking Ireland with Great Britain and mainland Europe. Both the ports and the ferries have been significantly upgraded in recent years, while Irish Sea traffic has been growing at around 6 per cent per annum.

Wales also has a number of other cargo handling ports, such as Cardiff, Newport, Barry, Port Talbot, Milford Haven and Mostyn. **Milford Haven** is the largest port in Wales, 5th largest in the UK, handling 34.5m tonnes in 1997, almost all of which was bulk fuel. The port has pursued a policy to support and develop economic activity around the Haven. Facilities include a ferry terminal and link span, of which the main customer is the Irish Ferries on the Pembroke-Rosslare route. In 1997 the service handled just over ½ million passengers, with trade more than doubling since 1989. Other services include fish landing quays, an Internet based-based fish auction hall, a marina, dry dock, slipway and ship repairers and a range of deep water berths with back-up cool stores, warehouses, fabrication yards and lay-by berths.

Holyhead and Fishguard are vital links in major trans-european routes, and therefore depend on connecting links, road and rail. Milford Haven and Pembroke Dock and the surrounding area would benefit from access improvements, the possible dualling of the A40 from St. Clears and improvements to the A477 being seen as a significant prospect.

Port Talbot has the deepest berthing facilities in the Severn Estuary, and principally handles raw material imports for British Steel's south Wales division. Freight handling is increasing steadily, with 11m tonnes of freight in 1995, 12.2m tonnes in 1996 and 14m tonnes of iron ore and coal in 1997. A recent major capital dredging programme has enabled the port to take vessels of 160,000 tonnes (one of only 4 dry bulk harbours in UK with this capacity, the others being on the Clyde, Teesport and on the Humber). The Old Port Talbot Docks estate was re-opened in 1998 after 26 years of closure. The docks are now being used for transportation of granulated slag to the Thames area. There is potential at Port Talbot for further development, with a new jetty and port land available for major new industrial activity, and an opportunity for this to be linked to the proposed Energy Park at Baglan Bay. There is also scope for partnership development in the Old Port Talbot Docks area. There is a specific proposal for a new peripheral distributor road, to facilitate development of the old steel docks area and to improve access to Baglan Energy Park and other development areas..

The Port of **Swansea** is facing major industrial structural change in its area. There are 3 main docks and the ferryport outside the enclosed docks complex. Swansea has a range of freight, leisure and marina facilities. It trades with Europe, the Mediterranean, Northern Ireland and the Irish Republic, and handled around 4 m tonnes of freight in 1995 and 1996. It is the second largest handler of tankers in Wales after Milford Haven. Re-development plans for possible marina development of the Prince of Wales dock in Swansea are currently being evaluated. A further evaluation is underway into future uses of the Queens Dock, Swansea. Further development opportunities have been identified at the Swansea Cork ferryport, to increase capacity, with a new terminal building, capital dredging and alterations to freight handling facilities.

Other smaller ports, predominantly operated for leisure and recreational purposes, and supporting small fishing fleets, are located in Conwy, Isle of Anglesey and Caernarfon. There are plans to develop and/or improve marina facilities in these locations. Pwllheli is being developed as an international sailing centre, and is currently in the top 4 in the UK and the top 9 in Europe. A feasibility study has been commissioned to examine the possibility of a marina development of the Isle of Anglesey. Further marina development opportunities have also been identified at Caernarfon harbour.

2.5.2 Information and Communications Technology

New communications technologies clearly have the potential to overcome some of the constraints imposed by distance and poor transport links. Virtually the whole of Wales is covered by the BT network and the urban areas in the south have benefited from substantial investment. However, some parts of rural Wales do not have access to higher bandwith services and applications such as ISDN2. Topography has limited the coverage of the cellular network, whilst population sparsity restricts market interest in investment in cable.

These limitations partly explain the limited take up of the technologies. Wales as a whole lags behind in the usage of most technologies and applications, only ranking higher than Northern Ireland within the United Kingdom (see Table 2.5.3). Penetration of mobile telephones, according to a recent DTI sponsored report, is the lowest in the UK, with only 76% of companies using such devices, compared to 89% in London. The region has the second lowest penetration of external e-mail in the UK, and the proportion of companies connected to the Internet is below that of all UK regions except Northern Ireland.

Table 2.5.3: ICT Business Penetration (%) 1999

	Wales[1]	**UK**[2]
Hardware		
PCs	89	93
PCs with CD-ROMs	79	84

PCs with Modems	68	79
Laptops PCs	57	68
Palmtop	18	23
Mobile Phones	76	86
Networking		
LAN	51	67
WAN	34	47
Internet Access	47	62
Remote Access	30	42
Intranet	22	30
Extranet	3	5
Application		
Internal e-mail	44	61
External e-mail	54	72
EDI	26	32
Website	34	51
Video-Conferencing	18	22
Selling-online	5	9
ICT Connectivity Indicator[3]	48	63

Sources.

1. Moving into the Information Age 1999, Regional Benchmarking Study. (DTI Information Society Initiative)
2. Moving into the Information Age, An International Benchmarking Study, 1999. (DTI Information Society Initiative)
3. ICT Connectivity Indicator - This indicator shows the percentage of companies within the benchmarked areas using at least one of three selected technologies: a) website, b) frequent use of external email or c) frequent use of EDI.

There is strong divide between ITC 'haves' and 'have-nots' Many companies have not embraced ICT, but those that have appear to be using these technologies intensively. Local Area Network penetration in businesses is, for example, low but those with LANs and e-mail systems are using them in advanced ways.

2.5.3 Energy Infrastructure

Much of the region suffers from poor energy service infrastructure - in particular the availability of industrial gas supplies is patchy and overhead line electricity connections are often susceptible to bad weather damage – with implications for industrial development potential. 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. There are considerable opportunities for clean energy-generation developments, with considerable benefits to the environment, and opportunities for green community initiatives and the development of a much stronger indigenous 'environmental goods and services' sector. However, none of these are likely to progress without pump-priming support.

Most of Wales is outside the main gas and electricity transportation networks. Unlike England, which has good high pressure gas networks and high voltage electricity networks connecting most parts of the country, Wales generally has less access to these major interconnected energy networks. The overall effect is that, especially towards the western parts of Wales, gas and electricity supply networks progressively reduce with distance from the English boarder. This has serious impacts on the competitiveness of existing industries throughout Wales and also reduces the attractiveness of many Welsh regions to new investment.

The greatest limitations are encountered with gas supply, especially in the southern half of Wales. The current volumes of gas supplied to South Wales are adequate to meet existing demand, but any future increases in volumes can not be met. Further, many industries in South Wales are provided with gas only on an interruptible contract, whereas for many of them a firm gas supply would be desirable. For many new processes or industries a stable supply gas is essential. Further west, the supplies of gas are insufficient to meet any new demands while for many rural areas pipeline gas is very limited or absent. The supply of gas is limiting economic growth because the cost of connection (most or all of which must be borne by the consumer) are considerable and therefore make new investments needing gas uneconomic.

There are a number of clear examples of how the absence of mains gas has lhad a detrimental effect on the development of South West Wales. In 1997 the Texaco oil refinery at Milford Haven looked at introducing Combined Heat and Power technology which would have considerably reduced its running costs and therefore helped secure the future of the plant. The technology was dependent upon extending mains gas from Swansea to Milford Haven but the £18m contribution required made it uneconomic for Texaco. The Elf refinery at Milford has been similarly restrained from introducing CHP. This would have led to a cost saving for the plant of several million pounds a year. The electricity plant at the Petroplus refinery art Milford is unable to operate at full efficiency because of gas supply problems.

The electricity distribution system in Wales was typically constructed post-war as a for a dispersed customer base with relatively low levels of expected usage. There are difficulties in supporting substantial increases in load and in accommodating the connection of generation (especially of local generation such as wind power). The growth of small, decentralised generation can place a severe strain on the capacity of the existing system to accept their output effectively. A stronger "backbone" to the system would enable developers to be serviced at more reasonable cost, which would be an enabler of inward investment.

Electricity generation in the south declined dramatically in the first part of the last decade (see Table 2.5.4), leading customers to pay excess charges for ‘imported’ energy The figures in table 2.5.5 show that quarterly credit customers in both the northern and southern parts of the Objective One region (covered by Manweb and Swalec respectively) pay bills that are above the UK average. Further information is available showing that this also applies to other types of customer.

Table 2.5.4 :Generation and sales of electricity in Wales

	Generation (Gwh)		**Use (Gwh)**	
	Supplied	% of UK total	Total	% of UK total
1990	21,867	7.4	16,228	6.0
1991	19,322	6.4	16,118	5.8
1992	18,332	6.0	16,363	5.8
1993	15,745	5.2	16,589	5.9
1994	13,918	4.6	15,869	5.6

Table 2.5.5: Average annual electricity bills: current prices including VAT (3): Standard Tariff for quarterly credit customers

	1990	1993	1996	1999
Manweb	279	329	341	295
Swalec	284	335	355	322
England and Wales average	265	309	300	280
UK average	264	308	302	282

Source: DTI

Notes:

(1) Based on annual consumption of 3,300 kwh.

(2) Bills exclude discounts for prompt payment.

(3) Provisional 1999 bills.

2.5.4 Further and Higher Education

Despite the relative sparsity of population in parts of the area, there are a range of well-established institutions providing further and higher education. These institutions, together with student numbers, are shown in tables 2.5.6 and 2.5.7.

Many of these institutions specialise in the development of higher skills; there is an opportunity to exploit more effectively the potential of such institutions for developing the skills of their local populations through innovative approaches to the delivery of education, particularly to those outside their normal client-groups.

Table 2.5.6: Further Education Students, by Institution 1997/98

	Full-Time	Part-Time	Total
Coleg Menai	2,215	6,104	8,319
CCTA	1,793	9,530	11,323
Pembrokeshire College	1,707	6,711	8,418
Coleg Ceredigion	738	2,496	3,234
Coleg Harlech	161	623	784
Coleg Meirion-Dwyfor	1,111	1,613	2,724
University of Wales,Aberystwyth	10	0	10
West Wales Total	**7,735**	**27,077**	**34,812**
Afan College	727	2,858	3,585
Gorseinon College	4,623	1,714	3,337
Neath College	2,088	8,850	10,938
Swansea College	2,434	11,045	13,479
Swansea Institute of Higher Education	52	121	173
University of Wales, Swansea	0	803	803
Aberdare College	570	2,404	2,974
Bridgend College	1,636	8,915	10,551
Gwent Tertiary College	7,397	23,543	30,940
Merthyr Tydfil College	878	2,217	3,095
Pencoed College	374	407	781
Pontypridd College	2,291	7,308	9,599
Workers Education Association (South)	4	4,921	4,925
Ystrad Mynach College	1,200	3,695	4,895
Valleys Total	**25,251**	**78,801**	**101,052**
West Wales and Valleys	**32,968**	**105,878**	**135,234**
Wales	**43,835**	**161,617**	**205,452**

Source: HESA (Student Record) and FEFCW (Individualised Student Record

Table 2.5.7: Higher Education Students, by Institution 1997/98

	Full-Time	Part-Time	Total
University of Wales, Bangor	6,956	3,054	10,010
Coleg Meirion-Dwyfor	1	39	40
Coleg Menai	30	132	162
Trinity College Carmarthen	1,501	89	1,590
CCTA	253	364	617
Pembrokeshire College	34	90	124
University of Wales,Aberystwyth	7,201	2,510	9,711
University of Wales,Lampeter	1,646	665	2,311
Coleg Ceredigion	0	14	14
West Wales Total	**17,622**	**6,957**	**24,579**
Swansea Institute of Higher Education	2,894	1,327	4,221
University of Wales, Swansea	9,284	3,756	13,040
Afan College	43	0	43
Gorseinon College	0	15	15
Neath College	106	276	382
Swansea College	2	185	187
University of Glamorgan	10,381	4,715	15,096
Aberdare College	0	17	17
Bridgend College	0	17	17
Gwent Tertiary College	50	102	152
Merthyr Tydfil College	7	38	45
Pontypridd College	2	93	95
Ystrad Mynach College	13	116	129
Valleys Total	22,782	10,657	33,439
West Wales and the Valleys	40,404	17,614	58,018
Wales	**69,559**	**33,713**	**103,272**

Source: HESA (Student Record) and FEFCW (Individualised Student Record)

Further education institutions are dispersed across the region, resulting in reasonable geographical accessibility in the more densely populated Valleys areas. In the more remote parts of West Wales, access can be more difficult, and a number of institutions are exploring the scope for the use of ICT technology and satellite premises.

Higher education institutions are inevitably less geographically dispersed than further education institutions, and in most cases a considerable proportion of students live in temporary accommodation near the institution.

It is notable that major higher institutions exist within West Wales at Bangor and Aberystwyth, and more minor ones at Lampeter and Carmarthen. This represents a major resource for the West Wales area.

In common with the position in further education, higher education institutions are developing new modes of service delivery employing ICT and "out-stations".

2.5.54 Other Local Services

Population sparsity in particular limits the scope to provide market based and public sector services in rural areas, though the quality of public service provision is generally good. As in other more rural parts of the UK, competitive and cost pressures and the drive to achieve scale economies – along with the increased mobility of sections of the population – are leading to a steady decline in the base of local commercial services.

The scope to reverse such trends may be limited. However, there are clearly opportunities to explore novel means of service delivery and in particular to develop the role of the social economy or 'third sector' in meeting local service needs.

2.6 Environmental Situation

2.6.1 Overview

Many elements of the Welsh environment, especially within the objective area, are of outstanding quality which require protection and enhancement if they are to be enjoyed by future generations. There are also symptoms of damage that must be remedied and increasing pressures on the environment which need to be countered. This complex combination of pressures, states, issues and actions relating to the environmental situation of West Wales and the Valleys has been comprehensively documented, analysed and a form of strategic environmental assessment applied to the proposed measures to be funded This is summarised here under the headings of air, water and land, with a final section linking the environmental situation with the opportunities presented by the proposed programme.

2.6.2 Air Environment

i. Climate Change

Emissions of 'greenhouse gases' contribute to global climate change, which in Wales is expected to lead to sea level rise, land use changes, increased storminess, loss or northward movement of some species, change in ocean temperature patterns, and increased frequency of summer droughts. Sea level rise is likely to cause a net loss of some habitats such as intertidal sand, and gains in others such as saltmarsh (through managed retreat), but overall changes are likely to be damaging.

(ii) Air Quality

In urban areas, high levels of particulates and nitrogen oxide are damaging to people's health, and contributing to a poor urban environment.

Acidification is still a major threat to plants and animals and their habitats, including freshwaters. Acid inputs (sulphur dioxide, ammonia and nitrogen oxides) are predicted to cause further damage to sensitive sites. Evidence suggests that nitrate is leaching into surface waters from nitrogen saturated soils.

Concentrations of ground-level ozone, primarily caused by emissions from motor vehicles, regularly breach levels set for the protection of the natural environment and for human health particularly in urban areas Ozone concentrations increase with altitude, threatening upland habitats already stressed by factors such as acidification.

2.6.3 Water Environment

i. Freshwater Quality and Quantity

Sewage and trade effluent, and combined sewer overflows, continue to pollute freshwaters.

Organophosphates and synthetic pyrethroids, used in sheep dips, have been shown to have caused widespread ecological damage to rivers and streams. The discharge and leaching of nutrients (mainly from sewage and agricultural fertiliser run-off) into many lakes and rivers poses a significant risk of artificial nutrient enrichment, causing depletion of oxygen in water and the development of algal blooms.

Some 150 discharges from abandoned coal mines are polluting streams and rivers with iron.

Certain rivers have seen a serious decline in migratory fish stocks. The decline in salmon catches, taken with sub-optimal spawning in some years, emphasises the need for improved salmon management if angling opportunities are to continue to provide substantial support to the local tourism industry.

The effects of rising levels of water-use cause concern and are resulting in cases where abstractions are harming the water environment.

ii. Coastal Zone Management

Marine pollution is a major threat to the coastal environment. High concentrations of organochlorine pesticides have been found in porpoise and dolphin tissue in Cardigan Bay. Concentrations of nutrient and algae in the Irish Sea suggest enhanced nutrient enrichment arising from sewage, agricultural runoff and industrial discharges. There have also been serious spillages from the Liverpool Bay oil and gas platforms.

Overfishing, and other fishing practices, continues to damage fish stocks. Some seabird populations are in decline (e. g. terns), although most populations are increasing.

A large proportion of the Welsh coast is designated for its high conservation value, but development pressures on the coast can squeeze natural habitats and spoil aesthetic appeal. The growth of outdoor recreation, and especially some noisy sports such as jet skis, has resulted in conflicts between users, with impacts on the environment.

Flooding can have a major impact on the coastline, leading to erosion, deposition, loss of important species and habitats, and putting people and property at risk.

2.6.4 Land Environment

(i) Urban and Rural Land and Landscape Quality

The quality of land in urban and rural areas is suffering in some locations from contamination from past industrial activities or previous agricultural practices. Also there is a debate over how much new development can be built and accommodated in existing urban areas to help create attractive compact settlements and prevent urban sprawl. However greenfield sites are under pressure from major schemes, housing and cumulative impacts of small developments. Development pressures, including urbanisation, threaten townscapes and landscapes, in the form of more widespread noise and lights from settlements and roads, overhead lines and masts, standard approaches to road and building design and insensitive urban development in conservation areas.

Open cast coal mining permanently modifies large tracts of landscape while riverine and wetland habitats have been degraded and lost through land drainage, floodplain development, agricultural impacts, and the spread of invasive non-native plant species.

i. Waste

About 5-million tonnes of controlled waste is disposed of in landfills in Wales. Of the non-controlled wastes, 4 million tonnes of agricultural waste, and 5,5 million tonnes of mine and quarry waste are produced in Wales each year. The construction of landfill sites alters landscapes and generates odours, dust and noise.

Unlicensed disposal of waste and fly-tipping disfigure the landscape.

ii. Habitats and Wildlife

In many areas the landscape has been damaged and is still being threatened by agricultural changes such as the removal of traditional field boundaries, large-scale grassland improvement and by ecological overgrazing by sheep, which damages habitats for wildlife.

The condition of woodland is often unfavourable due to over-grazing by domestic stock or wild deer, and infestation with dense rhododendron.

Many coastal habitats are degraded, due to development and recreational pressures, and in some cases (e.g. sand dunes) due to a lack of grazing. Many bogs have been degraded, particularly the blanket bogs of mid and south Wales.

Notable reductions in bio-diversity include; massive declines in farmland birds such as lapwings and red squirrels being limited to perhaps two areas of Wales (once widespread).

(iii) Recreation

There is increased interest in the countryside and demand for recreation. Heavily used footpaths across screes in Snowdonia and sensitive habitats exemplify the need for careful management of visitors in certain areas. The impact of recreational traffic in the countryside is causing harm to the setting and sense of place in many areas. There is a need for improved salmon management to support angling. Recreation facilities such as golf courses and marinas can cause additional development pressures.

3.0 PREVIOUS EU INTERVENTIONS IN THE REGION

3.1 The Previous Programmes

The Objective 1 region was delineated only in 1998 with the revision of the NUTS II regional boundaries and it has not previously been the subject of a single regional programme.

However from the point of view of regional policy, the new Objective 1 region corresponds to a large extent to areas covered in the 1994-1999 period both by Objective 2 Industrial South Wales and Objective 5(b) Rural Wales. Table 1 gives the priority mix for those programmes.

Table 1

Rural Wales 1994-1999 SPD	**Industrial South Wales 1994-1996 SPD**	**Industrial South Wales 1997-1999**	
1. Business Development	1. Action for Industry & Business	1 Developing Indigenous SME potential	
2. Development of Tourism	2. Action for Tourism	2. Action for Tourism	
3. Countryside Management and Community Development	3. Action for the Valleys and other Disadvantaged Urban Communities	3. Investment in the Valleys	3. Investment in the Valleys

4. Action to Support Development of Knowledge Based Industries	4. Community EconomicRegeneration
	5. Increasing the Innovative Potential of SMEs

3.2 The major interventions covering the region have comprised:

i. **A series of regional programmes covering wider areas of Industrial South Wales (ISW) which have included the Valleys area, as well as the Neath/Port Talbot/Bridgend/Swansea area**

- **The 1989-93 Programming Period - Industrial South Wales** Two CSFs for Industrial South Wales ran from 1989-1993 - the Integrated Development Operation 1989-1991 and the Operational Programme 1992-1993. Together with the RECHAR Community Initiative for the 1990-1993 period, which covered part of the same area and was evaluated by Hall Aitken Associates as part of a combined study, the programmes involved a total commitment of £124.6 million of ERDF resources and £40.2 million in ESF. A total of 572 ERDF and 588 ESF projects were supported, involving a total spend of £464.2 million.

a) The overall strategic aim of the CSFs was to overcome the most significant barriers to growth facing the area. These were identified as; overdependence for employment on traditional industries, an inadequate skills base within the workforce (particularly in relation to new technology), a shortage of new industrial premises and sites, environmental problems which were discouraging investment, and internal communications constraints.

b) Actions were organised under six sub-programmes : industrial infrastructure, communications, business development, environment, tourism and R&D/vocational training. ERDF expenditure was oriented towards physical infrastructure with a particular emphasis on industrial infrastructure and communications.

- **The 1994-1999 Programming Period - Industrial South Wales** The Objective 2 programme for 1994-1996 involved an eventual EU grant commitment following the rollover of underspend of Million Euro 112.2 (Million Euro 77.9 in ERDF and Million Euro 34.3 in ESF), supporting projects with a total spend of Million Euro 342.5. The overall strategic objective of the SPD was, "to maximise economic growth through the creation of a diversified industrial base, particularly within the SME sector leading to a self-sustaining economy which takes full account of environmental considerations."

a) The programme was structured around four priorities : Action for the Valleys and Disadvantaged Communities, Action for Industry and Business, Action to Support Development of Knowledge Based Industries, and Action for Tourism. It is not possible to estimate the proportion of EU support which related to areas within the new Objective One region. On a pro-rata to population basis this would have amounted to some Million Euro 82.8m, although the targeting of Priority 1 on the Valleys should have meant that the actual figure was higher than this.

b) The follow-on programme for 1997-99 has involved a total EU grant commitment of Million Euro 254.4 (Million Euro 200.8 in ERDF and Million Euro 53.6 in ESF), including the rollover of unspent resources from the 1994-96 programme. The total planned spend amounts to Million Euro 629.3. The overall strategic objective of the SPD 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."

c) The programme has been based around six Priorities : Community Economic Regeneration, Investment in the Valleys, Developing Indigenous SME Potential, Increasing Innovative Capacity of SMEs, Action for Tourism and Specific Carried Forward Actions (essentially relating to a proposed Rail Freight Terminal). On a similar basis to the 1994-96 calculation, EU support within the Objective One part of the area should amount to Million Euro 187.7.

d) The second programming period has seen a shift in the emphasis of the programmes away from infrastructure and towards ‘softer’ measures designed to develop businesses and tackle the problems of the most deprived communities. Key developments included the introduction of community economic development actions and increasing attention to issues of equal opportunities and sustainable development.

3.3 Regional programmes covering the wider Objective 5b region of Rural Wales and including most of the West Wales area of the new Objective One region.

- **The 1989-1993 Programming Period** Three programmes operated in the area over this period : a National Programme of Community Interest approved in mid 1988; an Integrated Development Operation into which this was subsequently incorporated; and, an Operational Programme which ran over the 1992-93 period. Together the programmes involved an ERDF grant commitment of £104.8 million and an ESF commitment of £8.3 million. A total of 370 ERDF projects were funded, involving total expenditure of £248.9 million.

a) The objectives of the programmes related to improving communications to combat peripherality; improving the economic infrastructure; supporting new industrial initiatives; tourism development and environmental improvement. The structure of the programmes was somewhat different but the 1992-1993 Operational Programme was based around five Priorities : economic development and diversification, tourism, development of human resources, minimising the problems of peripherality, and a broadly based priority concerned with the development of multi-objective infrastructure.

- **The 1994-1999 Programming Period** The Objective 5 SPD for 1994-1999 has involved a total EU grant commitment of Million Euro 184 (63% ERDF, 18% ESF and 19% EAGGF). The overall aim of the 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 area. The SPD is structured around three Priorities : Business Development, Development of Tourism and Countryside Management and Community Development.

3.4 A range of Community Initiatives

- **LEADER II** (and previously LEADER I) which has been implemented through a series of Local Action Groups covering the majority of the West Wales area. In particular this has involved the development of innovative action some of which can be ‘mainstreamed’ under the new Objective One programme. LEADER II, covering the period November 1994 to December 1999, has three core areas of activity; Measure A, Acquiring skills; Measure B, Rural Innovation and Measure C, Trans-national co-operation. The LEADER Interim Evaluation (Roger Tym & Partners: August 1998) concluded that many of the problems and issues affecting rural Wales, identified in the Wales LEADER II programme document, still persist and whilst there had been some reductions in, for example, unemployment figures, the problems still remain. The agricultural sector has experienced most change (and not in a positive direction) since the start of the LEADER II programme and LEADER groups have responded to this through development of appropriate projects. Good progress was noted towards achieving the programme outputs, local community activity was being developed and there were demonstrable economic outputs from this activity. However the methods of recording outputs and the indicators required reform.
- **URBAN PROGRAMME 1994-1999**

The Townhill and Mayhill Urban Community Initiative developed a strategy and timetable for the social and economic regeneration of the area. The neighbourhood with a population of approximately 13,000 is situated less than 1 mile from the centre of the City of Swansea, the second city in Wales and yet it is an area of acute social, physical and environmental deprivation, compounded by a low level of public facilities. Utilising the resources available, strategic objectives have been developed by the Urban Partnership Group within an action plan which sets detailed targets set over the themes of community revitalisation, vocational education and training, economic development and the environment with the intention of ensuring that post 2000 the area will be a thriving, cleaner and healthier place to live and work. The active participation of the community in the development of the plan and the on-going capacity building to allow community groups to participate in the implementation of the plan have been essential features of the programme.

The delay in approving the action plan resulted in little time fully to commit the programme and against this background a commitment of £3.73 million, which is approximately 85% of the allocation, was made.

The majority of the projects have only recently started and an authoritative view cannot be reached, but the general feeling is one of satisfaction with the type of project supported. The programme should also be considered in the light of the degree of community involvement in the development of the action plan, the decision making process and the evidence that locally based regeneration activities have commenced.

- **WALES/IRELAND INTERREG IIA PROGRAMME 1994-1999**

INTERREG IIA is a trans-national programme covering the West coast of Wales and the East coast of the Republic of Ireland and focuses on the strategic objectives of developing links between the two regions. It seeks to build on the potential for cross border co-operation that exists between the two countries, separated by the Irish sea, but with a long standing tradition of inter-linkages in many spheres. The programme also aims to assist the border region of Wales and Ireland to overcome development problems which arise from its relative isolation within the European Union. The strategic focus centres on transport infrastructure/information systems and protection of the marine and coastal environment and joint emergency planning procedures. There are also measures for economic development, tourism/culture and human resources co-operation.

The programme has benefited from the use of local co-ordinators in both regions which has facilitated capacity building. There has been considerable success with economic development co-operation and in the development of networks, sharing of experience and expertise, including new technologies. In Wales, the overall programme commitment is £6.95 million which is approximately 79% of the allocation.

- **RECHAR II** (and previously, as noted above, RECHAR I) which covers the - former - coal mining areas of the Valleys. The largest Community Initiative operating in the Objective 2 area, it aims to accelerate the economic conversion of the coal mining areas most seriously affected by the decline of the industry through 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 £14.8 million in ERDF and £3.6 million in ESF has been allocated to the programme.

- **RESIDER II** (and previously RESIDER I) which covers the steel areas in the south of the region. The RESIDER II programme covers a range of activities to accelerate the economic conversion of the most seriously affected areas including : 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 £11.3 million ERDF and £2.2 million ESF has been allocated to the Programme.

- **SMEs 1994-1999** The SME Programme targeted the development of small and medium enterprises and encouraged development, support through networking, co-operative actions and research and development. £1.6 million in ERDF and ESF grant was available to Wales; £1 million was committed to projects.

- **PESCA 1994-1999** The PESCA Programme supported fishing dependent areas affected by the rationalisation of the industry. £0.8 million in ERDF, ESF and FIFG grant was available to Wales. £0.6 million was committed to projects.

- **KONVER 1994-1999** This initiative supported those areas in south and rural Wales affected by the decline of defence associated industries. £1.72 million in ERDF and ESF grant was committed to projects from the £1.7 million available.

- **RETEX 1994-1999** RETEX supported those areas which have been dependent on the textile industry. £1.77 million in ERDF and ESF grant was available; £1.58 million was committed to projects from the £1.75 million available.

3.5 Support under Objective 3 and, more recently Objective 4 - as well as under Community Initiatives such as EMPLOYMENT and ADAPT which are programmed on a wider UK basis.

a) 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. A total of £16 million ESF was spent in Wales in 1997/1998. Disappointingly in 1998 projects declared very significant underspends late in the year. £24 million ESF has been committed to 1999 projects. In 1998 37,297 beneficiaries were assisted through projects in priorities 1,2 and 3. Of these beneficiaries 42% had been unemployed for over 6 months and 57% did not have any previous qualifications. The 1998 Final claim and Leavers survey data shows that 45% of beneficiaries were women, 34% secured employment, 3% secured self-employment, 40% continued in education or training and 24% remained unemployed. The qualifications gained by beneficiaries were mainly on a basic level (21%) or middle level (22%) with high level qualifications gained by 1%. 53% of beneficiaries did not gain a formal qualification.

b) Objective 4 again 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. A total of £1.4 million ESF was spent in 1998. Due to the late start of the programme sponsors only had 3 months in which to carry out their projects. £10 million has been committed to projects in 1999. Analysis of 1998 projects indicates there were in the order of 10,500 beneficiaries of whom 63% were men and 37% women. Evaluation of the 1998 Objective 4 programme is still at a preliminary stage, however initial impressions indicate a large proportion of training projects were targeted on ICT key skills.

c) It will clearly be helpful to look at examples of potential good practice projects under EMPLOYMENT and ADAPT which might be mainstreamed.

Territorial Employment Pact

A Territorial Employment Pact (TEP) covers the North Wales areas of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham. The workforce in this area has high levels of self-employment, with unemployment at 5% (but with some pockets of high long-term unemployment) Low rates of pay in tourism and the service sectors give particular concern.

Priority is being given to developing:

- the skills base and access to employment
- entrepreneurship and competitive business
- the rural economy
- the tourism industry
- potential growth sectors

The overall aim of T.E.P. is to improve employability, the quality of employment and promote the creation of new jobs in North Wales.

Key elements include promotion of:

- innovation within the context of employment actions and processes
- increase in employment aspects of public programmes
- enhanced partnership between Forum partners and other partners in North Wales

The initiatives in progress include a timber harvesting and conversion project, 3 job rotation projects and action plans to develop an opto-electronic cluster and a multi-media cluster. Studies have also been undertaken into the employment potential of the food and tourism industries; social exclusion (this includes the barriers encountered in accessing employment by lone parents and people living in excluded communities); and a survey into ICT capability.

An extension has been granted to this programme until 31 December 2000. A full evaluation of the TEP is anticipated by the end of March 2001.

Expenditure, Outputs and Impacts under the Objective 2 and 5b Regional Programmes

3.6 The Objective 2 Programmes

- **The 1989-1993 Programming Period**

a) A final evaluation - which, as noted, included the 1990-1993 RECHAR programme - was undertaken by Hall Aitken Associates, but only in June 1998. The assessment of outputs and impacts proved problematic because of data limitations.

However, the key physical activity outputs which were identified included : some 60,000m2 of new/improved/ converted industrial floorspace; 382ha of land prepared and serviced; 526ha of industrial/tourist sites opened up; some 13,700 firms advised/assisted; 129ha of land reclaimed improved; and, 174 new or improved tourist facilities. Most of the physical targets were missed, albeit mostly only to a modest extent. The evaluation suggested that this was because they were probably always overoptimistic.

The intermediate impacts included £59.6 million of private sector investment generated (though this was only 7.0% of the target) and some 650,000 additional visitors attracted. The evaluation concluded that the programmes had created between 13,460 and 17,350 net additional jobs though it was recognised that a substantial degree of uncertainty attached to these figures.

- **The 1994-99 Programming Period**

a) The late start of the 1994-96 Programme and other factors meant that some 21% of the original EU financial allocation could not be taken up and had to be rolled forward into the successor programme. Some 95% of the revised ERDF allocation and all of the (more substantially reduced) ESF allocation were eventually committed. The final spend figures are not available but it is expected that the vast majority of the grant commitment will be taken up.

b) The Ex-Post Evaluation by ECOTEC of the 1994-1996 ISW programme found that the majority of the physical output targets had been exceeded. Key outputs included : support for some 1,935 community based initiatives and projects; renovation of 340 buildings; landscaping of 177 derelict sites; construction of nearly 43,000m2 of industrial workspace; support for over 4,400 businesses; support for nearly 7,400 technology transfer and innovation projects; and, provision of training to around 87,500 people.

c) The evaluation tentatively concluded that the objective of creating or safeguarding 13,400 jobs was comfortably exceeded - with perhaps 5,060 permanent jobs created by the ERDF measures, 12,350 further jobs safeguarded and employment increased by over 2,100 by the ESF measures. On a pro rata basis these estimates suggest that the SPD may have created or safeguarded some 12,850 jobs in the new Objective One area. As in the evaluation of the early programme, however, the problems of the available monitoring data mean that substantial uncertainty attaches to these estimates.

- **The Interim evaluation of the 1997-1999 ISW programme**

a) The monitoring data suggests that some of the physical output targets of the 1997-99 programme are likely to be greatly exceeded while only limited progress has been made against others. The Interim Evaluation concluded that the projects supported might help to create nearly 21,000 jobs within the programme area as a whole (implying perhaps 15,500 in the new Objective One region). However, these are gross figures since it was impossible to form judgements on additionality or displacement at the time of the evaluation.

b) Despite the positive results from the programmes there has been little evidence of any real relative improvement in the economic performance of the area. Overall unemployment has fallen in recent years but this essentially reflects national trends. It is not obvious that the policy focus on the Valleys has had any real effect since the areas concerned exhibited some of the largest and smallest reductions in unemployment. The Interim Evaluation of the 1997-99 SPD argued that the success of parts of the area in attracting inward investment implied that the performance of the indigenous sector must have been fairly poor, despite the focus of the programmes on SME development.

c) The failure to achieve greater economic impacts no doubt to a large extent reflects the adverse ongoing structural changes within the region, particularly during the late 1980s and early 1990s. This issue was highlighted in the Hall Aitken evaluation.

3.7 The Objective 5b Programme

- **The 1989-1993 Programming Period**

a) The Arup final evaluation concluded that the gross outputs of the programmes included : construction or improvement of 52km of road, servicing of 104ha of land, creation or improvement of 28,850m2 of industrial floorspace; assistance to 3,650 SMEs and attraction of around 2.5m additional visitors.

b) It was estimated that the programmes together had created perhaps 2,850 net additional jobs. On a pro rata to population basis some 2,350 of these might have been created within the new Objective One region.

- **The 1994-1999 Programming Period**

a) The Interim evaluation of the Objective 5b programme was carried out at the beginning of 1997. This concluded that the programme was on course to create or safeguard between 3,700 and 5,100 jobs, (implying perhaps 3,000 - 4,200 jobs in the Objective One region) taking account of issues of additionality and displacement. The anticipated outcome based on approved projects is now 13,549 jobs created (gross) and 139,155 jobs safeguarded (gross). Actuals achieved to November 1999 are 5,714 jobs created (gross) and 53,383 jobs safeguarded (gross. However there are significant problems with the performance indicators as they were not clearly defined at the start of the programme and have been subject to different interpretations by applicants.

b) At 31 December 1999 98% of the programme resources had been committed to projects. The main factors preventing the full commitment of the programme were lack of available match funding (mainly public)and late approval of reserve projects.

c) The mid-term evaluation also identified aspects of the overall Programme that were not reflected in the targets, especially at Programme or Priority level. The main identified gaps relate to the environmental benefits of the Programme and its benefits to the community. The evaluation also pointed to the lack of strategic targets to measure the impact of training in terms of the skills base of Rural Wales.

d) Following the Interim evaluation a Rural Wales Labour Market and Skills Assessment was commissioned. The final report (Strategic Marketing: April 1998) identified potential growth areas as indigenous businesses particularly very small businesses (1-10 employees), food sector, tourism (upgrading of the quality and diversity of tourism and leisure products), telematics, the green economy and the arts. Diversification of the rural economy was considered a key objective in minimising sensitivity to changes in particular sectors. The changing skills requirements were identified as key skills, core business skills and an appreciation of new technology across all sectors. Growth within the rural economy was considered dependant on the availability of qualified and experienced managers to lead the growth. People management and supervisory skills were also considered important. Vocational and job specific skills requirements varied by industry sector.

e) Questions clearly arise again about why the programmes for the 5b area have not produced greater results in terms of improved economic performance. The major point is clearly that their scale has been limited in relation to the impacts of countervailing factors such as the BSE crisis. Because of the problems of poor communications and peripherality this area in particular has not generally benefited greatly from the flows of inward investment which have helped to create new employment in South East and North East Wales.

3.8 Lessons from the Past

Interim evaluation Rural Wales 1994-1996:

The interim evaluation of Rural Wales SPD 1994-1999 (Pieda final report dated July 1997) has drawn conclusions which may be referred to the bulk of the western part of Wales:

- **Overall Progress:**

Poor performance of agri-tourism measures, and need to review the underlying need;

Poor performance of ESF measure for developing skills in rural communities, and overlap with other ESF (and EAGGF) funded training measures.

- **Outputs:**

Lack of consistency between the targets established at Programme level and those fixed at Measure level;

Neither the reported nor the forecast level of jobs to be created or safeguarded are plausible (vastly inflated);

Good progress appears to be made towards achievement of other targets but there is a problem of correct definition of indicators, double counting, etc.; very limited progress made in securing private sector contributions to project costs and in generating private sector investment.

- **Additionality, Displacement**:

Additionality at project level is generally judged to be high;

the risk of displacement risks to be low except with tourism attraction (2.1), tourism training (2.3) and again tourism (2.4) measures.

- **Programme priorities:**

The priorities and measures in the SPD remain appropriate to the needs of Rural Wales;

Some measures require to be given greater focus; as regards the training measures, there are dangers of overlap in various funding regions;

Lack of a strategic analysis of skills needs (to guide project selection).

- **Spatial priorities:**

No need is seen for adoption of additional spatial priorities to those in place currently.

There could be merit in targeting the resources available under measure 2. and 3.3 on the most disadvantaged communities in the Rural Wales area. For example communities in rural areas are still dependent on one form of employment (tourism, agriculture, plants such as the Trawsfynydd nuclear station);

Rural areas could benefit from more funding for information technology and telecommunications; tourism is a vital industry throughout Wales although sufficient resources are already targeted at it; there is a need to ensure that all areas of Wales will benefit equally from EU funding as some areas (Gwynedd and Dyfed) are more successful than others in attracting Structural Funds assistance.

The evaluation of the Objective 5(b) programme does not complete a proper analysis of the adequacy of the priorities for the needs and opportunities of the region. The evaluation proceeds exclusively by an examination of the measures.

The synthesis report (PACEC) has some difficulties in classifying the priorities of the SPD, at the end defining the third priority (composed of the three measures: countryside enhancement, rural services, developing skills in rural communities) as "Agriculture" in one context or "Community development" in another.

Interim evaluation ISW 1994-1996:

The interim evaluation of the Industrial South Wales SPDs 1994-1996 (Ecotec final report dated February/April 1999) has drawn conclusions which may be of reference for the Valleys area:

- **overall view**:

Both programmes (1994-1996 and 1997-1999) are based around a well defined hierarchy of objectives which are linked logically to the individual programme measures;

The strategy and allocation of resources embody a series of policy choices. The strategy was both inclusive and appropriate;

In its preparation the programme involved a wider range of partners than did previous programmes, but there is a weak sense of "ownership" of the programme amongst some of the partnership (thus the need for adequate publicity and guidance prior to the launch of programmes).

- **outputs and impacts:**

the targets set for the programmes are quite modest and in some cases of limited use in assessing performance against the programmes’ objectives the overall approach to establishing project targets and monitoring subsequent performance was often unsatisfactory;

a major weakness in the approach to monitoring the performance of the programme relates to the lack of integration between the various monitoring systems employed (the WEPE; the Welsh Office and the DfEE) and the lack of consistency and low level of commitment to the value of monitoring and evaluation amongst project sponsors.

- **thematic objectives:**

Environmental project selection criteria have been improved under the current programme and are thorough and sensitive. However, at the present time the lack of a robust monitoring system limits the capacity of assessing the positive environmental impacts of actions supported;

Considerable progress has been made towards integrating equal opportunities objectives into the programmes (specialists in the PMC, scoring criteria, guidance and technical assistance, etc.), but there are many further barriers to mainstreaming equality objectives in the programme.

- **programme management and implementation:**

The three-tier partnership structure (Programme Monitoring Committee, Core Group, Programme Advisors Group) and particularly the broadening of partnership involvement in implementation in recent years is considered to be a positive development;

The extension of membership of PMC under the current programme is seen as being beneficial;

One major weakness is that the PMC is nevertheless not entirely successful in directing the programmes at a strategic level;

The involvement of a wide range of partners in the PAGs brings a greater sense of ownership, expertise, transparency and robustness to the project selection process. The main downside is perhaps the delays some projects have experienced prior to gaining approval;

The project selection process (and criteria currently in operation) is generally clear and robust, exemplary in its transparency and its involvement of a wide range of real expertise. Nevertheless it appears to be rather heavy with each stage providing an opportunity for delay;

Match-funding difficulties were the most significant barrier to project development and implementation. Greater integration between EU and domestic funding regimes could go some way towards resolving the difficulties faced by sponsors;

There is a need to complete the regionalisation of the administration of the ESF and to seek to move decision making to a truly multi-annual basis.

- **additionality and value for money**:

Additionality of projects is variable, high in some cases and notably lower in the case of more mainstream business support measures and some training measures. A higher degree of additionality appears to be associated with projects funded under the 1997/1999 programme - due in part to the PAG appraisal process;

More could be done to ensure and demonstrate value added from some of the HRD and business support projects funded through the programme.

- **spatial priorities:**

There is a need for the preparation of a new comprehensive strategy for the region to address the unresolved issues such as the linkages between the development of the coastal plain and the Valleys.

3.9 Emerging Issues and Implications for the Objective One Programme

- The evaluations have come to generally positive conclusions about the appropriateness of the programme strategies, objectives and priorities. However, the Objective 2 evaluations identified concerns within the partnership that the constraints on the opportunities to support transport infrastructure and site development works limited the process of regeneration of the Valley economies (an issue picked up in the current Plan). The system of the - three levels of - spatial targeting of the current Objective 2 programme was also argued to be unduly complex.
- A particular issue in relation to the Objective 2 programme has been the relatively low take up of resources for SME support in the Valleys. This partly arises from the availability of an alternative and non-spatially targeted - and therefore less restrictive measure - within the programme. However, particularly bearing in mind the analysis in Section 2, there are clearly questions about the capacity of the SME sector to absorb resources. Interestingly however in this context, the business support priority in the Objective 5b programme emerged as the most rapidly spending element of the programme in the Interim Evaluation.
- The complications of overlapping measures also emerged more generally as an issue in the 5b Interim Evaluation. A need for greater focus was identified in relation to some measures. Specific points included : the emerging importance of information technology and telecommunications (reflected in Measures 1,4 and 2.3 in the current Plan); the importance of in-firm training needs (reflected in Measure 1.5 in the new Plan); the need for tourism initiatives to be of a strategic nature in order to limit displacement; and, the importance of training to build community capacity (reflected in Measure 3.2 of the Plan) - as well in many cases as the need for continuing support for community based organisations, including assistance with the application process.
- A number of the previous evaluations have highlighted the point that the projects which have been supported have tended to be closely linked to other initiatives but typically weakly linked to each other so that programme level synergies have been limited. The local Action Plans which are being considered as an implementation mechanism would help to address this issue.
- The last Objective 2 evaluations highlighted a range of good practice in relation to equal opportunities with potential for mainstreaming but also identified a number of barriers to achieving equality objectives - such as failure to follow through intentions, weaknesses in monitoring and an over-narrow view of equality issues. The rising profile of the equal opportunities agenda and its more extensive embedding as a theme within the programme will clearly be helpful in this context.
- Previous Objective 2 evaluations have also highlighted the relatively narrow focus of the environmental dimensions of the programme and the weaknesses in the monitoring of environmental aspects. Again, this will be addressed through the enhanced focus on sustainable development as a horizontal theme within the Plan.
- The final evaluation of the ESF Objective 3 programme for Britain as a whole for the period 1994-1999 by the DfEE ESF evaluation team pointed to a number of conclusions with implications for the detailed operation of the new programme, including :

i) The need for a greater focus on a number of target groups : women returners, single parents, disabled people, ethnic minorities, older beneficiaries, homeless people, men, and those with low or no previous qualifications;

ii) The need to address barriers to the participation of women associated with lack of reliable and affordable childcare and the lack of flexibility within training programmes;

iv) A range of issues in relation to developing integrated projects such as the importance of : effective, comprehensive planning, a good initial needs assessment and clear identification of the target group;

v) Practical pointers to the development and operation of partnerships.

- Many of the most important lessons to emerge from the earlier programmes relate to ‘process’ type issues - most of which will need to be reflected in the way that the new programme is implemented. These include :

i) The need to establish arrangements to enable linked projects to be considered together rather than by separate groups as at present in order to enhance integration and synergies;

ii)The need to ensure that the new Monitoring Committee focuses on its strategic role in directing the programmes rather than operational detail;

iii)The need to address the issue of the availability of match funding. Limitations on the resources of the local partnership have been a particular problem in the Objective 2 area and lack of public match funding for EAGGF projects has been noticeable in the Objective 5b programme;

iv) The need to secure the effective engagement of the private and voluntary sectors, although the limited and fragmented nature of the private sector - as demonstrated in Section 2 - is a limitation here;

- The importance of a quantum improvement in the monitoring process to address problems of :

i) the unclear, imprecise or inconsistent targets of earlier programmes;

ii) the over ambitious, and in some cases absurd, claims about the prospective impacts of projects at the application stage;

iii) the lack of consistency in the indicators used by partners and the ways in which they are defined and reported;

iv) the frequent absence of a realistic basis for the estimation or subsequent measurement of project impacts;

v) lack of effective follow up checks on project claims.

It is noteworthy that the problems in relation to monitoring information have been a recurrent theme in relation to a range of programmes covering the region and it will be important to deal convincingly with this issue. Similarly, there have been a number of cases when programmes have suffered from problems of delayed and slow starts which have been difficult to recover and it is crucial that this is not repeated. Previous evaluations have highlighted the weakening of the sense of ownership when major changes to plans have been made within the negotiating process.

4.0 POLICY CONTEXT

4.1 Overview

To gain maximum impact from the Structural Funds it is essential that the Objective 1 Programme is closely linked to the principle regional and local policies designed to strengthen economic development. To engender a "joined up" approach to policy making, new synergies between European regional programmes and domestic urban and rural policies will be sought wherever possible. This Chapter outlines the key policies relevant to this programme and shows how European, UK and Welsh policies fit together.

4.2 Devolution

On 1st July 1999 The National Assembly for Wales took over most of the powers, rights and duties of the Secretary of State for Wales. The Assembly provides an elected tier of government for Wales and its establishment is part of the Government’s programme of constitutional reform. The National Assembly for Wales was set up following a referendum in September 1997 and the Government of Wales Act of 1998. The Assembly is responsible for policies in Wales that cover a wide range of subject areas including agriculture, industry, employment, training, education, arts, recreation, transport, housing, health and the environment.

Devolution will enable the Assembly to raise the profile of Wales in Europe and to play a part in the future development of Europe. The Assembly itself is able to contribute to the development of UK policy and Assembly representatives will, as members of the UK's negotiating team, be able to play an active part in the regular programme of discussions with our European partners. The Assembly has relationships with other regional governments in Europe and these will lead to more direct links with European institutions, by way of an increased representative presence in Brussels. The Assembly structure will enhance and develop links with Europe. A Standing Committees has responsibility for European Affairs and each of the other Standing Committees have been charged with ensuring that their particular activities take full account of the European dimension.

An important role for the Assembly is to ensure that the needs and priorities of Wales are fully taken into account in European legislation. An important early task for the Assembly has been to present proposals to take up the increased level of Structural Funds support which Wales will receive in the programming period between the year 2000 and 2006.

4.3 Business Support

The UK Government's overall policy aim is to encourage sustainable business development - by encouraging innovation and enterprise, removing barriers to growth, providing high quality business support. including facilitating the successful exploitation of new and emerging technologies.

The National Assembly sets the strategic framework for economic development in Wales, and within that, the main policy objectives in support of business development. The key objectives here are :

- supporting the growth of a strong and internationally competitive indigenous business sector
- improving the birth and survival rates of new enterprises
- ensuring Wales continues to attract inward investment projects
- improving workforce skills, encouraging good quality jobs and more value added projects within industry
- promoting innovation, technology transfer and the greater use of ICT as part of the drive towards a stronger knowledge-based economy

As well as operating a number of key all-Wales business programmes (for example Regional Selective Assistance), the National Assembly also provides the bulk of the funding to the main business support agencies which assist in implementing its policy objectives through relevant programmes and initiatives. As well as the Assembly itself, the main public sector business support agencies in Wales are:

<u>Welsh Development Agency</u> - responsible for a range of mainly all Wales programmes designed to help firms develop and grow successfully

<u>Training and Enterprise Councils</u> - manage a range of training and business development support to companies at the sub regional level, often sub contracting delivery to the local enterprise agencies

<u>Local Enterprise Agencies</u> - specialise in the provision of services to new and small businesses

<u>Local authorities</u> - as part of their local economic development role, local authorities provide a range of services to small firms, including grants and loans. They work closely with the local enterprise agencies.

Support for Small and Medium Sized Enterprises (SMEs)

The crucial role of SMEs as key contributors to national economies is generally acknowledged throughout Europe. At the UK level, this has been reflected in successive Competitiveness White Papers: in Wales it went to the heart of "Pathway to Prosperity: a new economic agenda for Wales" published in 1998.

The EU policy framework for SMEs is primarily concerned with the promotion of the Single Market and enhancing SME competitiveness via a variety of relevant measures.

The goal of a dynamic and healthy SME sector in Wales depends to an important extent on ensuring that the business support services are properly co-ordinated and delivered. The Business Connect Management Board, established in March 1999, aims to help provide this "joined up" approach in Wales. The Board is business-led and all the main business support agencies in Wales mentioned above are also represented on it.

Published statistics suggest that SMEs in Wales account for 98 percent of all businesses and employ some two thirds of the labour force - underlining their importance in the Welsh economy. In line with the draft National Economic Development Strategy and the National Assembly's recently published Strategic Plan for Wales, the overall aim is to improve the growth and competitiveness of the indigenous SME sector in Wales.

To this end a range of policies and programmes are being pursued:

- The stronger promotion of entrepreneurship across society in Wales through the development and implementation of a new Entrepreneurship Action Plan. A key part of this is to help encourage many more new businesses to start up and to survive and grow, including those within the social economy.
- A stronger focus on maximising the potential of the tourism, arts and cultural sectors in Wales.
- To encourage more knowledge-based companies to locate in Wales and to help existing businesses to exploit ICT and other new technology more effectively. A key target here is for 50% of Welsh SMEs to be using e-commerce by 2003.
- To promote innovation and technology transfer through innovation centres and closer links between colleges and business.
- To help encourage more firms to export successfully.
- To improve the flow of finance to SMEs via the establishment of a new Development Bank or Fund.
- To upgrade the skills and knowledge base within Welsh SMEs through a stronger more co-ordinated approach to management development and the reskilling and upskilling of the workforce.
- Embedding inward investors in the local economy through action on supply chains and other collaborative measures.

4.4 Tourism

The tourism industry in the UK is of increasing importance to the economy. The objectives set out in each strategy have evolved from partnership with the all-industry Tourism forums. The Welsh strategy will be launched by the end of March. The key issues are:

- Providing the right framework for tourism to flourish
- Developing and providing a high-quality service
- Encouraging sustainable growth in tourism
- Monitoring progress

The Wales Tourist Board is about to update its new tourism strategy for Wales in which it has identified the following four key objectives:

- To market Wales more effectively as an attractive all year round tourism destination
- To exceed the expectations of visitors to Wales by providing high standards and ensuring that investment in tourism is responsive to their changing needs
- To improve professionalism and innovation by raising the profile of the industry and by enhancing skills,

training and motivation within its workforce
- To embrace a sustainable approach to tourism development which benefits society, involves local communities and enhances Wales' unique environmental and cultural assets.

Tourism and the Environment

A challenge to tourism businesses is to adopt more environmentally friendly work practices in their day to day operations. In Wales the aims are:

- raise awareness of the business benefits which can be associated with the adoption of environmentally sensitive business practices through a co-ordinated publicity and advisory campaign
- ensure that businesses that receive WTB grant support are held accountable for compliance with approved environmentally sustainable criteria recommended by the Wales Environment Centre
- build on the success of the Green Sea Partnership by promoting and developing the Green Coast Award to all eligible parts of Wales

In terms of broader cultural policy, the National Assembly for Wales is currently undergoing a review of arts and culture in Wales. This will include an appraisal of the cultural industries and priorities for action. A policy document will be available in July 2000.

Tourism Culture/Language

The uniqueness of Wales' history, language, culture and way of life are distinctive assets essential to sustaining a well balanced tourism industry. Wales will aim to:

establish an industry working part to be responsible for the preparation and implementation of a cultural tourism strategy for Wales;

Extend participation in the "Welcome to the Arts" customer care initiative which seeks to extend access to Welsh culture and heritage and improve the quality of visitor experience.

4.5 The Welsh Language

About a half million people in Wales (19% of the total population) speak Welsh, 82% of whom live in the Objective 1 region. The rural parts of the Objective 1 region, and the westernmost Valleys, constitute the heartland of the Welsh language today. In many communities in these areas Welsh is the everyday language of most people. The central and eastern Valleys are predominantly English-speaking, but there has been a marked revival of interest in Welsh in many of these communities in recent years.

Public policy in Wales supports the maintenance and promotion of Welsh and of its use in all areas of life. The 1993 Welsh Language Act enshrined the principle that Welsh and English should be treated on a basis of equality in public business and in the administration of justice. The 1998 Government of Wales Act placed a similar requirement on the new National Assembly, and the Assembly has, since it's inception, held its proceedings bilingually.

The Welsh Language Board (a public body accountable to the National Assembly) is charged with promoting and facilitating the use of Welsh. The Board pursues a wide range of initiatives. The Board has statutory powers to require public bodies to implement language schemes covering their use of Welsh. Over 100 schemes have been approved by the Board to date, and practical bilingualism is becoming a norm throughout the public services in Wales.

There are no legal requirements on the private sector to use Welsh, but increasing numbers of companies are choosing to do so. Welsh is a distinctive component of the image and branding of Wales and of Wales's tourism product. The tourism industry already capitalises on the language and the culture most closely associated with it as a distinctive selling-point for Wales. Welsh also represents a potential marketing tool for businesses wishing to target markets in Wales, draw attention to a product being from Wales, or demonstrate commitment to local communities. Awards for the use of Welsh in business are made annually at the National Eisteddfod.

1 1991 Census of Population

4.6 Research and Development

Investment in developing new products is vital to the future growth and competitiveness of companies of all sizes. Published figures indicate that, when measured against recorded spending, the levels of industrial R&D activity generally in Wales are the lowest of any region of the UK. In part, this can be attributed to the way in which company spend is accounted - particularly in the consolidated accounts of firms operating from several sites. It also reflects the heavy preponderance of small companies in the Welsh economy, i.e. those with fewer than 50 employees. The proposed remedial measures build on the progress made so far under the Wales Regional Technology Plan.

4.7 Information and Communication Technologies Telecommunications: towards the information society

The Commission guidance states that "the rapid development of the information society has opened up new possibilities for economic development. It has widened the locational options of firms and can help regions, including remote and rural communities, to attract and retain activities that make an important contribution to high-quality employment."

The Guidance suggests that the intention is to promote access to and the use of ICT, to develop the skills that allow individuals to take up employment opportunities and to encourage SMEs in particular to develop new services and innovative applications.

The Commission has driven forward a common policy aimed at removing the barriers to pan European telecommunication operations, service provision and equipment supply, while striking a balance between liberalisation and harmonisation of markets, competition and public services. In December 1999, the European Commission launched an initiative "Europe - An Information Society for All", the key objectives of which are concerned with bringing every citizen, home, institution and company on line and into the digital age; creating a digitally literate Europe with an entrepreneurial culture; been set out for achievement of the overall objectives relating to specific sectors such as business, health, transport and education.

The UK and European Union policies in the field are broadly in line. Policy in the UK is aimed at leading in the digital economy and being the best in the world for electronic trading. This is to be done by developing a market framework to encourage competition and innovation; an innovative, dynamic and growing supply sector; and demand for digital products and services. Targets have been set in relation to small and medium businesses wired to the digital market place; trading on-line; and performing to international best standards. The White Paper "Our Competitive Future: Building the Knowledge Driven Economy" was published by the UK Government and set out an ambitious goal of making the UK the best place to trade electronically in the world by 2002. In order to help achieve this goal a range of initiatives were set up, or significantly enhanced. One of these is the DTI’s Information Society Initiative, an ongoing programme setting out a specific range of measures to help increase the uptake of Information Communication Technologies.

The National Assembly for Wales plays a dynamic part in these policies and is committed to an Information and Communication Technologies policy aimed at widespread adoption of technologies to create a knowledge driven society; improve business competitiveness; create high value jobs; upgrade the education and training of existing and future work forces; deliver better public services; and advance social conditions for all citizens.

4.8 The Regional Technology Plan

Background

The Regional Technology Plan for Wales was prepared to reflect the results of widespread research and discussion undertaken over eighteen months and involving more than 1000 organisations and individuals. A consensus was developed on six key priorities for improving Wales's innovation and technology performance:

- A culture of innovation is vital for personal and economic success;
- Companies learn best from each other; therefore supply chains and networks are crucial;
- Wales must profit from global innovation and technology;
- High quality business and innovation support is essential for Welsh companies;
- Finance for innovation must be readily available in Wales; and
- Education and training for innovation and technology are vital for the Welsh economy.

An Action Plan launched in June 1996 comprised more than 60 individual projects which addressed one or more of the priorities, most having subsequently been successfully completed.

Of particular note is the strengthening of company- college links. The assessed standard of the research work undertaken by the Welsh higher education sector is improving steadily and significantly. Policy in Wales is to build on this research performance and excellence and to promote the effective commercialisation of science research. Higher education institutions are expected to maximise their contribution to wealth, job creation and economic development in Wales.

Current situation

The Regional Technology Plan is one of the mainstays of the Assembly's strategy for improving Wales's innovation and technology performance. For partner organisations, it has provided a framework for action to achieve the six original strategic priorities and in that it has enjoyed significant successes. A Review and Update of the RTP, undertaken in 1998, heralded a shift in focus, away from being project-based and towards addressing the challenge of extending the culture of innovation into more companies in Wales. How successful and effective the Plan has been in all that has been done in its name to date is currently being examined under an independent review which has been commissioned as part of the RTP 2000 programme and is co-funded by the EC's RIS^{PLUS} Programme. The Consultants' report is expected to be submitted in March 2000.

4.9 Energy Developments Energy: networks, efficiency and renewable resources

EU Guidance states that "the promotion of sustainable regional development depends on an efficient, diversified and competitive energy sector in order to enhance the security, flexibility and quality of energy supply and reduce energy costs".

In the less developed regions, investment under the Structural Funds should concentrate on: Energy efficiency (focused on the demand side e.g. aid to SMEs to reduce energy use) and renewable energy sources (aid to promote the acquisition of renewable energy equipment in SMEs). In West Wales and the Valleys most of the basic energy systems are in place, or will be provided by the private sector without recourse to EU or public sector support. The emphasis therefore will largely be on energy reduction and renewable resources, with a stress on SMEs and/or generating local employment opportunities. However there remains a need in the most westerly areas for strengthening of energy networks to facilitate wider business investment.

The European Union has proposed a framework for energy policy based on the four key elements of integration of the market; managing external dependency; sustainable development; and energy research and technology. On networks, policy aims to interconnect European networks as necessary and to develop these with countries outside the European community which have the potential to improve its reliability and security of supply. On renewable energies, the Commission has resolved to promote its increased use and proposed a target of 12% of the community's electricity needs being met by renewables by 2010. Energy policy within the UK is on a national basis and its thrust is to ensure secure, diverse and sustainable supplies of energy at competitive prices. UK energy markets are the most open within Europe and this has the clear advantage of competition driving prices down generally for consumers. Within the Welsh Objective 1 area the key issues are the need to ensure that every citizen benefits from access to secure supplies at favourable prices and that energy generation and supply is delivered in a way which is compatible with the needs of sustainable development.

Energy policy is not a matter devolved to the National Assembly, but it the Institution has a keen interest in the subject because energy is an essential component of economic and social development. Furthermore, the Assembly carries responsibility for functions closely linked to energy policy, such as planning and environmental matters. The development of a strategic framework for energy is important for developing energy industries which contribute to the Assembly's sustainable development objectives. In respect of energy supply and usage, policies and programmes encourage the efficient use of energy and the development of renewable energy technologies.

4.10 Sustainable Development

Although the European Commission currently has no free-standing Sustainable Development Strategy, it seeks to integrate the principles of sustainable development into its policies and programmes. At the European Council in Cardiff in 1998, during the UK presidency of the European Union, objectives for the integration of the environment and sustainable development into European Union policies were established. These are reflected in the UK's Sustainable Development Strategy published in 1999.

The Assembly is currently developing its own policy on sustainable development. It has a legislative duty under section 121 of the Government of Wales Act 1998, to state how it intends to promote sustainable development in all its work. The duty requires the Assembly to make a Scheme setting out how it intends to pursue its obligation, to consult before making it, keep the Scheme under review and publish an annual report on progress. We believe the duty to be unique in Europe. The Scheme will not bind other organisations in Wales (except to the extent that they are subject to direction by the Assembly) but will make it clear what the Assembly intends to do.

A draft Scheme has been prepared with the help of key sectors in Wales. A major consultation process began on 26 January and runs until 25 April. The intention is to try and reach all elements of Welsh society including those who might otherwise not participate.

The draft Scheme takes as its starting point the Brundtland definition of sustainable development -

"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"

This definition reflects the need to encompass the three elements of sustainable development – social progress, environmental protection and economic advance. This is translated into a proposed vision for a sustainable Wales:

- *United, confident, outward looking and creative*
- *Prosperous, well-educated, skilled, healthy and environmentally rich*
- *Served by modern, efficient and accessible public services*
- *Active in its local communities, where the voice of local people is heard*
- *Fairer - a place where everyone is valued and encouraged to play a full part*

The vision also permeates the Assembly's draft three-year Strategic Plan. The draft Scheme and the Plan are being developed together. The Scheme when approved will give a framework for the development of policies and actions across the Assembly, look at their connections, set out what the Assembly intends to do, by when and how progress will be measured.

4.11 Waste

The National Assembly is committed to an integrated approach to waste management, aimed at more effective protection of human health and the environment, while also reducing the demand on natural resources. In line with the requirements of the Framework Directive on Waste (75/442/EEC), this will require a reduction in waste arisings, increased re-use, higher levels of recovery, and the development of new and sustainable technologies.

The Assembly recognises that the most effective way of achieving sustainable waste management is to minimise its production by encouraging more efficient practices and re-use of primary materials. Progress has already been made in encouraging business and industry to adopt more efficient practices leading to reductions in process waste. Furthermore, regulations introduced in 1997 - in compliance with Directive 94/62/EC on packaging and packaging waste - require industry to assume an increased share of responsibility for recovering or recycling the packaging waste from its products, so providing a further incentive to minimise raw material use.

Attention is now being focused on greater recovery and recycling of post-consumer waste, particularly that produced by households, and collected by local authorities.

In June 1999, the UK government published "**A way with waste** - A draft waste strategy for England and Wales". Following consultation, this document will be published in its substantive form in Spring 2000, as the Assembly's contribution to discharging the UK's obligations under Article 7 of Directive 75/442/EEC. It calls upon all sectors of the community to adopt more sustainable waste management practices, and sets specific targets for landfill reduction, recovery, recycling and composting.

Following the promulgation of this plan, the Assembly will develop a more detailed sustainable waste implementation strategy for Wales, which will include specific proposals for achieving the targets in Directive 1999/31/EC. A scoping study is already in hand and is due to report in June 2000. This is a key step in identifying the infrastructure which will be required to develop more sustainable waste management options throughout Wales. In the medium term, local authorities will need to adopt new techniques for disposal, enabling them to move away from their current dependence on landfill. There is an need to review land use planning guidance for waste for Wales to reflect the contents of "**A way with waste**", and guide the preparation of policies in the Unitary Development Plans.

4.12 Transport

Transport infrastructure: improving networks and systems

The EU Guidance states that "Efficient transport networks and systems have an integral role to play in supporting economic development. The business sector needs to have reliable and cost-effective access to markets for inputs and outputs, while citizens need good passenger transport services for access to jobs, training, shopping and leisure."

The priority areas are Efficiency (including the modernisation and upgrading of transport infrastructure); Modal balance (with a reduced emphasis on roads); Accessibility: with an emphasis on completing the TENs on the territory of the eligible regions, and the secondary connections to these networks); and Sustainability (reducing the environmental impact of transport and encouraging a shift to the use of more sustainable forms of transport).

The Assembly is responsible for maintaining the existing trunk road network, reviewing the adequacy of the network and, where necessary, carrying-out improvements to safeguard road users and meet public needs. The Assembly is, therefore, able to determine priorities for the development of the Trans European Road Network (TERN) in Wales.

DETR take the lead in regulating the railways and the provision of financial assistance for passenger rail services in Wales. The Assembly is, however, able to influence the development of the TENS rail network via close and regular contact with officials in DETR and the Strategic Rail Authority and can invest in rail infrastructure improvements**.**

Policy

The aim of the Assembly's transport policy is to deliver a transport system that is safe, efficient, clean and fair. It should deliver integration between different types of transport, be integrated with the environment and land use planning policies and is focused to support the policy aims of education, health and wealth creation. As such it underpins efforts to combat social exclusion and promote sustainable development.

Key policy objectives are:

- To improve access for people and business through provision of an efficient and comprehensive transport system
- To combat peripherality and bring Wales closer to markets in UK and the rest of Europe.
- To maximise the benefits of the existing transport infrastructure and thereby improve competitiveness
- To support sustainable economic development, through specific local schemes

The Assembly is working in several ways to secure achievement of these objectives:

- identifying and bringing forward trunk road improvements as resources permit to bring the network up to an appropriate standard
- supporting local authority road schemes which address issues of links to the core network, access to development areas, and community severance.
- supporting local authority integrated transport packages, designed to put in place the infrastructure to facilitate and encourage modal shift from the private car. For instance, cycle routes, park and ride provision, guided bus routes, bus priority measures, integration of bus and rail etc.
- encouraging Railtrack, the Strategic Rail Authority and train operators to identify and undertake (or contribute to) capital investment improvements to enhance the rail network and facilitate the movement of more people and freight by that means.
- support for local measures to provide safe cycling, walking and public transport routes to school, with the twin aims of building travel choices and healthier life styles into the next generation and combating the school escort trip which contributes significantly to congestion.
- asking local authorities to draw up a transport strategy for their area, with defined targets and objectives, to deliver real integration and accessibility at local level. (Local Transport Plans) These will be completed in August 2000 and provide the framework for future investment decisions.

4.13 Urban and Rural Development

Area Based Regeneration

The National Assembly is committed to the development of vibrant and self-sustaining communities throughout the whole of Wales, with increased access to economic opportunities for all irrespective of location. The problems associated with, for example, high unemployment rates and low GDP levels are common to both urban and rural communities and the Assembly's aim for a better, stronger economy applies equally to the two areas. However, the underling economic structure, social and cultural way of life in rural Wales is different from urban areas and the Assembly recognises that its policies and programmes must reflect differing local needs and priorities, as well as ensuring that help is also targeted at deprived communities that exist in areas generally regarded as prosperous.

The Assembly currently supports a range of area based schemes to promote sustainable regeneration and development throughout Wales..

The Welsh Capital Challenge scheme currently provides £30million to support local authority projects and strategies lasting up to three years. A circular is issued annually inviting bids and setting out the criteria against which strategies and projects are to be judged. The Local Authority Rural Scheme provides 100% capital grants delegated by formula to seven predominately rural authorities. The scheme supports small rural schemes with a budget in 1999-00 of just over £6 million. The relevant local authorities are required to invite bids and give priority to rural areas. In addition, Strategic Development Scheme funding has been progressively delegated to local authorities since 1997-98. Through the successor arrangements to this scheme, funding in 1999-2000 totalling £27million was included in all local authorities' capital and revenue settlements. An agreement with local authorities ensures that the level of funding for voluntary sector projects (20% under the Strategic Development Scheme) is maintained.

The approach to targeting resources on deprived communities is being developed further. The Assembly is discussing plans with its partners for a new initiative aimed at addressing the needs of Wales' most disadvantaged areas

The need to ensure closer integration between European and domestic programmes, and refocus effort on both the National Economic Development Strategy and the priorities adopted in the Objective 1 Single Programming Document, has resulted in new proposals to create a single Local Regeneration Fund to replace the existing Welsh Capital Challenge and Local Authority Rural Schemes. Consultation on the detail of the new fund is being progressed with local government, business and voluntary sector representatives.

4.14 Employment and Human Resource Development

Employment strategy in Wales is based on three inter-linked objectives: increasing the supply of good quality jobs; improving the skills of the workforce; and helping into work those currently inactive in the labour market.

The first of these objectives involves a range of economic and related measures described elsewhere within this document, including developing knowledge based industries, information and communication technologies and generating a more vibrant enterprise culture. This section focuses on the development of human resources.

The European Employment Strategy, enshrined in the Amsterdam Treaty: the UK Employment Action Plan; and the UK Policy Frame of Reference provide the overarching policy context for the use of Structural Funds to support human resource development and to promote employment and social cohesion. The draft National Economic Development Strategy for Wales and related policies inform the development of priorities for the use of Structural Funds in the West Wales and the Valleys Objective 1 region within this overall policy context.

The European Employment Strategy is founded upon four pillars :-

- improving employability
- developing entrepreneurship
- encouraging adaptability of businesses and their employees
- strengthening equal opportunities for women and men

The UK Employment Action Plan for Employment provides the national response to these guidelines and is prepared by the UK Government in consultation with the National Assembly for Wales and the other devolved administrations. It analyses the problems and challenges in the labour market and sets out key policy measures and initiatives which will be used to tackle them. Production of National Employment Action Plans is an annual process. Principal Non-Governmental Organisations such as the Welsh Funding Councils, Welsh Development Agency, Training and Enterprise Councils and TUC etc. are consulted by the Assembly for their views and suggestions on the guidelines and draft National Employment Action Plans. These views are fed to Dept. for Education and Employment , which is responsible for co-ordinating work on the plan. The Assembly recently received the approved guidelines for the 2000 National Employment Action Plan, and is currently involved in the consultation process with organisations in Wales.

Action has been taken and is ongoing to ensure that European employment guidelines and policies for human resource development are incorporated within the Assembly's major policy initiatives, and outlined in documents such as Pathway to Prosperity; the draft National Economic Development Strategy; and European Structural Fund

Programme Documents.

The UK Policy Frame of Reference for promoting employability and developing human resources provides the overall structure within which ESF will operate in all parts of the UK. It links closely with the four pillars of the European Employment Strategy and the National Employment Action Plan and is structured around the five priorities for ESF action :-

- Active labour market policies;
- equal opportunities for all and promoting social inclusion;
- lifelong learning;
- adaptability and entrepreneurship; and
- improving the participation of women in the labour market.

4.15 Active Labour Market Policies

The UK Government sets the overall economic framework for high and stable levels of growth and employment. UK and Assembly policies promote employment opportunities for all and focus on the need for a skilled, trained and adaptable labour force, and a flexible labour market, underpinned by basic minimum standards of fairness and decency. The UK Government and the Assembly are particularly committed to helping young unemployed people and the long-term unemployed move from welfare to work and re-engaging other welfare recipients with the labour market. A key element of this strategy is to make work pay, though policies such as the **National Minimum Wage** and the **Working Families' Tax Credit.** Other tax and benefits reforms have also been introduced to make it easier for people to move from benefits into work.

The UK wide network of **Employment Service** (ES) Job Centres provides individualised help for all job-seekers. Under the **Job-seeker's Allowance** (JSA) benefit claims are actively managed. Every claimant must agree a "Job-seeker's Agreement" with ES; all claimants are advised and guided on job seeking activity as long as they remain unemployed; and each claimant is regularly reminded of the obligation, as a condition of benefit receipt, to undertake active job search.

The range and intensity of available help broadens the longer a person remains unemployed. **Restart interviews**, which ensure that the individual is maintaining jobsearch activity and knows about the provision available to help them back to work, take place every six months. **Jobclubs** (for 6 month plus unemployed), provide help in jobsearch skills, including access to newspapers and telephones.

Jobplan Workshops (for one year plus unemployed aged 25+) is a five day programme of individual assessment, job search guidance and confidence building. **Programme Centres** offer an individualised approach in which participants undertake a flexible package of activity, incorporating elements of traditional programmes such as Jobclubs. **Work Trials** enable those who are 6 month plus unemployed an opportunity to try out a job for up to 3 weeks. The **Jobfinder's Grant**, available to 2 year plus unemployed, is a one-off payment of £200 when a person takes a job, to help with the transitional costs jobseekers can face.

In addition the UK Government has introduced a wide range of employment and training programmes targeted on the long-term unemployed and other economically inactive client groups under the **New Deal**. The New Deal programmes have been designed to provide "Work for those who can and security for those who cannot". The programmes are funded by the Department of Education and Employment but have been developed in Wales under the guidance of the Wales New Deal Task Force and are delivered through a network of local partnerships. The Assembly has a target to get 30,000 young people back to work under the New Deal.

The **New Deal for 18-24 year olds** was launched in April 1998 and helps young people who have been claiming Job Seeker's Allowance for 6 months or more. It provides Personal Adviser support starting with *the Gateway* - up to 4 months of intensive help to get people job-ready. For those who remain unemployed after this, 5 options are open to them: subsidised employment, self-employment; full-time education or training; and work experience in the voluntary sector or with the Environment Task Force.

The **New Deal for 25 Plus** started in June 1998 and is for those aged over 25 who have been claiming Job Seeker's Allowance for 2 years or more. Personal Adviser support is provided through an initial Advisory Interview Process, which can lead to subsidised employment or full-time education or training (including Work Based Learning for Adults). There is a pilot project in South West Wales which provides a broader range of support to the one year plus unemployed under this New Deal.

The **New Deal 50 Plus** helps unemployed people over 50 into jobs by access to a Personal Adviser, training grants, job search assistance and employment credit of up to £60 per week for 12 months payable to the participant. The Wales Pathfinder started in North-East Wales in October 1999 and roll-out across Wales is planned for April 2000.

The **New Deal for Partners** assists of partners of unemployed people to return to work. Participants have a Personal Adviser and, depending on their age and status, have access to the *New Deal for 18-24 year olds* or advice and guidance from Personal Advisers and access to Employment Service Programmes.

The **New Deal for Lone Parents** was launched across Wales from October 1998 and provides a Personal Adviser service to assist lone parents, primarily with school age children, who wish to return to work.

The **New Deal for Disabled People** is being piloted in 12 areas across the UK, including the Eastern Valleys in Wales (which falls within the Objective 1 area). People who have been in receipt of benefits because of incapacity are invited to receive Personal Adviser help to overcome work barriers.

Employment Zones are located in areas of high unemployment where local partnerships aim to bring together various strands of help into a more coherent package focused on meeting individual needs within the context of the local labour market. Personal Advisers and individuals can decide together how to spend available funds most effectively to help secure employment. North West Wales is a prototype Employment Zone and from April 2000 a second Employment Zone will be established in the South Wales Valleys. Both of these Zones fall within the Objective 1 area and will be jointly funded by DFEE and the Assembly.

ONE offers a single point of entry to the benefit system for people of working age. A Personal Adviser will help individuals develop a range of opportunities tailored to their personal circumstances. There is one pilot in the South East Gwent region of Wales. ONE is funded by the Department for Education and Employment and is delivered in partnership by Employment Service, Benefits Agency, Local Authorities and the Private/Voluntary sector.

In addition to these UK wide policies and programmes, the Assembly has direct responsibility for a range of policies and programmes which help to integrate young people into the labour market and to help people not currently active in the labour market to acquire the skills and motivation needed to obtain employment and progress in their careers. Measures for young people include: programmes to help young people in school acquire a better understanding of the world of work; careers guidance; a new Youth Gateway to provide in-depth assessment and support for those who need it after they leave education; training and education provision that meets the needs of young people and of employers. For those young people who are disengaged in from education, training or employment, or are in danger of doing so, the Youth Access Initiative supports local partnerships throughout Wales which run local projects to help re-engage them.

TECs are commissioned by the National Assembly to promote **Education Business Links** to help prepare young people for the work of work. Activities include work experience, teacher placement into industry and business, employer mentoring and employer support for the delivery of curriculum. Targets for the coming year are for all young people in compulsory education to have at least one week of work experience and 10% of teachers to have a placement in industry/business.

The **Youth Gateway** is a new scheme currently being piloted as a partnership between TECs and the Career Service to provide young people leaving school with in-depth assessment and guidance to ensure that they embark on a route which is suitable for them.

The suite of work-based training for young people has three main programmes: **Skill build**, which is a range of initial and preparatory training. **National Traineeships** provide an integrated programme of on-the-job and off-the-job training to nationally-approved standards (NVQ Level 2); and **Modern Apprenticeships** provide similar programmes to NVQ level 3 and above. These programmes are delivered through TECs, who contract with local colleges and other training providers.

Measures to help the economically inactive include training provision for unemployed adults; careers guidance for adults; financial support for those who need it to access further education; and help with childcare.

Work Based Learning for Adults provides people who have been unemployed for six months or more with the skills necessary for them to return to work. This programme is currently under review and a new programme will be introduced from April 2001.

The **Adult Guidance Initiative** provides access to careers information and guidance to enable people to make effective choices about learning and career opportunities. Local networks are now well established drawing together local partners, including the Careers Service, Employment Service, Higher and Further Education Institutions and the Community Education and voluntary sectors. The networks provide free access to information and advice with referral to specialist guidance for the unemployed and economically inactive. Targets for 1999-00 are for 40,000 people to access information and advice and 10,500 to access guidance;

4.16 Equal Opportunities For All and Promoting Social Inclusion

These are two of the three major themes which the Assembly has identified as priorities for action.

The principle aims are to develop an inclusive society where everyone has the chance to fulfil their potential and the promotion of a culture in which diversity is valued and equality of opportunity is a reality.

To take this forward the Assembly has produced an outline Action Plan which is being developed through a consultative process. The Plan includes the establishment of a series of networks to disseminate information and to provide a route for feedback on the effect of policies and impact of action

The Assembly has recently resolved the need for a new commitment to targeted and integrated action to address the particular problems of the most deprived communities in Wales and that the most effective way to promote social inclusion is to set and achieve challenging targets for economic development and the improvement of public services.

The policy framework to convert this resolution into action will also be developed by a comprehensive consultation process, and it is anticipated that the targets for community regeneration will be set by the autumn 2000.

The Assembly will invest £48 million over the next three years from its **Social Inclusion Fund** to tackle some of the most deprived communities across Wales Initially this has been targeted at:-

a. the **People in Communities** programme aims to add value to other actions the Assembly is taking forward to tackle social exclusion. It is helping to determine what kind of action really works in excluded communities, where poverty and deprivation are concentrated. The programme is being implemented in eight communities across Wales, six of which fall within the Objective 1 region.

b. the **Children and Youth Partnership Fund** has been established to promote local initiatives to lift the educational attainment of young people; engage them in creative activities in their communities and to encourage them away from crime, drugs, vandalism and truancy. Projects are being delivered by local partnerships.

The Assembly is also currently developing a more integrated approach to support for young people aged 11-25 with the objective of promoting sustained and effective participation in education and training as well as health, well being and citizenship. There will be legislation (through the **Learning and Skills Bill** currently before the Lords) to ensure more joined up local delivery with local authorities in the lead to ensure integration with community planning and economic and social regeneration.

The **Youth Access Initiative** supports projects that help disengaged 14-17 year-olds, and those at risk of disengagement to enter employment, education or training. Action plans have been developed by local authorities and TECs to implement local solutions. These set out measures to contact disaffected young people; to assess their needs; develop their basic skills and personal effectiveness; and to integrate them into education, training or jobs.

The **Millennium Volunteers** initiative reflects the Assembly's concern to promote a better society through combating social exclusion and encouraging active citizenship, starting with young people. The objectives of the programme are to:

- raise the numbers and extend the range of young people involved in volunteering;
- to assist in young people's personal development, enhance their skills and increase their employability;
- to develop community activity in poor neighbourhoods;
- increase the viability of community groups and the services they deliver; and
- to have a clear beneficial effect on local communities.

The scheme supports and encourages 16 -24 year olds to make a sustained commitment to volunteering on activities which will have an impact on the community.

Training and Employment programmes (see under Active Labour Market Policies) have a significant impact in helping to overcome social exclusion, primarily by helping people into work and enabling them to progress to higher skill and better paid work. Unemployment and low wages are major factors in social exclusion. The programmes also help individuals with learning or other problems which makes it difficult for them to join the labour market.

The Assembly's Health policies also contribute to combating social exclusion. The economic health of Wales and the health of people in Wales go hand in hand. **Better Health Better Wales**, the public health policy paper, sets out a strategy for improving health by working across policy areas to tackle the social and economic determinants of health and by providing individuals with the skills and knowledge to lead long, healthy and economically productive lives. Promoting workplace health and helping people with work limiting disabilities to stay in work are an integral part of this strategy. The Assembly is currently in discussion with DfEE about the development of a **Job Retention Initiative** aimed at helping employers to retain workers who might otherwise slip into economic inactivity.

4.17 Lifelong Learning

The National Assembly's stated policy is to establish Wales as a learning country, one which is renowned world-wide for its high standards of education and training.

The 1998 lifelong learning Green Paper for Wales ***'Learning is For Everyone'*****,** or *LIFE* as it is commonly known, took the first steps toward achieving this goal by setting out a blueprint for lifelong learning. It proposed a National Learning Strategy for Wales based on :-

- better access to information and provision
- new measures to increase and widen participation
- a single, flexible, credit-related qualifications framework spanning all learning post-16

- new targets for learning; and
- strengthening co-operation, collaboration and partnership at the local, regional and all-Wales levels.

The 1999 ***Education and Training Action Plan for Wales*** took up the philosophy of *LIFE* and turned it into achievable proposals. The Action Plan recommended modernising Wales' post-16 education and training systems through planning and providing in partnership. The aim is to promote new opportunities responsive to local need, widen choice and levels of participation, raise service standards, cut duplication and waste, and remove nugatory competition. Central to the new arrangements will be the establishment of a **National Council for Education and Training in Wales** together with its regional committees responsible for the funding of all post-16 education and training, excluding higher education. Local planning and delivery of post-16 education and training would fall within the remit of new Community Consortia for Education and Training. These recommendations have now been endorsed by the National Assembly.

The National Council for Education and Training in Wales (CETW) will have a remit covering the whole of Wales. It will become operational from April 2001 and will assume the current strategic planning and funding responsibilities of the Further Education Funding Council for Wales and the four Welsh Training and Enterprise Councils. It will also have responsibility for funding post 16 education in schools and community based learning. CETW's total annual budget will be in the region of £400 Million.

CETW will operate through a central structure and a network of four regional offices each responsible to a regional committee based on the established boundaries of the economic for regions. These offices and committees will be an integral part of the Council and will work closely with around 15 to 18 Community Consortia to develop local plans for the development of post 16 education and training. The Community Consortia will include representatives from FE Colleges; Local Education Authorities (representing school sixth forms); the Voluntary Sector; business interests and private sector training providers. The precise role and responsibilities of the Community Consortia are currently under consideration by the National Assembly.

The Assembly has also agreed **National Targets for Education and Training** in Wales. The following are the agreed lifelong learning targets :-

- The numbers of 16-18 year olds without qualifications to reduce from some 1 in 5 in 1996 to 1 in 10 by 2002 and to 1 in 20 by 2004.
- The numbers of 19 year olds without an NVQ level 2 or equivalent to reduce from over 1 in 3 in 1996 to some 1 in 5 by 2002 and to fewer than 1 in 5 by 2004.
- The proportion of adults of working age without qualifications to reduce from some 1 in 4 in 1996 to 1 in 7 by 2002 and to fewer than 1 in 8 by 2004.
- The proportion of adults of working age with an NVQ level 2 or equivalent to increase from over 5 in 10 in 1996 to 7 in 10 by 2002 and over 7 in 10 by 2004.
- The proportion of adults of working age with an NVQ level 3 or equivalent to increase from some 3 in 10 in 1996 to approaching 5 in 10 by 2002 and to over 5 in 10 by 2004.
- The proportion of adults of working age with NVQ level 4 or equivalent to increase from some 1 in 5 in 1996 to over 1 in 4 by 2002 and approaching 3 in 10 by 2004.
- The proportion of working age adults with functional basic skills in literacy to increase from some 8 in 10 in 1996 to at least 9 in 10 by 2002 and to above 9 in 10 by 2004.
- The proportion of adults with functional basic skills in numeracy to increase from over 5 in 10 in 1996 to 6 in 10 by 2002 and above 6 in 10 by 2004.
- The number of participants in education and training to increase by at least 10,000 annually from 1999 to 2004.
- The percentage of organisations with 50 or more employees with a commitment to the Investors in People standard to increase from 30 per cent in 1997 to 35 per cent by 2002 and to 38 per cent 2004.
- The percentage of organisations employing 200 or more people with a commitment to the Investors in People standard to increase from 52 per cent in 1997 to 75 per cent by 2002 and 80 per cent by 2004.

The National Assembly has endorsed the proposals for the establishment from April 2001 of an all-age guidance service - **Careers Wales**. Operating under a common brand, Careers Wales will draw together the Careers Service and the adult guidance networks. It would also provide the telephone helpline "learndirect" with access to both local and national data on learning opportunities. In particular, it would be expected to provide a range of local information points and make best use of information technology so that there would be opportunities for people, from all walks of life, to access good quality, independent and impartial advice on the opportunities available to them. It also planned that Careers Wales will take responsibility for promotion of links between schools and business to help prepare young people for the world work.

This will be a key development. For the first time there will be one access point across Wales for anyone seeking advice and support in managing their learning and career development. By drawing together the resources of a range of organisations involved in guidance and education business links, Careers Wales will be in position to respond flexibly to the needs of individuals, educational institutions and employers in the promotion of learning throughout life. Key development areas for Careers Wales will be:

- working with young people in education to ensure that the contributions made by work experience, employer mentoring and the guidance provided by the Careers Service come together as part of a coherent programme - to help young people develop the skills that will underpin economic prosperity in Wales and underpin the transition from education to the employment;.
- tackling disaffection amongst young people (primarily 16-17 year olds) by increasing take up of education, training and employment - building on the Youth Gateway to provide all young people with access to in-depth assessment and guidance, practical support (work experience/tasters) in clarifying employment/learning options and ongoing mentoring support
- reducing levels of economic inactivity through targeted information and advice on career and learning opportunities made available to adults by Careers Wales through partnership arrangements - including local community education providers and libraries;
- levering up skill levels though information, advice and guidance made available to those in low paid occupations looking to improve skills and employment opportunities. - building on Future Skills Wales findings at the local and national level.

A national careers information helpline - **Learndirect** is provided in partnership with the University of Industry (UFI) from 4 call centres in Wales to link with local guidance networks. Learndirect offers two types of service:

Basic Skills

The UK Government is aiming to double provision for basic literacy and numeracy skills amongst adults to help 500,000 people a year by 2002 through the FE sector, New Deal, Family Literacy/Numeracy and , in time, the University for Industry. The Government is also looking at the recommendations of the **Moser Report** published in March 1999 - *Improving literacy and numeracy - A fresh start.*

The National Assembly, as part of the lifelong learning agenda, is supporting and funding key initiatives and policies which aim to turn round Wales' poor basic skills record. This is happening in partnership with the further education sector, the Basic Skills Agency and the local authorities.

In 1998/99 the **Further Education** Funding Council for Wales (FEFCW) funded just over 15,000 enrolments on discrete basic skills programmes in further education institutions in Wales. In addition to delivery which takes place at main campus sites, FE institutions have seen basic skills programmes as one of the key areas to be taken forward through outreach development, particularly in the most socio-economically deprived communities (as identified by National Assembly indices). FEFCW research into current outreach provision offered by FE institutions in such communities has shown that basic skills programmes account for the largest category of course, and attract more students than any other type of programme.

In addition to discrete provision, FE institutions also deliver basic skills support to students on mainstream FE programmes. Institutions are currently required to spend a minimum of 50 per cent of funding secured through the

Widening Participation factor at stage II of the funding methodology on basic skills support. In 1999/2000 this equated to £1.4 million. All institutions are being encouraged by the FEFCW to achieve the revised **Basic Skills Agency Quality Mark**, with its focus on strategic effectiveness. The Council is currently considering how its funding may be more effectively deployed to underpin this approach.

The Family Literacy Initiative is run by the Basic Skills Agency in partnership with all 22 Welsh local education authorities, their primary schools and further education colleges. A more recently introduced **Family Numeracy Initiative** is also underway.These two initiatives enable children and their parents to study together, thus breaking down inter-generation barriers to learning. They concentrate on preventing failure early; attracting adults who have not participated in learning; working in areas where social exclusion is greatest and academic results are lowest; and developing effective and sustainable partnerships between schools, colleges and LEAs.

Both the Government and the Assembly are committed to **widening access to higher and further education** for all those who have the ability to benefit from it. Lead responsibility for higher education student support arrangements in both England and Wales rests with the Department for Education and Employment. The function has not been devolved to Assembly. The new higher education student support arrangements include a range of measures aimed at encouraging students to enter higher education and to support them whilst they are there.

For it's part, the Assembly has increased the amount of **Access Funds** available to Welsh higher education and further education colleges so they can provide selective help at their discretion to further and higher education students who experience serious financial difficulties whilst studying, or to those who might not otherwise have been able to afford to take up a place because of financial reasons.

Wales Digital College (WDC) is a lifelong learning service for TV viewers which will provide interactive material on Digital Terrestrial Television. The WDC is funded jointly by S4C and BBC Wales and has received funding from the Assembly to support start up costs.

The WDC and the University for Industry (UFI) share a number of common objectives and it is envisaged that the UFI and Digital College will work closely together in Wales in respect of content, communications and marketing, and trailing /piloting of learning material. The WDC is the first and only qualified supplier of learning materials for UFI Ltd in Wales so far and has been asked by UFI to look at bilingualism /language teaching. Through TV, the WDC has enormous potential to reach those groups of people who are currently under-represented in education and training. Its services will complement those provided through learning centres.

Amongst other policies and programmes aimed at widening participation are :-

- **Individual Learning Accounts.** These allow people to save and pay for learning at a time which suits their personal development needs. They offer people the incentive to share, along with employers and Government, the responsibility for learning. They also place the choices about what learning should take place and how it should be organised with the individual. The National Assembly has a target to fund 50,000 Individual Learning Accounts over the three year period 1999-2001 at a cost of £7.5 million.
- **Career Development Loans**. These are operated and funded by the Department for Education and Employment in partnership with four major banks. Loans of between £300 and £8000 may be applied for by individuals to help pay for vocational education and training.
- **Time-off for Study or Training.** This is a new GB employment right. From 1 September 1999, young employees aged 16 or 17 who have not attained a certain "standard of achievement" (in essence NVQ Level 2) in their previous education or training will have the right to reasonable paid time off to study or train for approved qualifications which will help them towards achieving that standard.
- **The Union Learning Fund.** This aims to promote lifelong learning in the workplace by giving financial support for projects to be undertaken by trades unionsd in partnership with employers. In so doing, the fund helps to develop the ability of trades unions to become important learning partners.

4.18 Adaptability and Entrepreneurship

Employers have a key role in improving the skills of their employees, in order to support the new range of jobs being developed and so that their companies can become more competitive and successful. Employees, too, must increasingly take on more responsibility for improving their own skills. However, public interventions are needed in order to bring about the increased levels of skills development that are required if the objectives of this programme are to be met. The approach taken in Wales has been to take the necessary actions as a partnership between the social partners, central and local government and training and education providers.

Existing Assembly policies and programmes to improve skill levels in Wales include research and information provision to enable all partners to take the necessary actions; access to advice and guidance; a range of work-based training programmes for young people and adults; training initiatives specifically targeted at the small-firms sector; support for employers to collaborate on skills and training issues and support for the Investors in People programme. The Assembly also supports programmes which encourage entrepreneurship and the development of management skills in SMEs

The **Future Skills Wales** project, the results of which were published in February 1999, has provided important information concerning the need to increase the adaptability and employability of the workforce by raising skill levels, working alongside measures to promote equality of opportunity and better access to lifelong learning opportunities. A **Skills Task Force** has been established (December 1999) to take a strategic look at the results of the Future Skills Wales project, and submit a report to the Assembly with recommendations on further strategic actions that should be taken, to put Wales at the leading edge of economic development. Work in this important policy area will continue throughout 2000. To help drive forward action on skill, and provide an additional research and information resource for partners. A Skills Unit is currently being established.

The main responsibility for developing the skills of employees rests with employers. They are best able to access what needs to be done to improve the level of skill and to integrate this with other aspects of business planning. The Assembly and other partners can provide support. One of the ways that this is being done is to establish closer links with the network of UK wide **National Training Organisations (NTOs).** These links have been strengthened by the establishment of a separate NTO Council for Wales. By the end of 1999 there will be more than 75 NTOs covering over 95% of employment in the UK. NTOs are employer led bodies which undertake a representative role for their sectors and have a key role to play in skills development in Wales.

The Assembly is also encouraging employers in Wales to come together to set up Skills Sector Groups. Examples of current groups are the Wales Electronics Forum covering consumer electronics, semi-conductor, communications and IT; the Automotive Forum; the South Wales Aerospace Group; and the Opto-electronics sector in North Wales. These groups can help plan skills and strategies for their sectors.

The goal of a dynamic and healthy SME sector in Wales depends to an important extent on the effective co-ordination and targeting of the wide range of support services. **Business Connect** provides a one-stop information and guidance service for SMEs. A new Business Connect Management Board was established in March 1998 to help provide better strategic direction to the business support network and to encourage a more co-ordinated approach. Key priorities include promoting better awareness among the business community of the services available from Business Connect partners and improving take-up. Continuous improvement in the quality of the services and in ensuring they remain relevant and client-focused are also important objectives. In 1999 over 23,000 business enquiries were received via the Business Connect helpline.

Investors in People is a UK wide tool for organisations to plan the current and future development of their people to improve business competitiveness. Already, 800 organisations in Wales have achieved the IIP standard and another 1300 are working towards it.

The **Small Firms Training Initiative** promotes planned training in small companies through the identification of key workers who champion training and development through their employing firms. The scheme provides a very useful means of switching small firms on to training and development and encouraging them to embrace wider concepts like IIP. In the current year the TECs expect to assist 715 firms under this Initiative.

Small Firms Training Loans provide deferred repayment bank loans to firms with not more than 50 employees. Firms may borrow between £500 and £125k to pay for vocational training or consultancy advice on training. The DfEE pays the interest on the loan during the deferment period. Recent evaluation showed a 28% overall growth in employment in businesses which had received SFTLs. In the same evaluation, two thirds of businesses said that without SFTL funding, training would not have happened so quickly or at the same level and over 70% said that SFTL-funded training met their business aims in full.

It is a strategic aim for the **HE and FE** sectors to contribute to the development of a skilled and well qualified workforce and the capacity for supporting the creation of wealth. Funding incentives have been provided to institutions to encourage them to develop their services and partnerships with industry, commerce and the public services. With the Welsh Development Agency the Higher Education Funding Council for Wales has established a joint initiative to support institutions' development of placement and other career-related programmes designed to improve graduate employability. Funding has been made available to encourage and reward institutions undertaking contract research, consultancy and training thereby encouraging closer links with industry and contributing to the future prosperity of Wales.

Within the framework which has been established institutions are encouraged and expected to contribute to the economic, social and welfare development of their region and the sector offers an extensive range of management, professional development and other courses for adult employees that are directly related to employees and workplace needs.

From 2000/01 the **Knowledge Exploitation Fund** (£14 million) over two years will be introduced which will enable the HE and FE sectors to accelerate the exploitation of research and development, other knowledge and expertise within institutions, to contribute to wealth and job creation and economic development in Wales.

In order to help foster a stronger enterprise culture in Wales a new **Entrepreneurship Action Plan** is being co-ordinated by the Welsh Development Agency via a Steering Group representing a wide range of key interests. Following extensive consultation the Plan is expected to be ready by Easter and is intended to provide a cohesive framework for action. The aim is for a fully cross-sectoral approach so we effectively nurture and support the wealth of talent in Welsh colleges, schools, local communities and the business sector. Wales' rate of new business formation is among the lowest among the regions of Europe : implementation of the Plan should help secure the step change needed.

The **Business Start-up Programme**, managed by the Training and Enterprise Councils, aims to support the establishment of more good quality businesses which can survive and grow. Support offered includes help to develop a sound business plan, appropriate skills training and on-going mentoring support. The programme is open to all. In the current year it aims to assist 1,100 new ventures across Wales.

There are an estimated 160,000 sole traders in Wales. The aim of the

Sole Traders Initiative - which is unique to Wales - is to help these micro-businesses to take on their first employee, thereby creating new employment and helping the businesses to expand. Since its launch in April 1998 an estimated 800 new jobs have been created under the Initiative.

A wide range of initiatives are under way in Wales to encourage closer links between SMEs and colleges. One of the main schemes is **Cymru Prosper Wales** which focuses on providing direct experience for students within small firms, via short term placements. The aim is to assist students in gaining first hand experience of small firms and to allow the companies see the benefits of utilising higher level skills. Over 450 firms are expected to participate in the scheme in the current year.

TECs also promote enterprise and business awareness through their **Education Business Links** programmes. The aim is to provide all young people, while in compulsory education, with an opportunity to learn about business - with direct input from the business community.

Management Development is a key strand of workforce development. Better managers ensure improved performance for their organisations, enable others in the workforce to develop their own skills and are able better to plan and develop their own future. Research undertaken in 1998-99 showed that, whilst there is a great deal of management development activity being delivered in Wales, it is for the most part uncoordinated. Likewise, demand for management development tends to be *ad hoc* rather than being embedded in the business culture. As recommended by the Wales Education and Training Advisory Group, therefore, the industry-led **Wales Management Council** has been asked to tackle both issues. Its plans for doing so involve working through partnerships, first to bring coherence to the "supply side" of management development and, second to help develop demand for it by raising greater awareness of its importance to business competitiveness. 2000-2001 will be the first full year of the Council's initial three-year Business Plan and its work programme will be funded by the National Assembly for Wales. The TECs are one of the major providers of management development support to firms in Wales. They offer companies a range of assistance , often linked to the Investors in People programme and the Small Firms Training Initiative so a proper framework for the activity is provided. In the current year the TECs are aiming to assist 1600 small and medium sized firms in improving management development.

The **University for Industry (** UFI) is at the heart of the UK Government's Lifelong Learning agenda. The aims of the UFI are to stimulate the demand for lifelong learning amongst business and individuals and to promote the availability of and access to learning, particularly through the use of information and communication technologies. The UFI covers Wales, England and Northern Ireland, taking into considerations regional needs and structures. A separate initiative operates in Scotland.

UFI Ltd is establishing a Wales Advisory Group to advise on Welsh priorities and policies and to amplify the UFI message throughout Wales. To achieve its aims UFI Ltd intends to establish a network of Learning Centres across the UK in a variety of settings including libraries, colleges, shopping centres etc The centres will be established through regional Learning Centre Hubs There will be four Hubs in Wales coterminous with the Regional Economic Fora.

The first phase of UFI activity will commence in February 2000 with four developmental Learning Centres becoming operational in Wales in order to test the Hub/Learning Centre funding model and the delivery of UFI learning modules. A further 17 UFI-endorsed Learning Centres are planned to commence operating in Wales from April 2000. The UFI is expected to become fully operational in autumn 2000.

The National Grid for Learning will provide a network for schools to gain quality material through the Internet, to establish links between individual schools and to develop links with libraries and subsequently with museums and other institutions. The Grid will help deliver National Curriculum targets, raise standards and develop the skills which industry will need to remain competitive. In close co-operation with local education authorities and the private sector the UK Government and the Assembly is acting at four levels: to establish networks, to provide equipment, to train teachers to use the Grid and to ensure the quality of curriculum content delivered via the Grid.

In North Wales, the **Territorial Employment Pact** has launched a number of initiatives aimed at improving employability and promoting job creation which may have the potential for mainstreaming under Objective 1 and can inform the development of the programme. These include a timber harvesting and conversion project, 3 job rotation projects and action plans to develop an opto-electronic cluster and a multi-media cluster in North Wales. The TEP has also undertaken studies into the employment potential of the food and tourism industries; social exclusion (including the barriers faced by lone parents and people living in excluded communities have in accessing employment); ICT capability; and the infrastructure and service needs of strategic sites.

4.19 Improving the Participation of Women in the Labour Market

The principles of equal opportunity for all citizens and ensuring that no groups are excluded from society are central to both Assembly and UK Government policy, not least in relation to the labour market. In line with the equality principles enshrined in the Amsterdam Treaty. **The Government of Wales Act** commits the Assembly to ensuring that the principle of equality of opportunity for all people is taken into consideration both in the exercise of its business and in carrying out its functions. As part of the discharging its responsibility to equality of opportunity the Assembly is seeking to mainstream equality across the board through the development of sound systems and structures with particular regard to policy formulation, policy development and service delivery. An action plan is in place to take this forward which will ensure that mainstreaming is supported by specific actions such as the development of data baselines, the provision of equal opportunities awareness training across all aspects of the Assembly's work and importantly working in close partnership with the equality agencies in Wales from both the statutory and voluntary sector.

Equality of opportunity for women means enabling them to overcome the particular barriers they face, to contribute fully to society and the economy and be able to achieve a rewarding and financially secure life. Not all women are parents; and many men are parents too. There are also carers to consider. It is important to ensure that women retain lifelong contact with the labour market where they wish to do so, break out of stereotypical employment roles and learn new skills. Women who register as unemployed and are available for work are given help in finding work on the same basis as men in a similar position.

Lone parents should also be given the opportunity to get out of the benefit trap and into work. Women and men with sole care of young dependant children are not required to be available for work in order to claim means-tested benefits: if they choose to make themselves available they are offered help in finding work through the **New Deal for Lone Parents**. There is no gender bias in the New Deal, although since approximately 90% of lone parents are women they are likely to gain disproportionate benefit from the policy. New Deal for Lone Parents offers a voluntary, comprehensive package of back-to-work help for lone parents on Income Support through personal advisers, who can offer help for those who need it to find places on training programmes and funding to cover fares and childcare costs while taking part in approved training.

Partners of JSA claimants can also be helped to find work through the **New Deal for Partners**. Although the policy is again gender neutral it is likely to benefit more women than men because women traditionally represent themselves as dependent on their male partner. Partners will have the option to receive help and guidance from a specialist ES personal advisor, and access to employment programmes to help them find work and to help with childcare costs while they participate in the programme.

The **National Minimum Wage** introduced in April 1999 is expected to have a disproportionately beneficial impact on women's pay, given that women tend to be in lower paid jobs such as catering, retail and clothing. It will benefit almost 2m workers, of which around 1.4m are women, helping to make paid work a realistic proposition for many.

The **Working Families' Tax Credit** (WFTC), by topping up low pay, helps to make paid work financially more attractive. The **Childcare Tax Credit**, paid with WFTC where the conditions of entitlement are satisfied, further helps to boost the value of take-home pay for the lowest earners. This credit is worth 70% of eligible childcare costs up to a limit of £100 for families with one child, and £150 for families with two or more children. Other policies to help families include more generous treatment of childcare costs under Housing Benefit and Council Tax Benefit; an extension to the maximum age for which childcare costs can be met under these benefits and the WFTC by three years (4 years if the child is disabled).

Women earning below the lower earnings limit for National insurance Contributions will, for the first time, be eligible for Maternity Allowance for 18 weeks. In addition, the **Employment Relations Act 1999** now enables women to qualify for maternity rights after only one year's service with an employer instead of two. This is expected to strengthen female participation in the labour market.

The Employment Relations Act, whose rights were implemented on 15th December 1999, will make significant improvements for workers, especially women. This Act sets a basic, fair framework of family-friendly employee rights. It has introduced statutory rights to parental leave and time off for family emergencies. It also implements the Part Time workers Directive, so that part time staff must have the same pay and conditions as equivalent full time workers.

The Assembly is working in partnership to take forward equal opportunities in employment in other ways. It supports **Chwarae Teg** ("Fair Play") which is a voluntary partnership body whose aim is to improve the position of women in the labour market. It does this in a number of ways including; advice and guidance to women entrepreneurs and managers; research and promotion activities; advising SMEs about gender policies; developing childcare and carer support measures. The Assembly is also a partner with the UK Government in a new campaign to encourage employers to introduce employment policies which help their workforce to better balance their work and home responsibilities. The Assembly is also developing a strategy for the support of carers, the majority of whom are women.

The Wales **European Equality Partnership** was launched in October 1997, comprising members of the Equal Opportunities Commission, the Commission for Racial Equality and Disability Wales. The partnerships main aim is the integration of equal opportunities into structural fund project development, approval and monitoring and to develop new measures to mainstream equal opportunities in the economic development of Wales.

The draft strategic plan for the National Assembly for Wales has identified both new and improved services in connection with the national childcare strategy "to provide sustainable, affordable quality childcare" as being as one of its priority areas for action between now and the summer of 2001.

The basis of the childcare policy in Wales originates from the Green Paper The **National Childcare Strategy in Wales** which was published by the Welsh Office in June 1998. It announced the Government's intention to develop a childcare strategy for Wales "within a UK-wide framework of Government initiatives including family-friendly employment, welfare reform and help with the costs of childcare for working families". The aim of the strategy is to provide good quality, affordable and accessible childcare for children aged 0-14 in every neighbourhood in Wales. It is part of the Government's plans to promote social inclusion, to improve prospects, to give children a good start in life and to help them get the most out of education

The National Assembly for Wales has recently approved (either outright or subject to modification) plans submitted by the **Early Years Development and Childcare Partnerships** in each of the 22 local authority areas, The plans have been drawn up to meet the needs identified in their areas. The National Assembly for Wales budget has identified £2.3 million for 2000-2001 to support the national childcare strategy.

4.20 Rural Policy

Rural policy in Wales is being developed within the context of both domestic and European programmes. The National Assembly's draft Strategic Plan reinforces it's commitment to building a better, stronger and more diverse economy for all parts of Wales. But it also recognises that, whilst they are in many ways interdependent, many of the challenges facing Wales' rural communities are distinct from their urban counterparts.

In November 1998, then Welsh Office Ministers established the Rural Partnership for Wales. As an advisory body, it brings together a wide-range of expertise through its broad membership to inform and assist the Assembly Secretary for Agriculture and Rural Development to develop policies relevant to rural areas. Its statement – "Rural Wales" – published in July 1999 outlined seven priority areas for action.

- promoting business development
- spreading economic prosperity
- developing skills to match business needs
- strengthening communities

- improving access to rural services
- investing in the rural infrastructure
- enhancing the rural environment.

The Rural Development Plan for Wales has been developed following extensive consultation with rural interests about the Plan itself and also takes account of consultation exercises centred around the Agenda 2000 CAP reforms such as "Farming for the Future" and "Hill Livestock Compensatory Allowances". The Plan provides an integrated approach for the sustainable development of all rural areas irrespective of whether they are located in the Objective 1 area of West Wales and the Valleys or East Wales.

The range of European programmes available from 2000 to 2006, including Community Initiatives such as Leader + and Interreg, will provide access to significant sources of funding to support co-ordinated rural development throughout Wales, as well as complementing the Assembly's own domestic policies and funding programmes such as Welsh Capital Challenge and the Local Authority Rural Scheme (LARS).The latter area-based programme is specifically aimed at supporting rural development. In 1999-2000, funds totalling £6.15 million were distributed to seven predominantly rural authorities. It is forecast that the money will support in excess of 160 economic, social and environmental projects.

The Welsh Development Agency also has responsibility for promoting economic development throughout Wales, with a wide-range of programmes available in rural areas aimed at encouraging new businesses, supporting indigenous business development, rural regeneration, and business infrastructure.

4.21 Agriculture

The key issue confronting agriculture, in both a European and a UK context, is the enormous economic pressure under which the farming industry finds itself, with dramatic reductions in farm income since the historically high levels of the mid 1990s, despite the high level of subsidy support under the Common Agricultural Policy (CAP). The industry is becoming more exposed to world market competition, and this trend will continue as the CAP is reformed on an incremental basis. The need for farming to adjust is acute, both in terms of the need to embrace the growing importance of wider rural development as a second pillar of the CAP and also in order to ensure that the industry, which is still an important employer in many rural areas and which has a critical role to play in environmental terms, continues to play its part in sustaining rural communities and the countryside more generally.

The vision for the future of Welsh agriculture envisages:

- a Welsh agricultural industry which is more economically viable, and which therefore supports the sustainability of rural communities;
- a pattern of agriculture and land use which is more sustainable environmentally and ecologically, which will *inter alia* strengthen the basis for marketing Welsh produce as a premium product;
- safeguarding of the character of the Welsh countryside through the avoidance of extreme changes in the structure of family farms;
- farming families who are more able to run their businesses effectively and efficiently, are able to take informed decisions about future opportunities, including diversification.

Underpinning this overall vision, the key strategic priorities in respect of agriculture are:

- to become more sustainable economically, placing an emphasis on premium, branded products with an environmentally-positive image, and on much greater value-added processing of primary produce in Wales;
- to improve innovation through the adoption of new business skills and environmentally sensitive agricultural best practice;
- to improve market links by promoting collaboration amongst producers and co-operation between producers and processors;

- to broaden the economic base of rural Wales by assessing the potential for alternative crops, organic horticulture, energy crops, herbs and aquaculture;
- to help farming families to adapt, to take informed decisions on the future of family members, and to diversify sources of income.

Support will be targeted at value-added processing (through a Processing and Marketing Grants scheme which builds on the experience already obtained) in support of the Wales Agri-Food Strategy, which the Welsh Development Agency is charged with taking forward, and for clearly-focused training and development initiatives aimed at creating an innovative industry in which opportunities for business expansion and diversification are translated into action.

Support for wider rural adaptation and diversification will be made available, with the expectation that action will be taken by local authorities, by LEADER groups and by local communities themselves. These actions will all be consistent with the strategy and priorities underpinning the Rural Development Plan for Wales, and will complement action under the Plan in east Wales.

4.22 Fisheries and Aquatics

EU Fisheries Structure Funds

Structural aid for the fisheries and aquaculture sector which is co-funded by the Financial Instrument for Fisheries Guidance (FIFG) must contribute to the attainment of the objectives of the Common Fisheries Policy which are:

to provide for the rational and responsible exploitation of living aquatic resources and of aquaculture, while recognising the interest of the fisheries sector in its long term development and its economic and social conditions and the interest of consumers, taking into account the biological constraints with due respect to the marine eco-system.

Measures under FIFG must have a lasting effect, be implemented according to the requirements of the Implementing Regulation 2792/99 and :

- contribute to achieving a sustainable balance between fishery resources and their exploitation;
- strengthen the competitiveness of structures and the development of economically viable enterprise in the sector;
- improve market supply and the value added to fishery and aquaculture products;
- contribute to revitalising areas dependent on fishing and aquaculture.

The Welsh Fisheries programme

The strategic aims of the programme will be to retain and create employment opportunities within the Welsh fishing industry by maximising existing potential and by seeking new opportunities. Key areas of the framework will be to :

- assist the rationalisation and restructuring of the fishing industry in Wales
- assist the Welsh fishing industry to diversify its activities
- promote investment in aquaculture, particularly for projects concerned with the farming of sea fish species.
- encourage projects from the fish processing sector which add value to both sea fish and aquaculture species.
- promote investment to improve port facilities
- encourage appropriate vocational training leading to recognised qualifications
- support for feasibility studies into new markets and product promotion.

These key areas will be expanded upon in the programme complement. Independent research is currently being undertaken to assess the potential for all aspects of fisheries in Wales and the result of that research will help decide on the priorities to be attached to each sector.

4.23 Natura 2000

EC Directive 79/409/EEC on the Conservation of Wild Birds (The Birds Directive) and EC Directive 92/43/EEC on the Conservation of Natural Habitats and Wild Flora and Fauna (The Habitats Directive) together establish a legislative framework for protecting and conserving Europe's wildlife and habitats. The Directives implement in Community law requirements arising from the Bonn Convention on the Conservation of Migratory Species and the Bern Convention on the Conservation of European of European Wildlife and Natural Habitats. The Conservation (Natural Habitats &c.) Regulations 1994 SI 1994/2716 (*the Habitats Regulations*) transposed the requirements of these Directives into national law in Great Britain.

At the centre of the policy is the creation of a coherent ecological network of protected areas across the EU - known as **NATURA 2000** - for habitats and species considered to be of outstanding international significance and therefore of importance to the maintenance of biodiversity in the European Union. Its purpose is to maintain or restore the habitats and species at a favourable conservation status in their natural range. The network will comprise:

Special Protection Areas (SPAs) for rare and migratory bird species; and

Special Areas of Conservation (SACs) for the rare habitats and animal and plant species listed under the Habitats Directive.

Proposed SACs and SPAs are recommended to Government by the Joint Nature Conservation Committee via the country nature conservation agencies. In Wales this is the Countryside Council for Wales. Both internal governmental and full public consultations are held before sites are submitted to the European Commission.

SPAs are classified by the UK Government and lists forwarded to the Commission. Thirteen SPAs have already been classified in Wales. The nature conservation agencies are providing scientific advice on what further sites are needed in the UK. It is intended that the UK's list of SPAs will be substantially complete by the end of 2000.

The UK Government is responsible for proposing candidate SACs to the Commission. There are currently 44 candidate SACs in Wales. The Commission decides in consultation with Member States which SPAs and candidate SACs should be regarded as Sites of Community Importance (SCIs). Following the first round of moderation meetings for the Atlantic Biogeographical Region, the UK has been advised that its site list is insufficient for a number of species and habitats. The nature conservation agencies are currently preparing scientific advice on further amendments and additions to the UK's list. A revised list will be submitted by 23 July 2000 for consideration at the next Atlantic biogeographical region moderation meeting.

Once candidate sites have been notified to the Commission, they are treated as fully protected sites.

4.24 Biodiversity

A great deal of work is undertaken to protect and enhance important or threatened species and habitats through domestic legislation such as the Wildlife and Countryside Act 1981 (see **Conservation**). Protection is afforded to internationally important species and habitats through the Government's international commitments under the Wild Birds and Habitats Directives (see **Natura 2000**). In addition, the UK is taking forward a substantial programme of work on biodiversity in respect of its obligations under the Convention on Biological Diversity signed at Rio de Janeiro in 1992.

The overall policy goal is to conserve and enhance biological diversity within the UK and to contribute to the conservation of global biodiversity through appropriate mechanisms. Under Article 6 of the 1992 Convention, the UK is required to develop national strategies for the conservation and sustainable use of biodiversity. In response to this requirement, the UK Government has published *The UK Biodiversity Action Plan*, which contains a programme of action for government and its partners to conserve and enhance wild species and wildlife habitats.

A key element of this programme is the development of over 400 costed Action Plans for rare, threatened or internationally or nationally important terrestrial, freshwater and marine habitats and species, of which 222 Plans are relevant to Wales. Many different bodies contribute to the implementation of these Plans, including the statutory nature conservation and environment agencies, local authorities, business, agriculture and the voluntary sector. The actions and targets at the national level contained in these Plans is being linked to the local level by Local Biodiversity Action Plans, which are currently being prepared by the unitary and National Park authorities in Wales.

4.25 Conservation

The UK's objectives for nature conservation are to ensure that its policies contribute to the conservation of the abundance and diversity of British wildlife and its habitats, or minimise the adverse effects where conflict of interest is unavoidable, and to meet its international responsibilities and obligations for nature conservation. The National Assembly works in partnership with local authorities, conservation bodies, and the private and voluntary sectors to achieve these objectives, employing a combination of protected sites specially designated for their landscape or nature conservation interest and policies operating throughout the wider countryside.

<u>Designated areas</u>

The three <u>National Parks</u> in Wales – Brecon Beacons, Pembrokeshire Coast and Snowdonia – cover about 20 per cent of the land area of Wales. Selected for the beauty, wilderness and recreational opportunities of their landscapes, National Parks exist to conserve and enhance the natural beauty, wildlife and cultural heritage of those areas and to promote opportunities for their understanding and enjoyment by the public. The National Park Authorities are the local planning authorities within their areas.

<u>Areas of Outstanding Natural Beauty</u> are also designated for the outstanding quality of their landscapes. There are five such Areas in Wales. These Areas and National Parks enjoy special protection under planning policy against major development.

<u>Sites of Special Scientific Interest</u> (SSSIs) are designated because of their plant or animal communities or their geological or land form interest. There are some 970 SSSIs in Wales covering over 10 per cent of the land area of Wales. Planning authorities must consult the National Assembly's statutory adviser on nature conservation and countryside, the Countryside Council for Wales (CCW), before granting permission for developments on or likely to affect land in an SSSI. Owners and occupiers must notify the CCW before undertaking operations that might damage the site, to enable CCW to consider the impacts of the proposal and discuss modifications to avoid potential damage.

Chapter 5 SWOT
SWOT Analysis: Summary Table

STRENGTHS

- high quality natural environment, particularly landscape
- good accessibility and linkages to parts of the area
- record of high productivity in manufacturing
- good labour relations
- English language attractive for business
- distinctive culture
- in West Wales, relatively high levels of social capital
- presence of academic institutions
- high participation levels in education for 16-19 year olds (but this may reflect employment situation)

WEAKNESSES

- high levels of inactivity have led to de-skilling and discouragement
- inactivity have also contributed to a destructive cycle of low expectations, disaffection and social problems
- locally concentrated areas of deprivation
- overall, low levels of output per job and income due to adverse industry- and job-mix
- in the Valleys,low levels of basic skills, and low levels of qualifications attainment both pre- and post- 16.
- skills gaps affecting one fifth of employers

- in rural areas, growth of jobs in services has offset long-run decline in agriculture

- limited tradition of entrepreneurship, reflected in low business density, business start-ups, and self-employment
- poor record on innovation
- deficiency in managerial skills
- segmentation of labour market with barriers to women in high skills and high pay jobs
- peripherality of parts of the region
- incomplete transport links
- lack of suitable sites both for major employment projects and to meet SME demands in parts of the region
- relatively high energy costs
- current difficulties in agriculture
- environmental problems in both rural and urban areas

OPPORTUNITIES

- develop ICT to combat peripherality
- use ICT to assist in skills acquisition in more remote areas
- increase innovation by building better links between academic institutions and business
- improve transport linkages to spread prosperity
- use "joined-up" policies to tackle social exclusion and disadvantage
- exploit "Welshness" as a marketing tool
- use inward investors to achieve skills transfer, development of local supply chains and identification of export opportunities
- enhance environmental quality to strengthen the appeal of the region
- build on growth in service sector jobs in more rural areas
- exploit the growth of social economy to re-build community confidence

THREATS

- pressures towards agglomeration further undermines more peripheral areas
- inactivity, low expectations and low skills become the norm
- growing disaffection amongst young people and older people becoming further detached from the labour market
- certain areas become stigmatised
- increasing skills bottlenecks impacting on business growth/survival
- the sectors within which the region specialises subject to relative decline
- increasing competition from other countries erodes the attractions of a low cost base
- continued decline of agriculture has wider and longer-term effects on rural economy
- loss of services makes more remote areas less attractive
- environmental degradation associated with development

SWOT ANALYSIS

Key points are summarised in the table, and discussed more fully below.

Strengths

Overall, the <u>natural environment</u> of the area is of very high quality and exhibits great variety, reflecting both the underlying geology and the stewardship of land users. Within west Wales, there is much landscape of outstanding beauty - both in the coastal areas and inland. Despite scars remaining from the industrial legacy and the urbanisation of the Valley floors, Tthe natural landscape of the Valleys area is also fundamentally attractive. , and although the effects of urbanisation are obvious, the impact is in fact quite narrowly confined to the valley floors. In addition, the

Valleys adjoin areas of very high landscape quality, of which the Brecon Beacons national park, which borders the northen edge of the Valleys area, is perhaps the prime example. The perceived quality and beauty of the natural environment is a significant contributor to quality of life, and vital to attracting visitors, and encouraging businesses to locate in the region.

Parts of the area have good accessibility. The north-south orientation of the valleys facilitates access to the more prosperous coastal areas of south Wales, including Cardiff, the capital. Transport links, and particularly road links, into the southern-most parts of the Vvalleys are good, and many residents of the Vvalleys are able to commute to work outside the valleys area. Similarly, there is scope for those living in areas along the North Wales coast to commute to employment locations in the north-eastern parts of Wales. There are also good links from the TENS road network into the northern and southern fringes of the west Wales area.

The small international airport at Cardiff is accessible to the Valleys area, and the eastern parts of the region have good links to the major international airports at Heathrow and Manchester. Surface transport links to Ireland from Wwest Wales are also good.

The workforce is generally adaptable and flexible (although concerns about skill levels are noted in the weaknesses section). Workers have adjusted to a rapid change in industrial structure, and have shown that they are prepared to meet the demands of new industries and new ways of working. There is widespread experience of re-training and redeployment. Labour relations are good, as exemplified by the low numbers of days lost through industrial action (see Table XY Chapter 2).. The workforce in the valleys area has welcomed the opportunities for employment offered by inward investors and has demonstrated its ability to cooperate productively with managers from a variety of cultural traditions.

Manufacturing remainsis a major employer in the valleys area, and Wales has a record of success in the sector, as exemplified by the relatively high labour productivity in manufacturing, described in chapter 2. Within manufacturing, the inward investors, in particular, have a record of relatively high job security and good pay.

The English language remains an advantage as a result , particularly in view of globalisation and the introduction of new technology such as internet-based software. As in Ireland, the use of English is a factor in attracting inward investors who require a European base. (It is noted under "Threats", however, that increasing facility in use of English in lower cost economies may be eroding this advantage.)

Welsh culture, and particularly the Welsh language, contributes to the distinctiveness of the region, and this is particularly true of west Wales, where there are generally relatively high levels of social capital. In this area (but not in the Valleys), pupils achieve qualifications which are above the average for Wales and the UK as a whole, life expectancy is also above the average for these comparator areas, and levels of recorded crime are relatively low.

Devolved government permits policy to be tailored to local needs.

There are a range of well-established academic and educational institutions providing high quality educational opportunities, particularly in the fields of further and higher education, which contribute both economically and culturally to their localities. (There is no conflict here with the weaknesses noted in *basic* skills in parts of the area.).

In-migration to west Wales has increased demand for certain local services, and offset some of the negative effects of out-migration.

Levels of participation in full-time education amongst 16-19 year-olds are higher in the Objective 1 area than in Wales and GB (but this is not unambiguously a strength as it may reflect limited employment opportunities)

The long-run decline in employment in agriculture in west Wales, described in Chapter 2, has been more than offset by growth in other sectors, particularly private sector services. Growth has taken place particularly in hotels and catering, but there is also increasing evidence of growth in banking, and financial and other business services.

Main points:

- very high quality of underlying natural environment;
- good communications in parts of the area;
- linkages with more prosperous localities;
- flexible and adaptable workforce;
- presence of internationally mobile, blue-chip, inward investors;
- English language
- distinctive culture;
- well-regarded educational institutions.

Weaknesses

High levels of inactivity, particularly amongst the middle-aged (and especially middle-aged men) in the Valleys, is in part a reflection of withdrawal from the labour market. Prolonged withdrawal is associated with de-skilling and discouragement, making a reduction of inactivity amongst these groups very difficult.

Unemployment is high, and activity levels are low, compared both with Wales as a whole and with the UK (in comparison with which the disparity is greater). These factors, and particularly excess inactivity, are a major proximate cause of low GDP per head and low incomes. Inactivity is concentrated amongst the middle aged - particularly men - in the Valleys area, where it often takes the form of long-term illness. It also contributes to a destructive cycle, by reinforcing low expectations amongst the young and contributing to disaffection and the associated social problems. Inactivity is therefore a major contributory factor to social exclusion in the region.

Inactivity and low incomes have combined to contribute to locally concentrated problems of social exclusion and deprivation. Whilst such problems are most obvious in the Valleys area, the higher average levels of income in west Wales mask pockets of poverty and exclusion.

Low overall levels of output per head productivity for those in work (the performance in manufacturing notwithstanding) are reflected in levels of wages and income which are also low relative to Wales as a whole and to the UK.

These lLow levels of output per worker productivity (and of wages) reflect in turn both industry-mix and job-mix, and in particular the under-representation within the region of high value-added service industries and professional and managerial posts (and the associated career structures). (It is these factors of industry-mix and job-mix, rather than differences in output per person in identical jobs, which are believed to explain the bulk of the disparity in measured productivity.)

The problems of industry-mix and job-mix reflect deeper underlying weaknesses. The labour market assessment has shown that basic skill levels, particularly in the Valleys area, are generally low compared with levels in the UK as a whole. Pupil achievement at school is also relatively poor. These factors are reflected in low qualifications attainment levels both pre- and post-16.

One fifth of employers in the region are reporting that there is a significant gap between the skills that their employees have and those they require to meet business objectives.

There is a only a limited tradition of entrepreneurship in the region (outside the traditional farming sector). Business start-up rates and business density are both relatively low. In the Valleys, self-employment rates are low relative to the figures both for Wales and GB.

The record on innovation, in so far as this can be measured in terms of expenditure on research and development, is also poor.

Managerial skills are deficient, particularly amongst owners/proprietors of very small businesses .

Inward investment, in particular, has tended to take the form of the creation of "branch plants", with few local decision-makers.Inactivity and low incomes have combined to contribute to locally concentrated problems of social exclusion and deprivation. Whilst such problems are most obvious in the Valleys area, the higher average levels of income in west Wales mask pockets of poverty and exclusion.

Low labour mobility may inhibit job search.

There is an over-reliance on public sector services, which may be vulnerable to pressures for increasing efficiency within the public sector.

In turn, these problems of industry-mix and job-mix reflect deeper underlying weaknesses. Skill levels in the Valleys area are generally low compared with levels both in Wales as a whole and in the UK. Pupil achievement at school is also relatively poor.

There is a only a limited tradition of entrepreneurship in the region. Business start-up rates and business density are both relatively low. The record on innovation, in so far as this can be measured in terms of expenditure on research and development, is also poor.

Inward investment has tended to take the form of the creation of "branch plants", with few local decision-makers.

The Labour Market Assessment has provided evidence of segmentation of the labour market, with barriers to the participation of women in high skill and high pay jobs. The lack of affordable childcare is a major barrier facing women returning to the labour market.

Transport links are incomplete, with particularly poor road and rail access to the central parts of west Wales, both from the rest of Wales and from England. The scope for commuting from the Valleys areas into Cardiff and other southern coastal areas is limited by inadequate public transport provision.

The remoteness of certain areas from major markets increases transport costs and may create other obstacles to development, for instance by limiting the opportunities for gaining information through networking. Inward investment, for example has been concentrated along the M4 corridor and the Valleys, with limited penetration into the more remote parts of west Wales.

In parts of the region the lack of suitable sites is a constraint on development. Even where the underlying geology and geography is suitable, reclamation and remediation requirements can create substantial ‘abnormal’ additional costs.

Surface links to Ireland from north Wales are reaching full capacity.

There is evidence that energy costs are higher than in the UK as whole, placing energy-using businesses at a disadvantage.

In Wwest Wales, the effects of the long-run decline in agricultural employment have been exacerbated by the recent crisis, and the consequent sharp declines in income. Farmers in Wales have tended to concentrate on low-value products, and marketing and branding has been poorly developed. There is only limited local food processing capacity.

Both west Wales and the Valleys areas suffer from some <u>loss of population</u> in the younger age groups, and this effect is believed to be particularly pronounced amongst the relatively better educated.

<u>Inward investment</u> has been concentrated along the M4 corridor and the Valleys, with limited penetration into west Wales.

High stocking densities and other effects of intensive agricultural practices have resulted in environmental dis-benefits in rural areas.

Economic activity has imposed costs in the form of pollution and other negative environmental effects.

The fundamentally attractive natural environment is marred in places by the consequences of past industrialisation. Despite the big improvements made n recent decades, this remains a particular problem in parts of the Valleys.

Adverse aspects of the climate, particularly rainfall, limit the scope for exploiting the economic potential of the natural environment. In this context, the tourist industry has suffered from the trend for UK residents to take their main annual holidays abroad. This has particularly affected the coastal resorts.

<u>Main points</u>:

- inactivity and low average productivity combine to result in low incomes and social exclusion;
- adverse industry-mix and job-mix reflect relatively low skills, the lack of a tradition of entrepreneurship and low levels of innovation;
- the benefits of inward investment have not been spread sufficiently widely;
- incomplete transport links inhibit development;
- an attractive natural environment is despoilt in some places by the legacy of industrialisation.

Opportunities

The fact that the problem of excess inactivity is concentrated amongst the middle-aged, and particularly men, in the Valleys provides an opportunity to take action <u>to prevent the succeeding cohort dropping out of the labour market</u>.

The <u>quality of the natural landscape</u> offers potential in terms of improving the perception of Wales as a place to live and work. It also has obvious tourist potential, although developments here need to take account of the changing nature of the tourist market. . The improvement of blighted land could build further on this strength.

<u>Developments in ICT</u> offer potential for combating peripherality, and in particular, may allow higher skilled jobs to be located in more peripheral areas (although skills will need to be improved to fully exploit this opportunity). Developments in ICT could also facilitate new methods of skill acquisition which are well-suited to more sparsely populated regions. ICT could in addition be used to improve the range of services available in more remote areas.

Measures proposed under Priorities 1, 2 and 4y 2 will seek to improve access to ICT.

An opportunity exists to build better links between educational institutions and local businesses, thereby promoting innovation and enhancing local skills acquisition. For example, micro businesses could be encouraged to cluster around research establishments. The Regional Technology Plan forms a basis for further developments in this area, under Priorities 1 and 2.

The trend growth in jobs in services in rural towns within west Wales, and in the large urban areas adjacent to the Valleys, provides scope for improving linkages. In particular, relatively small-scale improvements to transport networks could improve links between places of residence and employment opportunities. Measures are proposed under Priority 6 to achieve this.

The quality of the natural landscape offers potential in terms of improving the perception of Wales as a place to live and work and hence more likely to retain (and attract) those with high levels of human capital. It also has obvious tourist potential, although developments here need to take account of the changing nature of the tourist market. Measures under Priorities 5 and 6 will seek to repair the effects of past industrialisation and protect the rural environment.

The problems of low skills, lack of entrepreneurship and low levels of innovation are generally recognised, and need for concerted action accepted.

Devolved government facilitates both the development of policies tailored to the specific needs of the Welsh economy and the coordination of action. The problems of low skills, high inactivity, lack of entrepreneurship and low levels of innovation are complex and inter-connected and require such an integrated response.

Relatively small-scale improvements to transport networks could improve links between places of residence and employment opportunities. Scope exists to improve linkages between the Valleys and the more coastal areas of south Wales, and, in west Wales, between rural areas and the smaller towns within which new jobs in manufacturing and services are primarily located.

Developments in information technology offer potential for combating peripherality, and in particular, may allow higher skilled jobs to be located in more peripheral areas.

The relatively low cost base offers opportunities for new businesses and inward investors - but this is clearly in part a sign of weakness rather than of strength.

The Welsh language, environment, culture and devolved government provides an opportunity to emphasise the distinctiveness of Wales, and to develop awareness of "Welshness" as marketing tool in certain product areas. Key opportunities exist in the areas of "green products", agri-food and the output of the cultural industries. to increase the self-confidence of the population. And the presence of devolved government gives scope for the development of policies tailored to address the obstacles to improvement in the key areas.

Measures proposed under Priority 5 to improve the marketing of agri-foods, and measures proposed under Priority 1 to develop the SME base will take account of the opportunities offered by Welsh cultural distinctiveness.

The flexible and adaptable workforce is well placed to complement a strategy that seeks to develop skills, entrepreneurship, and innovation.

In the rural areas, there are opportunities for business associated with the growth in "green" tourism, particularly cycling, walking and other kinds of active recreation.. There are also opportunities for small-scale community business linked to countryside management (such as stone wall building, gate and style making). Measures are proposed under Priority 5 to promote such activities.

The presence of iThe presence of internationally mobile, blue chip, inward investors may act could be used as a beacon for other companies.

Such companiesThe presence of successful inward investors also offers a learning opportunity for indigenous entrepreneurs and potential entrepreneurs. It should be possible to devise policies to encourage through the transfer of skills related to enterprise and innovation. Measures to promote adaptability and entrepreneurship under Priorities 1 and 2y 1 will be developed with regard to this possibility.

TThe existence of major inward investors also also offers scope for further development of local supply chains. In addition, Llinks with inward investors may provide export opportunities. Again, measures under Priority 1 will be designed to facilitate such developments.

In west Wales it may be possible to utilise the skills and capital of in-migrants.

In-migration to west Wales has increased demand for certain local services, and offset some of the negative effects of out-migration. The in-migrants are believed to include a cohort of affluent and highly-skilled individuals. Although such people will often be retired, this offers potential to gain from skill transfers and to develop higher value-added, year-round, services.

It may be possible to promote innovation by developing links between the successful and well-established educational institutions and the business sector.ies 1 and 2y 4

Increases in congestion and land prices in successful regions may in turn increase the scope for the redistribution of economic activity towards west Wales and the Valleys.

There is an opportunity to build upon the strengths of the social economy in parts of region, and in particular to foster community confidence and self-help. Measures under Priority 3 are planned to address these issues.

It may be possible to build on recent experience with "pathfinder" private finance initiative projects. These projects will result in long-term private sector commitments, and improve the sector’s understanding of the local economy. It may be possible to develop innovative public-private partnerships for the joint delivery of public sector and private sector services.

Improvements to transport links may make it possible to reduce journey times from major international airports, thus increasing the attractiveness of the more western areas to inward investors.

It may be possible to capitalise on the increased demand for transport to and from Ireland.

Main points:

- breaking the cycle: opportunity to act on those currently in work to prevent them becoming inactive;
- Wales could be presented as an increasingly attractive place to live and work, and hence more likely to retain (and attract) those with high levels of human capital;
- relatively low cost base;
- widespread appreciation of need for concerted effort on skills, entrepreneurship and innovation;
- scope for small scale improvements to transport networks to improve linkages and reduce disparities;
- distinctive culture, and associated cultural industries;
- increasing self-confidence associated with devolution;
- flexible workforce able to meet needs of entrepreneurs;
- scope for learning from successful inward investors;
- opportunities for improving links between education and business.;

Threats

Improving skills, and encouraging innovation and enterprise is difficult. Evidence on effectiveness is patchy, and the transferability of policies is questionable. We may get the policies wrong, or fail to adapt them quickly enough.

Other regions may benefit at the expense of West Wales and the Valleys. Growth may occur most naturally in currently successful areas, for instance the south Wales coastal areas and north east Wales. Infrastructure improvements and information technology may increase such a tendency to agglomeration by allowing the centralisation of some service-providing organisations. Improvements to linkages under Priorities 5 and 6 will help to spread prosperity. However, the only long-term way to address this threat is through the improvements to the fundamental determinants of economic performance under all of the Priorities set out in the SPD.

Inactivity and deprivation may lead to a self-reinforcing inter-generational spiral of decline. Certain areas may become stigmatised. Measures proposed under Priority 3 address this problem.

Low skills make it difficult to create, attract and retain good quality jobs. New technology may make such jobs much less location dependent. This could lock the region into a low-wage/low skills equilibrium. In addition skills bottlenecks could impact on business growth/ survival. Measures to promote skills acquisition and life-long learning under Priorities 1 and y 4 are intended to meet this threat.

UK mMonetary policy may impact disproportionately on manufacturing industry and areas with spare capacity.

The reliance on manufacturing industry may represent a commitment to a sector which is in relative decline in developed economies. Latest data suggests that Wales' traditionally good performance in terms of productivity within manufacturing industry may be eroding.

Increasing competition from other countries, and, in particular, eastern European states may erode the advantages arising from a relatively low cost base, and make it harder to attract inward investors. . Partly in recognition of this, the strategy places particular emphasis under Priority 1 on developing SMEs.

Within the Objective 1 region there is an over-reliance on public sector services, which may be vulnerable to pressures for increasing efficiency within the public sector.

In-migration in west Wales may worsen conditions for the indigenous population as prices are driven up, particularly for housing. (Of course, this may also have beneficial effects for labour mobility as it increases the value of property belonging to the indigenous population and thereby increases their opportunity to move.)

A continued decline of agriculture may start to have wider effects on incomes and employment in rural areas. Measures under Priority 5 are aimed at helping farmers to adapt and promoting rural development more widely.

The loss of rural services could make rural areas less attractive places to live and work. However, developments in ICT could assist in the delivery of certain services to rural locations, and measures under Priority 2 are intended to promote the uptake of ICT in more remote areas.

New development could bring with it environmental disbenefits, including the loss of landscape quality.

An emphasis on the distinctiveness of Welsh culture might be perceived as evidence of insularity and could discourage inward investors and lead to reduced opportunities for innovation.

There is increasing competition for inward investors, which may limit the scope for creating jobs from this source in the future.

- Main points:
- absence of an evidence-base for policy development may lead to ineffective policy;
- growth may naturally be concentrated on already successful areas;
- danger of a self-reinforcing downward spiral in deprived areas;
- high interest rates may choke off growth;
- risk of insularity;

6.0 - STRATEGY

6.1 Summary of key problems

West Wales and the Valleys has suffered from 20 years of fundamental economic decline which has seen the disappearance of much traditional industry and the long term decline of agriculture exacerbated by the severe recent crisis. The economy of the region is now characterised by a high dependency on manufacturing industries which have replaced traditional industries such as mining and steel as core employers. There is however a low incidence of innovation and of new high growth sectors such as financial services. Business start up rates are among the lowest in the UK and among the workforce there are absences of a range of key higher level and basic skills.

The pace of rapid economic change has led to severe social problems . There are pockets of severe long term unemployment and a more widespread problem of economic inactivity and long term ill health, particularly afflicting the middle aged, especially men, in former industrial areas.

6.2 Headline Objective

The headline objective of the programme is to complement the National Economic Development Strategy (NEDS) and thereby raise prosperity for all 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 momentum created from the programme must therefore create the basis for a balanced rise in GDP and quality of life over a longer period. This objective gives rise to three principle targets;

- **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 NEDS target for West Wales and the Valleys is to reach 78% of the UK average by the programme's end in 2006 and to sustain this growth beyond the current timeframe. We anticipate that the Objective 1 programme will contribute about two-thirds of this increase.
- **Employment Growth;** We are setting challenging targets for employment growth for the region. Structural Funds interventions will all contribute directly or indirectly towards achieving these targets. These additional jobs must be spread as evenly as possible across the region, with an emphasis on job creation in the areas of greatest need. The NEDS target is to create x 000 additional new jobs by 2010 from a current baseline of ...... create 72,000 extra jobs by 2006; of which we anticipate that the Objective 1 programme will contribute around 45,000 jobs.
- **Increased Economic activity;** One of the key pathways highlighted to improve the economy of West Wales and the Valleys is the reduction in the numbers classed as "economically inactive", which is the most obvious problem distinguishing the region from other Objective 1 regions. We aim to reduce the total of those of working age classed as economically inactive across the region. Promoting employability will be a particular priority both among young people and the economically inactive aged over 35. Both preventative and curative measures will be needed to try to break the cycles of inactivity prevalent in many communities, especially in the south Wales valleys. The NEDS target is to reduce the numbers of economically inactive in the region by x 000 from a current baseline of y 000 53,000 by 2006; the Objective 1 programme will contribute about two-thirds of this reduction.

6.3 Understanding the Strategy

The strategy to be supported by this programme is fundamentally an economic development strategy. The programme's aims of increasing GDP and reducing unemployment and inactivity will be achieved in the main by economic growth led by the business sector in all its forms, indigenous and inward investor, mainstream private sector and social enterprise. This growth needs to be underpinned by the completion of the development of the core conditions for economic success. In a region whose more westerly areas face significant problems of peripherality this will require targeted investments in infrastructure for transport, ICT and energy. Given the low value of the region's output it will be important to support renewed investments into developing research and development capacity both within firms and the regions' higher and further education establishments. In some of the areas which have suffered industrial spoilement, investments in environmental improvement remain necessary to promote investor confidence and release sufficient land for development. More fundamentally to prevent the repetition of such problems or the development of new ones associated with modern productive techniques the programme's interventions will need to be consistent with the requirements of sustainable development in the context of the high quality but fragile environment of the region.

One of the most important elements of the strategy are the proposals to develop the SME base in the region. The base needs to be expanded, especially in the more densely populated parts of the region, and upskilled. Firms will need support to increase productivity, utilise new technologies, upskill staff and increase their export activity beyond the region. Support will need to be focused on those elements of businesses best placed to exploit the region's opportunities such as, for example, tourism in the western and more rural parts of the region. These investments will seek to maximise advantages from sustainable use of the region's natural environment and the development and exploitation of environmental technologies. These developments must link with the strengths of the existing educational and, to a lesser extent, cultural industries base.

In a similar vein, specialist support will be available to farmers through the eligible parts of the Rural Development Plan, (funded in this region through Objective 1) to assist in diversification and modernisation of their produce to secure a more sustainable future for the industry across the region. In order to promote an effective rural policy, it is vital that rural policy is integrated with a clear relationship between the Common Agricultural Policy payments, expanded agri-environmental schemes and the structural funds covering rural areas. There will also need to be a recognition that programmes will have to address equally environmental, economic and social problems. It will also need to be innovative, providing the right sort of framework and financial support for the development and sharing of new ideas between different sectors and communities.

Sustained economic growth will require the development of a wider range of adaptable and specific skills across the region. This applies to people in work and about to enter the labour market. In wWwest Wales and the Valleys this approach also needs to help those who are classified as "economically inactive" to get back into work. Inactivity, especially among the middle aged and men, remains a major brake on economic growth, especially in the Valleys, and helping people into work is a prime objective for the programme.

The strategy will provide specific support for areas which have faced severe economic and social problems. Community regeneration initiatives will aim to develop areas that mainstream economic development approaches fail to benefit. Such areas often need targeted support that addresses problems of physical environment, human resources and localised business development, often involving social enterprises. This element of the strategy will aim to support areas that mainstream programmes miss and to equip those areas to subsequently reap the benefits of such programmes. The strategy will also recognise that different communities exist within rural areas, in geographic terms as well as in terms of communities of interest; requiring different treatments, not only from more urbanised communities, but also at times from each other.

From this strategy, and contributing to the headline objective are the following intermediary objectives;

- Develop a strong indigenous SME sector based around high value adding sectors. The programme will encourage both new and existing businesses to exploit opportunities in higher value adding and other likely growth sectors (such as tourism and the cultural industries) and develop the human and technological skills necessary to do so. The programme will seek to increase the level of business start ups in the region, building on the framework set by the emerging Entrepreneurship Action Plan, and to help those in sectors which can exploit the region's potential competitive advantages. If such opportunities are to be maximised the programme must tap into and support the entrepreneurial potential of those in the region who have often been excluded from business support programmes including women and disabled people. It must also seek to maximise the potential to develop supply chains from "Blue Chip" inward investors who remain among the most productive in the region and maximise spin-offs from the development of strategic sites which can help encourage major new investments. This element of the strategy clearly has potential both to create new jobs and raise GDP levels.
- Raise levels of innovation, research and development and use of new technologies in the economy. It is essential that firms within the region move to develop new higher value products and innovative ways of

working to maximise productivity and the value of output. This can be developed through links with higher and further education bodies and with other businesses. The development of links with those larger companies with a good track record in innovation will help smaller firms develop the skills required for continued innovation. Without such a shift GDP in the region is likely to remain relatively low and it will be seen as increasingly remote from centres of business decision making. Early priority will be given to supporting the development of emerging clusters and of the higher level skills required for innovation. Policies to raise levels of innovation will utilise the potential of the cultural industries, not only as wealth creators in their own right, but for their potential to assist in using new methods of production and branding in wider fields.

- Enhance existing environmental quality and tackle areas which need improvement; the region's environmental status is central to its appeal as a location for specific economic activities and potential marketing focus. Both human and physical environments must be protected and sustained if they are to provide a sustainable venue for economic activity, especially away from the economically core areas hugging the main TENs routes, both in the upper Valleys and in rural areas. The need to protect the region's environment also provides a stimulus to the development of new environmentally friendly technologies and a need to develop better methods for dealing with treatment of waste. Both offer significant economic opportunities which will have positive environmental spin offs.
- Tackle youth unemployment amongst young people and older people and increase levels of economic activity, particularly amongst women and men aged over 50 .- young people, those aged 50 and over and women. , and Iinactivity among older people; Ttargeted support needs to be provided to prevent people slipping into long-term unemployment and to get unemployed and economically inactive people back into workonto the labour market. This support will include training, job subsidies, increasing access to education, and intermediate labour market activities and help in overcoming barriers to employment and training, such as the absence of affordable childcare, lack of basic skills and transport. GDP and wealth levels cannot be raised while so many people remain dependent on benefits. The programme will help the inactive to develop the skills and confidence to re-enter the labour market. This will require targeted support for the most excluded, including womenpeople with disabilities and, health problems; and ethnic minorities; and disaffected young people. In more peripheral areas this needs to be linked with the development of local employment activities or increased access to more thriving areas. It will also be vital to break inter-generational cycles of inactivity by helping those currently in work to develop the generic skills to remain employable throughout their working lives. Policies to raise skill levels and to help Wales develop a Lifelong Learning culture are at the heart of this programme initiative. In view of the diversification away from traditional industries it will be important to develop those skills which have been estimated as being the most in demand in Wales - I.T, 'soft skills' and business focused skills. Activity will also need to focus on breaking down the personal barriers to training opportunities such as family and childcare, commitments, lack of time, and in rural areas distance and transport.
- Support communities and ensure access to a decent home, good public transport and local facilities, and freedom from crime. Many communities and groups with common cause in the region have become cut off from mainstream economic life due to poverty, low levels of social capital or physical isolation. Support will help to break cycles of disadvantage in such communities. In particular the region suffers from severe health problems associated with poverty and social exclusion. The programme will seek to tackle the causes of these problems and integrate programmes to promote better health into integrated community development measures and initiatives to increase economic activity. Community led programmes which tackle local problems and raise morale will lead these attempts at regeneration. Support for social enterprises which provide services often neglected by mainstream providers will provide a crucial source of employment and facilities and help certain groups take their first steps back into mainstream labour markets.
- Promote sustainable rural development; the programme will seek to ease the problems caused by the adjustments underway in the agricultural sector and support attempts to diversify the rural economy and ease access to facilities through better transport and ICT facilities. Reforms to the Common Agricultural Policy provide a clear framework for agricultural policies in Wales and in spending of EAGGF. The need to develop and modernise the agri-food industry, diversify the rural economy and provide increased emphasis on environmental protection resonate both at European Union level and in the region. A key component within rural areas is the strength of the agricultural economy. Linkages between the farm and the rest of the economy exist in terms of the inputs required and the marketing of food and fibre. It is now recognised that these linkages are also important in terms of the production of environmental goods (and the need for a strong local

countryside management skills base) and also in terms of the relationship with local communities. The ability to achieve a greater proportion of revenue through market returns will be of increasing importance. This in turn implies a need for more locally based sources to process and add value to the food and fibre. There is also a growing need for a wider economic base made up of SMEs who add value to the resources within the countryside and those SMEs who are located in rural areas through choice. Both categories help strengthen the local economic base and so mutually help the direct agricultural economy.

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

- Gross Domestic Product per Head
- Employment Rates
- Unemployment Rates
- Inactivity Rates

(these latter three all additionally by gender)

- Business birth rates/survival rates (stock of VAT registered firms)
- New products in development (including processes and patents)
- college-company linkages
- Gross value added per person employed
- Disposable Household Income per head by NUTS III area
- Amount of energy produced from renewable and non-polluting sources
- Levels of Carbon Dioxide equivalents% of domestic and industrial waste recycled
- Progress against the Wales Education and Training Targets by NUTS III area

NUTS III areas are European Union designated statistical sub regions of the Objective 1 region (itself a NUTS II region, Wales as a country is a NUTS I area). Their inclusion here highlights the importance of sub-regional monitoring of the prorgamme. The Monitoring Committee may of course decide to use different territorial delineation for sub-regional monitoring.

6.4 Spatial Targeting

Given the 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 to assess the impact on internal cohesion. 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 and rural areas suffering from an outward migration of young people and coastal areas typified by high levels of low paid seasonal employment. The balance between development and the environment is particularly sensitive in areas in West Wales designated as National Parks (or with other special environmental status) and the effect of tourism on the retention of isolated or fragile communities - especially Welsh-speaking ones - is an issue of concern.

The broad ranging nature of the programme will require a sophisticated approach to spatial targeting. Different policies will require spatial targeting at different levels and in different contexts. The development of strategic sites for example, including those exploiting research and development outputs or tourism opportunities, will be looked at in terms of the need to balance spreading prosperity to more peripheral areas with maximising the economic opportunities offered in other parts of the region. Employment policies on the other hand will need to be targeted towards areas of greatest client numbers and community economic development will be targeted at the most deprived localities. This all argues against a crude "urban" or "rural" approach to delivering the bulk of the programme. Targeting will also build on links between urban and rural areas to support a sustainable future for rural communities and businesses. Spatial targeting will be developed at both Priority and Measure level and will be an early priority for the Monitoring Committee.

However there are two types of area within the region whose needs require specific targeting at programme level. These are;

Deprived communities in rural, urban and valleys environments who will receive specific targeted support based on need. The types of interventions in these different areas may well be different - and will be locally determined - but the needs in all such communities required carefully directed resources.

Rural Communities who may benefit from most of the general interventions but require specific support to tackle the particular problems of peripherality and to ensure that they are able to access these general programmes. Interventions will tackle the unique problems arising from rurality and help equip rural communities with the tools to access mainstream programmes in a way relevant to their needs.

The objectives lead to seven Priorities;

Developing and expanding the SME Base; will support indigenous SMEs to raise productivity and the value of their output and encourage development of new firms. It will support the objectives of developing a strong SME sector and basing the region's competitiveness strategy on the quality of jobs and developing more added value and sustainable processes.

Developing Innovation and the Knowledge Based Economy; will encourage the development and use of new technologies; support innovation which can lead to diversified economic opportunities and help develop Research and Development Capacity.

Community Economic Regeneration will support efforts to develop the region's poorest communities, promote local economic development initiatives and links to areas of economic growth. The priority supports the objective of supporting communities.

Promoting Employability and the Development of a Learning Society; will support initiatives to promote lifelong learning and help the economically inactive into work or training. The priority will support the objective of tackling youth unemployment and inactivity amongst young people, those over 50 and women young people and support the competitiveness strategy by equipping people with the skills for higher level jobs.

Rural Development and the Sustainable use of Natural Resources; will support the diversification of the rural economy and measures to add value to primary products. The priority will also fund key rural support services. This will help meet the objectives of basing the region's competitiveness strategy on the quality of jobs and developing more added value and sustainable processes and enhancing environmental quality.

Strategic Infrastructure Development will provide investments to unblock limitations in the region's infrastructure which are inhibiting economic development in the more peripheral parts of the region. This will include investment in transport, environmental infrastructure and strategic employment sites which can help provide major investments into the region's economy.

Technical Assistance will provide support for programme management, help with communications and publicity and support research and evaluation projects.

Certain key elements of the programme will need to be reflected across all its constituent parts if it is to be effective in meeting its key objectives.

Equal Opportunities; The region has traditionally been seen as one whose culture valued both social solidarity and securing greater access to learning. But in many parts, especially in the Valleys, this tradition has weakened in recent decades. However, this 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. Gender is still a major cause of inequality of opportunity and evidence suggests that the labour market is characterised by horizontal, vertical and contractual segregation. The programme will promote equal access to education, training and employment for all. Where necessary, specific measures will be taken to tackle barriers to employment - including self-employment - learning or training, based on gender, disability, ethnicity, language or culture. The programme recognises that people have an equal right to be considered as participants in all parts of the West Wales and Valleys economy – as employers and self-employed business operators as well as key elements in the labour market.

Environmental Sustainability The programme's 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 over many decades suffered from severe environmental degradation. This has led to a poor image, and reduced investment. Tackling environmental degradation flows from growing evidence that improving the environment may not simply be desirable in its own right, but can also have significant economic benefits in, for example, attracting newer industries.

Information Society The new Information Age must be embraced wholeheartedly if the West Wales and the Valleys region is to compete in the rapidly changing European economy of the new century. Using information technologies is not just about the growth of new industrial sectors. These technologies are a crucial tool for businesses in all sectors to increase productivity, marketing and sales potential and access to information. Information technology skills will become as fundamental as basic literacy and numeracy in the search for employment. Those with advanced IT skills will be in a strong position to secure well paid employment. IT facilities will also help communities to get access to vital information and to develop partnerships and skills that were previously unavailable.

Social Inclusion. The programme's application must address the need to promote social inclusion in all its major aspects. To promote both employment and wider employability and to ensure widespread benefits from growth in GDP all elements of the programme will be assessed for their impact on social inclusion. While targeted actions to tackle the worst cases of social exclusion will be helpful remedial action is always a second best option and integration of positive inclusion measures into all mainstream activities is a more effective way of promoting social cohesion and maximising economic activity.

Securing Synergies between urban and rural areas; The region is noted for not only its geographical diversity but its complexity. The area contains only one sizeable urban centre and only one county fully defined as "rural". To ensure balanced development between the more densely populated and more peripheral areas all aspects of the programme will be assessed for their impact in these different areas. Transport and wider economic investments will be used to maximise, where possible, the positive links between core economic and more peripheral areas. The emerging economic opportunities relevant to the more peripheral areas will be supported through the spatial targeting policies identified under individual priorities to help ensure balanced development.

Indicators have been identified for each priority, which will allow us to monitor progress. Targets are also set for each priority which are consistent with the headline objectives set out in section 6.2. These targets cover activities, outputs, and impacts. InitialProvisional targets are included in the SPD, but will need to be revised as projects are developed, and in the light of changing circumstances. The overall success of the programme well be determined by whether impact targets have been met. However, in order to determine this, judgements have to be made about what would have happened if the programme had not been undertaken. This is not straightforward, and evidence from post-project evaluations will be vital in determining whether the targets have been met.

Chapter 7 - Priorities

Preface

Priorities are the technical term for the major elements of the programme. They provide the key themes around which it is delivered and are explained in this chapter. Each Priority is sub divided into a number of Measures which are the specific ways in which each themes is delivered and provide the mechanism for projects to draw down money. The

Measures are outlined in Chapter 9.

7.1 PRIORITY 1 EXPANDING AND DEVELOPING THE SME BASE

7.1.1 Rationale

The competitiveness of its SMEs is vital to prosperity and economic growth in west Wales and the Valleys. This is due both to the changing industrial structure of much of the area - with a decline in the importance and number of large private sector employers - and the limited nature of many of the area's markets. SMEs already provide a large proportion of private sector jobs in the region and this may well grow as traditional large scale manufacturing plants adjust to more intense global competition or rationalise their operations as barriers between different elements of the same corporation are reduced. The effective markets for many types of activity - especially in the service sector - are very small in many parts of the region, including parts of the Valleys and much of the more rural areas, making them most likely to be served by locally based SMEs.

It will also be in SMEs that fast growth in new sectors might be expected to occur in this region. Sectors such as the creative industries, environmental goods and services and certain niche tourism activities can prosper even with relatively limited access to capital and within small fragmented markets. SMEs are also likely to add more quickly to their workforce during periods of growth than larger firms. Expansion in small firms also offers a much greater chance of securing employment growth than expansion in larger more heavily capitalised enterprises.

Despite this potential the existing SME base has significant weaknesses that restrict its ability to expand and prosper and which require specific interventions. Within existing SMEs skill levels among managers and employees are often too low, leading to low productivity, a failure to innovate and develop staff or take advantage of new technologies or new market opportunities. Skill levels amongst the workforce currently lag behind competitor countries. The level of attainment of qualifications in West Wales and the Valleys is significantly below that of Great Britain as a whole, with 25% of the working age population possessing no qualifications at all and a significant proportion of the workforce having low levels of basic skills. One fifth of employers have identified a significant gap between the skills their organisations need to meet business objectives and the skills their employees currently have. The employment profile for the region, and Future Skills Wales, also highlight a significant deficit of managerial skills within the region. There is a need to improve access to advice and guidance for employees and to raise skill levels across the board, ranging from basic skills to higher level graduate skills. In parts of the region away from the main TENs routes good quality sites and premises are also scarce, often with poor public transport links so that accessibility to jobs is impeded and the immediate physical environment of many formerly industrial towns is a severe deterrent to investors.

There are large variations in rates of self employment between the southern area of Swansea and the Valleys, and the more rural areas. The former areas have among the lowest rates of self employment of any part of the United Kingdom and, for areas of relatively high population density, very low start up rates. There is, therefore, clear scope for encouraging higher rates of small firms start up in an area which generally has reasonable access to transport facilities. The specific interventions proposed by the Entrepreneurship Action Plan to support new start ups, encourage more young people to see self employment as a career option and promote more enterprising behaviour by existing firms will be vital to realising this possibility.

In rural areas the situation is somewhat different, with far higher rates of self employment. But many of these firms remain limited to local markets and have low rates of growth. The emphasis in the more rural areas should be in supporting higher value sectors or activities in which the region has a specific advantage (such as the cultural industries or tourism) which could help stem the exodus of well qualified young people from the area; activities that are also consistent with sustaining the region's communities and natural and cultural resources. Support for enterprises involved in agriculture or fisheries which are supported through the EAGGF and FIFG respectively is covered within Priority 5.

This priority will focus on tackling some of the key constraints that are hampering the development of the SME base in the ways described above. The first of these is to ensure greater access to a greater range of financial support for new and existing small firms who cannot obtain risk capital from conventional banks because of their location, the nature of their business or the perceived risk of their enterprise. The region does not, in general, have access to well developed venture capital networks, which limits SMEs to mainstream bank finance. More broadly, the programme will address the ability of firms to innovate and develop beyond their existing markets. Promoting a more positive attitude to staff training and skills acquisition will be crucial as will developing the ability to respond to changing customer needs and market opportunities, especially those beyond their normal areas of operation. Encouraging attitudinal changes will not be limited to existing employers but also needs to extend to potential entrepreneurs if the programme is to help raise levels of competitiveness among the region's SMEs in the longer term. Supporting SMEs to take advantage of new opportunities of "green" production techniques will also be important, including support for SMEs to take actions that will result in an accredited Environmental Management System such as EMAS or ISO 14001 or to produce new environmentally friendly goods and services.

7.1.2 Links to Other Priorities

Much of the potential for SME development depends on the wider physical environment within which they operate and the larger economic actors in their sector or area. Development of the physical infrastructure of the area is dealt with within Priority 6 but clearly has an impact on SMEs in terms of access to markets and sites. The provision of new public transport infrastructure under Priority 6 will increase the accessibility of excluded communities to jobs on newly developed or upgraded sites. SMEs' ability to use new technologies will be partly self driven and partly depend on their wider use for business ends in the region, which will be a specific focus of Priority 2. Learning from inward investors and the development of successful supply chains has been a specific feature of this region and some activities to this end will be supported under this priority. Direct support to inward investors will be limited under this programme, but they may well take advantage of the opportunities provided by the highest levels of regional selective assistance also available across the region. There are also links to measures under Priority 4 to improve the employability of the non-employed; to support lifelong learning for individuals and to promote equal opportunities.

7.1.3 Links to the National Action Plan for Employment

8 Links to the NAP (to be provided)

This Priority will support the Employment Guidelines for developing entrepreneurship; encouraging adaptability of businesses and their employees and strengthening equal opportunities policies for women and men (guidelines 10; 11; 12; 13; 16; 18; 19; 20; 21 and 22). It will also take forward action identified in the European Commission 1999 Joint Employment Report, particularly in respect of the modernisation of work organisation and increasing participation of women in the workforce.6; 10; 11; 13; and 16

7.1.4 Aims and Objectives

The overall aim of the priority is

To generate wealth and employment for the region by supporting the growth of the SME sector through the provision of services and facilities which address market failure and barriers to growth and promote efficient resource use and in doing so to address the need to utilise the skills of all in the SME sector.

To achieve this aim the Priority has 4 3 main Objectives.

- To address market failure in financial support mechanisms required to create new SMEs and develop exiting ones
- Improve the competitiveness of business and the creation of new businesses through the provision of co-ordinated and focused business support, advice and training
- To improve the skills base and adaptability of the workforce in SMEs
- To support and accelerate the development of a stronger enterprise culture and facilitate an increase in

indigenous entrepreneurs.

7.1.5 Targets

The targets for the Priority are as follows;

Activity targets;

No of SMEs assisted 25,000

Nos. receiving financial support 6,000

No of SME start up s assisted 6,000

No of employees assisted 30,000

No of managers/proprietors trained trained 10,000

Output Targets

Gross new jobs 36,000

Gross safeguarded jobs 13,000

SME investment £ 90 000 000

% women beneficiaries 33%

beneficiaries gaining a qualification 54%

Impact Targets

Net additional Jobs 18,000

Net additional safeguarded jobs 6,000

Net additional SMEs 6,000

Progress against the National Education and Training Targets

(see table at end of chapter)

(These indicators will be reviewed to ensure consistency with the proposed UK wide framework of common indicators for ESF)

7.1.6 Resources

The resources allocated to this priority are

ERDF 336.9 meuros

ESF 124.5 meuros

7.1.7 Targeting

This priority will be generic and apply across the region.

7.2 PRIORITY 2 - DEVELOPING INNOVATION AND THE KNOWLEDGE BASED ECONOMY

7.2.1 Rationale

Successful regions in the global economy of the twenty first century will be those that adopt a strategic approach to innovation, technology, R & D and Information Society issues. The Wales Regional Technology Plan and Wales Information Society programmes provide such a strategic framework in Wales and their consensus-based approaches inform many aspects of this priority. Development and implementation of such strategies will enable companies to integrate their resources and expertise with those of government agencies, higher and further education, business support organisations and other companies for the effective management of innovation, new technology, research and development, Information and Communication Technologies (ICT) applications, new product, process and service development and workforce and management skills. Increasing innovative and ICT capacity also involves creating an innovation culture, promoting awareness of the importance of innovation, developing human capabilities, companies networking in focused clusters and collaboration between companies and universities and colleges.

Low levels of innovation and Research and Development (R & D) have been identified as one of the region’s key weaknesses. This is perhaps symptomatic of the over-dependence on declining sectors in the region over a very long period of time. The Wales RTP highlighted that investment in innovation and R&D has been shown to be one of the key factors in disparities in the prosperity of the regions of Europe. A strong R&D base is therefore an essential feature in the development of a successful and modern economy which will generate the competitive companies and high value added, internationally tradeable new products, processes, services on which its future wealth depends. It should not be assumed that innovation and R & D are important only to new high value enterprises. It is as important to the development and growth of existing companies, in diversifying the economic base, in the revitalisation of our rural economy and to the meeting targets in dealing with a cross section of environmental issues. This measure therefore has clear links with a large number of other measures in the programme.

In addition, the creative industries in the region can be utilised in very important ways: to stimulate creativity in new and existing industries; to provide models of working methods and practices; to stimulate innovative development of new products; to increase the use of better design and interpretation and to improve marketing (both of products and the region). In addition the increased development of ICT will increase the demand for content providers in a number of delivery platforms, notably digital media. Research and Development and innovation also address many of the key environmental issues for the region, for example as a pre-requisite to innovative ways of establishing the best environmental option for dealing with waste, the creation of new products through recycling, waste to energy processes, reductions in harmful emissions and methods for engaging the business sector in the commercial advantages of adopting effective environmental policies.

Typically, less favoured regions such as Rural West Wales and the Industrial South Wales Valleys have benefited less from the benefits of R&D and Innovation – gains are easier for the most prosperous regions that have the greatest R&D capacity. The challenge faced in this region is to use Objective 1 to increase the region’s innovative capacity and R&D base. The importance of R&D and Innovation is stressed by the fact that competitiveness is heavily influenced by the ability of companies to innovate, to introduce new products and new techniques in the production processes. This, in turn, is affected by the R&D and Innovation capacity of the region. Innovation needs to extend beyond formal Research and Development and extend into broader aspects of business life by encouraging the development and use of new techniques and technologies. The emphasis must be on extending R&D and Innovation into funding mechanisms, human resource training and high tech firms.

The Regional Technology Plan and labour market assessments have identified continued skills shortages in many important science and technology areas. These need to be addressed if Welsh companies are to be able to recruit and retain the skilled labour they will need to compete in world markets. Training providers need to be encouraged to develop vocational training provision that relates directly to employers needs and utilises a range of delivery mechanisms. In addition to assisting indigenous firms, high level training in growth areas attracts inward investors to the region and provides a base of potential entrepreneurs with the scientific, technical, and related skills to establish and develop high-value companies. Management skills are fundamental in the whole process, and these skills are required both by existing firms and by the future workforce, to manage change and innovation.

The ability of firms to introduce an innovative approach to their work practices is dependent on both the skills of the people in the companies; and the skills of those people servicing the companies. It is therefore essential that both groups receive the correct training to enable them to manage innovation and technology. There is a need to anticipate industrial and commercial change and develop adaptable training and management programmes.

New approaches are needed to encourage businesses to adapt to the new challenges provided by the Kyoto agreement to reduce "greenhouse gas" emissions. Greenhouse gas emissions continue to increase in Wales. Emissions of CO2 in Wales increased by 10% from 1990 – 1995. During the same period in England CO2 emissions were reduced by 10%. Particular effort must be focused therefore on minimising future increases in greenhouse gas emissions arising from GDP growth in the Objective 1 area. In this region innovation has particular relevance for the development of environmental technologies to build on the present core of expertise. Many of these actions will directly make a positive contribution to sustainable development and environmental improvement, particularly those which involve environmental technologies, waste management, energy efficiency, renewable energies, cleaner methods of transport and greater use of information and communication technologies.

Information and Communication Technologies (ICTs) are one of the key generic technologies which will enhance the competitiveness of business. They are central to productivity gains in many sectors and their rapid adoption is essential to the region’s competitiveness. The full utilisation of the benefits of the information society is the other crucial aspect of modernising the region’s economy. Information and Communication Technologies (ICTs) are already revolutionising the way a large number of businesses and sectors work. Businesses and sectors which do not use the new technologies will find themselves increasingly vulnerable to better connected rivals who are more technologically literate. Take up of the new technologies remains low within this region and major efforts to stimulate demand are critical to helping SMEs and others compete both beyond and within the region. Sufficiently high demand will also stimulate the expansion of the supply side industries whose presence will make the region’s presence in the forefront of uses of ICTs possible. This requires SME owners and managers becoming fully aware of the potential of ICTs and willing and able to use them.

ICTs have particular importance for rural areas. They have significant potential for breaking down the physical barriers that isolate business, learning institutions and communities from each other and from the rest of the region and beyond. The programme will need to help SMEs based in rural areas exploit the potential of ICT for reaching wider markets. In some cases this will require additional investment in the infrastructure of the region developing work done by the Llwybr project in making investments that would not be taken forward by commercial interests in the foreseeable future.

7.2.2 Links to other Priorities

Some of the work on innovation and research and development will directly benefit learning institutions and specialised companies. Others will have resonance for a wide range of SMEs and steps to develop wider SME competitiveness in Priority 1 such as adaptability and entrepreneurship, developing sites and premises and financial support for SMEs are clearly linked to both general innovation and use of ICTs but also the application of specific pieces of research. Innovation is clearly strongly linked to efforts to diversify the rural economy - highlighted in Priority 5, especially as many of the universities which might serve as hubs for such activities are located within largely rural areas. The development of technology industries also provides a clear avenue for new enterprises started by or employing graduates and could help lift the productivity levels of some new start ups. Activities to promote higher level innovation skills will also complement the life long learning measure in priority 4.

7.2.3 Links with United Kingdom National Action Plan for Employment

This Priority will support Employment Guidelines for exploiting the potential of the information society (guideline 16); encouraging the adaptability of businesses and their employees (guidelines 16 and 18) and strengthening equal opportunities policies for women and men (guidelines 19 – 22).

7.2.4 Aims and Objectives

The aim of this Priority is to improve the competitiveness of the region through the acquisition and use of knowledge and new technologies.

This leads to five broad objectives;

- Create a culture of innovation.
- Diversify the economic base by growing more technology and knowledge driven firms and improving their links to the knowledge base.
- Increase investment in R&D.
- Stimulate increased demand for, and adoption of, ICTs.
- Improve environmental performance through the adoption and use of clean technologies.

7.2.5 Targets

<u>Activity</u>

Nos of employees assisted 15,000

Nos of companies assisted 8,000

Nos of people undergoing higher level skills training 7,000

<u>Output</u>

Nos of patents developed in the region 20

% of beneficiaries gaining a qualification 54%

gross new jobs 22,000

gross new high tech companies 5,000

gross new jobs in high tech sectors 7,000

<u>Impact</u>

Net additional jobs 11,100

Net jobs safeguarded 7,900

Net jobs in high tech sectors 4,000

net additional high tech companies 2,500

R and D expenditure 2% of UK level

Progress against the National Education and Training Targets, see table at end of chapter

7.2.6 Resources

The Priority will be supported by the following resources

ERDF 247.5 meuros

ESF 37.5 meuros

7. **Targeting**

The Priority will not be spatially targeted as a whole. However clear criteria will be set for targeting Measures 1 and 3; funds allocated under Measure 1 must tackle the peripherality problems of the former Rural Wales Objective 5b area and isolated communities at the northern edges of the Valleys. Measure 3 will be targeted at maximising opportunities from developing existing clusters and developing new R and D potential around higher and further education institutions.

7.3 PRIORITY 3 - COMMUNITY ECONOMIC REGENERATION

7.3.1 Rationale

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 and work; where there is access to economic opportunity and reward, a pleasant, healthy and safe environment and active and inclusive community networks and amenities. Community regeneration initiatives should take into account the linguistic make-up of the community in question.

In the last twenty years Wales has faced the wholesale decline of its traditional heavy manufacturing and extractive industries and its replacement by the service sector, light manufacturing, electronics and assembly production. Much of this new activity is concentrated around the M4 corridor in the south and the A55 route in the north, barely reaching into Wales. Elsewhere, inward and indigenous investment strategies have been limited in their impact, with whole communities experiencing high unemployment, poor housing, poor health, low educational achievement and related high levels of crime and disaffection in young people. In tourism areas employment is frequently seasonal, and wages are low.

The low GDP per head of West Wales and the Valleys has, to a large extent, been attributed to low economic activity rates among the working age population - particularly in its poorer communities. In the Valleys, there has been a dramatic decline in male employment in the industrial sectors such as coal and steel. While levels of long-term unemployment have fallen from the highs recorded in the 1980s, there has been a marked upward shift in the numbers of working-age men unavailable for work - largely through sickness or disability. New industries have replaced the old but average wages have fallen relative to other regions and the new opportunities may be relatively inaccessible to people in the towns that grew around the coal mines whose skills were developed to match the now largely disappeared heavy industries.

The region’s areas of economic and social disadvantage are not confined to the Valleys. Declining industries elsewhere, significant public sector closures, over-dependence on industries that pay low wages and/or offer largely seasonal employment - such as tourism and agriculture - or poor access to markets and services have created numerous deprived communities within coastal towns and cities or in the rural heartland of West Wales.

Within such communities in many of the areas in West Wales and the Valleys successive generations may have little experience of regular paid work. This has led to a relatively low skills base in these areas and in some places a culture of low economic expectation. There is a need for increased confidence and desire to engage in more mainstream training and employment. In addition, a major cause of exclusion from mainstream economic and social activity are the very high levels of poor health and sickness, which are prevalent in the more deprived areas and communities.

Some of the region's most deprived communities are located in peripheral areas including some of the smaller settlements on the edges of the south Wales valleys - where the problems identified above are compounded by poor access to services, a narrower range of employment or training opportunities and - in rural areas - the downturn in the agriculture industry. These present further barriers to economic development and a disincentive for younger economically active people to remain. The most appropriate solutions in the region's peripheral areas vary according to the particular circumstances of the locality. The regeneration of these communities suffering from economic and social deprivation is now central to wider economic development.

Community regeneration can help to provide the appropriate stepping stones to further engagement in the mainstream economy, grounded in the local population's own, clear understanding of the needs of their locality and implemented by them. The active involvement of people in these communities brings fundamental benefits, and can effect positive change in very difficult circumstances. For development to be sustainable in the long run it will be important to focus on developments which help contribute to longer term economic prosperity. It is only economic prosperity reaching our most deprived communities which will ultimately arrest cycles of decline and exclusion.

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. The run-down appearance of communities or lack of services community facilities can act as a disincentive to investment. There is often a high fear of crime or direct experience of the adverse impact of criminal activity on businesses.

As well as providing the conditions for the economies of deprived communities to develop, there is also a need for alternative sectors which can provide sustainable employment opportunities and support local economic action - while providing important services to the population - in places that have not proved to be attractive to private investment. Social enterprises also provide something of a buffer between fragile local economies and more competitive mainstream ones. This is particularly true in peripheral communities which are physically isolated with small effective markets. In other areas social enterprises can help socially excluded people make the transition from third sector employment to the mainstream economy. Businesses in the social economy 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 local services. Social economy organisations are key players in marginalised communities, and are small but significant SMEs in their own right.

In West Wales and the Valleys' deprived areas this Priority will address:-

- a low capacity for developing successful community action
- inadequate local partnerships
- poor physical environments
- fear of crime as a disincentive to economic development
- poor health
- access to amenities

- low self-esteem and aspirations
- unequal access to services

All these measures are essential building blocks towards raising economic activity in these communities

In the more peripheral, deprived communities this priority will also address:-

- the need to provide more diverse training and employment opportunities
- improved access to basic services
- The need to enhance the quality of life to retain or attract skilled workers

7.3.2 Implementation of community action

Effective partnerships will be required to develop local action plans if sustainable solutions to these problems are to be developed through community action. The region has proved to be fertile ground for successful community regeneration and there are numerous examples of established community groups in urban and rural areas that have been supported by European and domestic programmes in the past. These include groups supported through Objective 2 and 5b, the URBAN Community Initiative in Townhill, Swansea and the extensive range of rural activity developed by LEADER groups in the region. This experience has also enabled all those involved to develop a greater understanding of the process of community regeneration - in particular the importance of developing the capacity of the local population and support networks to be built up before planning, developing and implementing action to address the needs of their communities.

Rural models will may need to be different from the approaches that work in urban areas. 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. However, a key characteristic of rural areas is the small scale of most local organisations. The ability to draw upon a wide range of skills and substantial number of staff and volunteers is, by and large, absent. Many organisations are run wholly by volunteers or have only one member of staff. Given the sparsity of population and lack of adequate resources, a partnership approach in rural areas, between organisations and between sectors, is especially important in order to deliver services, meet needs and implement projects. The absence of community economic development measures in many rural communities have led to out migration of young skilled people which has continued a worrying cycle of decline, lowering local skills bases and markets for local SMEs and a diminution of cultural identify and self-confidence. The absence of provision of child or elder care has in particular limited the ability of women to engage in wider economic or community activities.

7.3.3 The Aim of the Priority is

To increase the economic prosperity of the Region by targeting local, community-based action on the most deprived communities to combat social exclusion, by targeting local, community-based action on the most deprived communities to increase skills and employability, provide greater access to more diverse opportunities and to improve conditions for businesses.

This leads to four Objectives:

- Combat social exclusion and poor health in deprived and marginalised communities and to promote equal opportunities for all.
- Build the capacity of people of all backgrounds and communities to participate in community activities, bilingually where appropriate, and to contribute to and benefit from economic regeneration.
- Support community led initiatives which contribute to social and economic development and tackle the underlying issueswhich prevent sustainable economic development.
- Enhance opportunities and services in peripheral areas.

7..3.4 Resources

The Priority will be supported by the following resources

ERDF 156 mecu

ESF 22.5 mecu

7.3.5 Targeting

Targeting for community economic development has been a feature of the ISW programme. The National Assembly has commissioned the development of a new index of deprivation which for the first time include clear measures of peripherality and this index will provide the context for the criteria used in targeting those communities supported under this Priority. The improved methodology will provide a fairer reflection overall of deprivation throughout the programme area than existing measures, including in its rural communities, and separate domains will facilitate the identification of different aspects of deprivation such as income, employment and access. The final results, which will be available by June 2000, will identify areas of high deprivation in the Valleys of South Wales, in coastal towns and cities and in rural areas.

Utilising the index of deprivation identified above;

65% of resources will be applied to communities of upto 10,000, locally identified, as facing multiple deprivation. At least two thirds of the population of any identified area will live in wards rated as being among the 40% most deprived in the region.

35% of resources will be applied to groups of communities totalling no more than 5,000 people living in wards identified as being among both the 30% most peripheral (defined by access to services) and the 50% most deprived.

This second criteria will allow resources to be used to tackle specific problems in rural areas.

These population thresholds are maxima and typically we would expect identified communities to be smaller

This approach allows - in both cases - for parts of the targeted communities to live in wards which are not themselves rated as being severely deprived but who are adjacent to wards which are recognised as being deprived and who are locally recognised as being essentially part of that wider community

The overall population coverage supported by this priority will not exceed 33% of the population of the region

7.3.6 Links to other priorities

Measures 1 and 2 will complement the actions envisaged under Measure 2 of Priority 4 by providing the link between that measure and the integrated local area-based action envisaged under this Priority.

Measure 32 will support community-led regeneration in the most deprived rural areas with particular emphasis on encouraging the engagement of excluded individuals within such communities in the economy. This complements the activities under Measure 6 of Priority 5 which promote community-led action to develop and diversify local rural economies throughout the region.

[Also links between Measure 4 provides targeted, enhanced support for social enterprises in areas where mainstream economic activities are much lower than the average. This builds on and supplements the mainstream support available to social enterprises across the whole region in Priority 1.and the Development Bank/other Priority

1 business support?]

7. Links to the United Kingdom National Employment Action Plan

This Priority will complement Priority 4 in supporting the Employment Guidelines for improving employability and strengthening equal opportunities policies for women and men (guidelines 1-9 and 19 -22). It will also help in taking forward action identified in the European Commission 1999 Joint Employment Report, particularly in respect of increasing the participation of women in the labour market. The Priority will also support the Employment Guidelines for entrepreneurship and adaptability in respect of community organisations and social economy businesses (particularly guidelines 11 and 12).

7.3.8 Targets

Activity indicators

no of community groups assisted 2,600

no of community businesses given advice/information 5,700

no of community owned revenue generating assets acquired. 300

Output indicators

no of community businesses started 600

no of gross new jobs for people from areas targeted for community economic development 3,000

no of jobs safeguarded in the social economy 3,000

Impact indicators

net additional new jobs for people from areas targeted for community economic development 2,500

community enterprises surviving 18 months after start up 50% of start ups

community owned facilities in operation 2 years after start up 75% of start ups

7.4 PRIORITY 4 - PROMOTING EMPLOYABILITY, SOCIAL INCLUSION AND THE DEVELOPMENT OF A LEARNING SOCIETY

7.4.1 Rationale

Action is needed to help unemployed people in the West Wales and the Valleys region into sustainable employment and to prevent others from drifting into long-term unemployment. Although unemployment in the region has been falling in line with UK trends, it remains above the Wales and UK levels, with particularly high pockets of unemployment in some areas. Unemployment amongst young people remains higher than the UK rate across most of the region. Long-term unemployment has also declined but the rate of decline has been slower, particularly amongst people aged 50 and over. The proportion of young people and adults drifting into long-term unemployment (16% and 11% respectively) emphasises the need to build upon current policies for the prevention of long-term unemployment, as well as the need for active labour market measures to help the long-term unemployed back into work.

The relative levels of poverty that afflict much of West Wales and the Valleys are mainly due to the decline of traditional industries, including agriculture, which in turn has contributed to high levels of economic inactivity. Economic activity rates, at 72% of the working age population, are significantly below the UK average of 78%. The largest group of economically inactive people are those from manual backgrounds who face "skills redundancy" and become inactive from middle age. The region also has a poor health record, with high numbers of people in receipt of disability benefits. In West Wales and the Valleys tackling economic inactivity will require a greater understanding of the factors behind this poor health record and action to increase the provision of community and workplace services for preventative and recuperative work. A multi-agency approach is needed to promote healthy living, build the confidence of those with long-term health problems and directly link to employment and education initiatives.

Excess levels of economic inactivity are usually the result of a wide range of problems experienced by excluded groups in society. For some, such as the severely disabled, people from ethnic minorities, lone parents and the older unemployed, these periods of exclusion may become permanent without targeted support. For others, exclusion may follow continued low attainment in formal education and a low skills achievement base, which in turn can lead to disaffection and detachment from the labour market. Furthermore many more people (including a disproportionate number of women) are trapped in low paid and low skilled employment which offers no realistic opportunity or prospect for career development.

To improve the rates of participation in the labour market more attention needs to be given to equipping people with the skills needed to lead long, healthy and economically productive lives. It must be clearly recognised that these different groups of people often have particular needs, and provision must be designed to ensure equality of opportunity in accessing guidance, advice and information and employment and training. There is also a need to provide individualised support and access to cultural and voluntary opportunities for people whose circumstances or other problems prevent them from easily accessing mainstream employment and training. The use of the arts as an accessible first step towards formal training for disadvantaged groups should be exploited.

The Objective 1 region is also characterised by the absence of a range of basic, higher level and generic skills among many of the working age population. Attainment rates of qualifications are significantly below GB levels, with 25% of the working age population workforce having no qualifications and a high proportion of the working age population also lacking basic skills. For too many people opportunities for skills development and career advancement stall when they leave full-time education at 16 or later.

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. As stated in *Learning Is For Everyone,* the aim is "*to establish Wales as a learning country, one in which people enjoy high standards of education and training; are committed to self-improvement; have high expectations of what is achievable through learning and are able to learn throughout life*."

This will be achieved through the National Learning Strategy for Wales which proposes better access to information and provision; new measures to increase and widen participation; a single credit based qualifications framework; learning targets; and strengthening co-operation, collaboration and partnership at local, regional and national levels. One of the core aims of the National Learning Strategy for Wales is to promote the development of skills which will raise levels of economic prosperity. These must include higher level generic skills so that individuals are increasingly able to take advantage of opportunities provided by their enhanced skills. The programme will also support actions to develop the skills needed for more flexible working patterns and enable individuals to cope with changes in technology and working practices. This priority will also support activities aimed at preparing young people for work, either as employees or in self-employment. There is a particular need to stem the outward migration of young people from parts of the region by helping them to access learning and employment opportunities, including learning and training opportunities through the medium of the Welsh language.

Provision of clear and appropriate advice is also crucial to support groups who have not traditionally accessed lifelong learning opportunities, including ethnic minorities, women who have been outside the labour market and men from manual working backgrounds. Actions will need to be developed which overcome barriers to training such as distance, lack of affordable childcare and care for dependants and individuals own perceptions about learning.

Within the region it will also be necessary to upgrade and extend the provision of venues and media for training and work related education to raise the productivity of those in work and the development of skills among those seeking work. Widening access 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.

Ensuring equal access to employment and learning for women is fundamental to tackling poverty and inequality in the region. Women 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 and care for dependants. There is a need to encourage employment policies and service provision that enable employees to better balance their work and other responsibilities, for example caring for children or elderly relatives. Single mothers, older women, women with disabilities and from many ethnic minority groups often face particular difficulties.

Opportunities in the labour market in Wales are still shaped by gender. There is evidence that the labour market is characterised by horizontal, vertical and contractual segregation. Attitudinal barriers prevent women from accessing the full range of available job and training opportunities, too often leaving them "ghettoised" in low waged, low skilled part time employment which restricts earnings potential, offers poor job security and limits their ability to fully participate in wider economic life. This priority will help towards actively supporting the increased employment of women and bringing balanced representation of women and men in all sectors and occupations.

Finally, there is a need to develop more sophisticated labour market intelligence systems designed to analyse current skill needs, to forecast emerging shifts in skills requirements, and to develop ways in which the supply and demand for skills is brought into better balance. There is also a need to strengthen the supply of information on equality and social inclusion in the labour market. A Wales Skills Task Force has been established to take forward work arising from *Future Skills Wales* and a Skills Unit will be established in Spring 2000. To begin with, this Unit will be part of the Council of Welsh TECS but eventually it may become part of the National Council for Education and Training in Wales.

7.4.2 Links to other Priorities

This Priority will enhance existing active labour market policies and in particular build upon the UK Government's Welfare to Work and New Deal policies. It will support the National Learning Strategy set out in "*Learning Is For Everyone*" and the proposals contained in the "*Education and Training Action Plan for Wales*".

The Priority will draw mainly on ESF, and will absorb a significant part of the resource available. ERDF resources will underpin ESF activity by facilitating the development of the learning infrastructure.

The chief distinction between ESF funded measures under this Priority and those in other parts of the programme strategy is that they are targeted at individuals rather than being focused on the needs of deprived communities or the competitiveness of business. That said, this Priority has strong links with the Community Capacity Building measures under Priority 3 and will help to increase the supply of skilled people to meet the broader economic development measures under other Priorities. In particular it will complement Priorities 1 and 2 in preparing people for the changes inherent in the transition towards a more knowledge based economy and will complement all other Priorities in tackling occupational stereotyping and strengthening equal opportunities policies.

7.4.3 Links with the UK National Employment Action Plan

This priority will support the Employment Guidelines for improving employability and strengthening equal opportunities policies for women and men (Guidelines 1 to 9 and 19 to 22). It also covers four of the five policy fields set out in the Policy Frame of Reference (the remaining policy field - Adaptability and Entrepreneurship - is addressed under Priority 1). It will help to take forward action identified in the European Commission 1999 Joint Employment Report, particularly in respect of increasing the participation of women in the labour market; improving childcare; addressing the gender pay gap differential; and upgrading statistical monitoring systems.

7.4.4 Aims and Objectives

To help unemployed and economically inactive people into work and to promote equality of opportunity and social inclusion by raising skill levels and by increasing access to and widening participation in education, training and employment.

Objectives

- Reduce long-term unemployment and assist unemployed and economically inactive people into work.
- Prevent long-term unemployment through measures targeted at those recently unemployed or about to become unemployed.
- Reduce the impact of disadvantage faced by excluded groups such as: disabled people; ethnic minorities; disaffected young people and older workers, and support their integration into employment.
- Support the transition of young people from full-time education into employment.
- Widen access to and participation in guidance and lifelong learning so that more people develop the vocational and transferable skills they need to improve their employability; to meet the changing needs of employers (particularly in respect of ICT and basic skills) and to support higher levels of economic performance.
- Extend access to learning, particularly in peripheral areas, by upgrading learning, teaching and learner support facilities and by taking full advantage of ICT developments;
- Reduce the level of disadvantage faced by women in the labour market by improving access to learning and removing barriers to employment.
- Improve the supply of skills information and to develop ways in which the supply and demand for skills can be brought into better balance.

7.4.5 Targets

<u>Activity Indicators</u>

Total number of beneficiaries 127,000

Number of young people receiving help :- 44,450

a. before 6 months unemployment 60%

Number of adults receiving help :- 82,550

a. before 12 months unemployment 50%

Number of women receiving support 57,150

Number of childcare places provided 20,000

Number of labour market studies undertaken 50

<u>Outcome Indicators</u>

Gross new jobs 3,600

Jobs safeguarded 5,000

% of beneficiaries completing courses/provision 75%

% beneficiaries obtaining qualifications 50%

% in employment/self-employment on leaving 40%

% beneficiaries achieving positive outcomes on leaving 81%

% women achieving positive outcomes on leaving 85%

Impact Indicators

Net additional jobs 1,800

Net jobs safeguarded 3,500

% young people unemployed less than 6 months 86%

% adults unemployed less than 12 months 38%

Numbers in work after ESF support 50,000

Numbers in work 6 months after ESF support 44,000

Numbers participating in lifelong learning from ESF support 20,000

Progress against the National Education and Training Targets

(see table at end of chapter)

(These indicators will be reviewed to ensure consistency with the proposed UK wide framework of common indicators for ESF)

7.4.6 Resources

The Priority will be supported by the following resources

ERDF 66 mecu

ESF 402 mecu

7.4.7 Targeting

This will be a horizontal Priority with preventative actions concentrated on young people and others at risk of moving into long-term unemployment or inactivity. Curative actions will target those who are long-term unemployed or inactive. There will be some spatial targeting of areas of particularly high levels of unemployment through the provision of individualised support in designated *Employment Zones.* Activities aimed at enhancing employability will focus on those facing most disadvantage in the labour market. Skills development actions will have a particular focus on basic, generic and ICT skills. Equal opportunities actions will help to increase access to guidance, learning and employment for women and other targeted groups.

7.5 PRIORITY 5 : RURAL DEVELOPMENT AND THE SUSTAINABLE USE OF NATURAL RESOURCES

7.5.1 Rationale

The issues facing rural communities are many and varied. In general, the rural area has a weak and exposed social and economic structure, with a commonality of problems that have increasingly disadvantaged the area. Traditionally the prosperity of rural areas has depended to a great degree on the multiplier effects from agriculture and other primary industries and the decline of the agricultural sector has had a wide impact on suppliers and other rural businesses dependent on demand from the farming sector. The long term economic viability of industries, communities and environments which utilise natural resources is based on that use becoming economically and ecologically sustainable. The more isolated rural areas have also been constrained by the presence of very small rural markets whose lack of demand has restricted potential profitability and thus investment from both local firms and from providers of basic infrastructure in transport, telecommunications and energy.

Agriculture in the Objective 1 area is under intense pressure economically, with farmers facing declining markets in some key sectors, and a declining workforce. Nevertheless it retains a central role in conserving the environment and bio-diversity. It is extremely important to maintaining the social fabric, culture and character of communities in the rural parts of the area. The forestry industry in the Objective 1 area faces similar economic problems while remaining a major land user. The key to the successful regeneration of these industries will be to help both agriculture and forestry adapt both by specialisation in niche areas of their core businesses and by diversifying into new sectors. This will involves involve the adoption of new business techniques and methods to ensure enhanced levels of competitiveness by improving business efficiency, enabling new markets to be penetrated.

Sustainability is the central policy concept for the future of Welsh agriculture and forestry in the Objective 1 area. There is a need to develop added-value processing of primary produce in the Objective 1 area, through grant support for investment and marketing, focused business advisory services, and expert support for product development and innovation. Support is also required for the development of collaborative initiatives among those involved in the food chain to include producers, suppliers or processors to improve efficiency, market their produce, and invest in processing or collaboration between processors. Diversification can only occur effectively if there is research into the opportunities associated with sectors with the potential to broaden the economic base of household income. In Forestry this will involve developing and expanding the hardwood and softwood sectors, meeting demand for certified timber and timber products and engendering a culture of wood use in society.

The rural areas of West Wales and the Valleys are also characterised by a high quality environment, an attractive natural landscape and a unique cultural and linguistic identity. The Objective 1 area has many protected designated areas and sites reflecting the wealth of attractive landscapes and wildlife habitats as well as ancient monuments, buildings etc. But many wildlife habitats and species are in decline, reflecting pressures of agricultural production, development and pollution. The area has a great wealth of natural resource and there is considerable potential to promote sustainable use of renewable natural resources to create job opportunities and improve the socio-economic conditions for the inhabitants of the area. This potential includes most obviously the extension of sustainable tourism, but also the provision of renewable energy supplies for local use, the development and extension of goods adding value to locally sourced primary produce. More widely the attractive environment is a locational attraction for businesses in its own right where the disincentives of peripherality can be countered. The bilingual nature of the region is not merely an interesting characteristic it also provides a dimension of cultural resource on which economic benefit can be built. Welsh language culture (in the broad sense) directly affects the nature of people's economic activity, leading for example, to lower activity rates in some sectors but higher rate in others and lower rate of business start -ups. The strength of generic Welsh language and bilingual cultural activities provides a clear basis for developing new high value enterprising activities.

Existing environmental pressures, if unmodified, will act as an impediment to the long term sustainable growth for the rural economy. Opportunities for quality branding of Welsh food and fibre may be undermined, there may be a reduction in visitors to Wales most of whom are attracted primarily by the quality of the natural environment, and the ability of inland fisheries to expand sustainably will be undermined. These pressures require a strategic approach to the environmental management of the Welsh countryside and coast that complements other initiatives funded both under the Rural Development Plan, and under other measures in the Objective 1 SPD (for instance, the regeneration of rural communities). The actions required to manage the pressures are themselves economic opportunities - all the evidence of past interventions demonstrates that rural environmental management is a source of direct employment for farmers and their families, and for small -scale rural contractors who specialist for instance in hedgerow laying or stone wall building. Similarly, the sustainable management of uplands enhances wildlife habitats and creates opportunities associated with grouse shooting, and initiatives that reduce farm pollution reduce farm production costs and help sustain inland fisheries downstream. Reducing marine pollution creates cleaner beaches and cleaner seas, to benefit wildlife and to act as a strong ‘green’ marketing edge to attract visitors to the Welsh coast. Riverine habitat restoration is a proven approach of investing in inland fisheries that creates jobs, improve skills, and secures rural business, as well as enhancing wildlife habitats.

Numbers employed in the resource based industries are very unlikely to increase and the towns and villages that have traditionally depended, directly or indirectly on agricultural, forestry or fishing for employment will need to find other sources of employment as individuals and as communities. There is a need to complement support being given to on farm diversification to help the economic base of rural communities to broaden and become more secure against external shocks. As agriculture itself becomes less important within many rural economies so the importance of rural towns, often previously notable as market towns, will grow as likely centres for new job creation. The development of indigenous SMEs in a region with little track record of attracting inward investment will be critical. The report of the rural Wales labour market and skills assessment suggested that in rural West Wales these might be particularly located within the food sector, tourism, arts, telematics and environmental services sectors. The potential for economic diversification consistent with the requirements of sustainability but going beyond use of natural resources must be explored. The growing possibilities from information and communication technologies (ICT) and the presence, perhaps uniquely for a region of this size, of four university colleges (in Bangor, Aberystwyth, Lampeter and Carmarthen) whose deeper integration into their local economies can play a vital role in developing local clusters of businesses in high value added sectors. This can also include helping to make better links between producers of primary products and potential refiners and processors. Such steps can help integrate agricultural producers into the wider rural economy including sectors who are not facing the same levels of decline. The extension of the economic base of rural areas is likely to be increasingly centred around its small towns which have the potential to become mini growth poles across the more isolated parts of the region. Many of these towns are historic settlements with significant tourist attractions with potential for development and enhancement. Incoming visitors to more remote areas also provide opportunities to raise the profile of other local products such as foods and products of cultural industries.

The strategic objectives set out for the Objective 1 area require that effective development should be integrated, encompassing economic, social and environmental issues to promote development which is sustainable and brings long term and lasting benefit to rural areas. Environmental assets in rural Wales are also economic assets and must be managed carefully to ensure that they are available to secure the livelihoods of future generations. Equally important is the need to sustain the local population, to retain young, skilled people who can contribute to future prosperity and the cultural vitality of the area. Such development will need to encourage community involvement and to empower local people to secure their own futures in rural areas. Innovation, entrepreneurship and the sharing of new ideas between different sectors and communities should be promoted. As well as steps to retain young skilled people these efforts can also try to integrate older in-migrants into community and local economic activities for mutual benefit

Achieving sustainable development in rural areas will mean:-

- Increases in GDP, incomes and employment opportunities - including for women in non-traditional jobs - related to resource based industries.
- Improved resource efficiency and energy use within local communities including support for small scale

community renewable energy schemes, energy conservation, energy crops (including use of forestry wastes).
- Higher quality farmland, forestry and freshwater habitats, supporting and enhancing the associated bio-diversity, including recreational fishing.
- Enhanced opportunities for people to gain access to and understand the countryside as a living environment.
- A diversified economy whose resource requirements are consistent with the need to sustain the environment and the communities of the area.
- An increase in women participating in decision making processes at all levels.

This Priority will be implemented in tandem with 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) together with the LEADER Plus initiative.

7.5.2 Aims and Objectives

7.5.2.1 The aim of the Priority is to combine a healthy well-managed environment with economic productivity and viability.

Objectives

7.5.2.2 The overall objectives associated with this priority are:

- To achieve an increase in the total value of production from sustainable resource-based industries
- To achieve an increase in value of produce from rural businesses
- To protect and enhance the environmental assets of the region;

7.5.3 Targets

<u>Activity Targets</u>

Nos of SMEs assisted 15,000

Nos of Environmental schemes supported derived from programme

Nos of start up SMEs assisted 4,000

<u>Output Targets</u>

Gross new jobs 9,900

Gross new jobs in food processing 1,500

Gross new firms located in rural areas 3,500

<u>Impact Targets</u>

Net additional jobs 4,900

Net additional firms located in the rural areas 2,000

Net new jobs in food processing 1,000

Farm income derived from non-farming sources rise average pa by £ 2,500/Euros 3750

7.5.4 Rural Development Regulation

7.5.4.1 The Rural Development Regulation (Council Regulation 1257/1999) is composed of a number of accompanying measures, which (if selected for implementation by the Member State) have to be implemented on an all-Wales basis as set out in the Rural Development Plan for Wales 2000-2006, and non-accompanying measures which link directly to the measures proposed. These non-accompanying measures complement the actions proposed for east Wales in the Rural Development Plan.

Accompanying Measures

7.5.4.2 Complementary action to the activities under the Themes will be supported under three of the accompanying Measures to the Rural Development Regulation. These Measures will be implemented on an all-Wales basis and will be funded solely from Rural Development Regulation resources. These measures are set out in detail in the Rural Development Plan for Wales but briefly consist of:

7.5.4.3 Support for Less Favoured Areas and areas with Environmental Restrictions – over 77% of the agricultural land in Wales is designated as Less Favoured Area (LFA) i.e. suffering from significant disadvantage because of prevailing natural conditions. Farming in the LFA has higher costs of production associated with altitude, shorter growing seasons and longer winters accompanied by higher feed and waste management costs, topographical difficulties and remoteness from markets. The terrain, soil and climate also means that farmers in the LFA also have very little choice as to which production system to follow. Additionally outward migration from rural areas is of growing concern and the farming community has a key role in sustaining the rural population and contributing to the linguistic and cultural heritage of Wales. The Hill Livestock Compensatory Allowances Scheme has provided the mechanism by which Wales has channelled specific support to livestock farmers within these areas. The Rural Development Plan for Wales sets out proposals for a reformed system of LFA compensatory allowances.

7.5.4.4 Agri-Environment – this measure promotes ways of using agricultural land which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity. In rural Wales the key delivery mechanisms for this will be Tir Gofal, the all-Wales agri-environment scheme, and the Organic Farming Scheme. Tir Gofal aims to encourage agricultural practices that will help to protect and enhance aesthetic and cultural landscapes together with their associated wildlife by improving wildlife habitats on agricultural land; protecting characteristic rural landscapes; protecting the historic environment; and providing for public access to the countryside. The Organic Farming Scheme offers payments to farmers in Wales to aid them in converting to organic farming and in addition to manage their land in environmentally beneficial ways.

7.5.4.5 Afforestation of agricultural land – for forestry purposes, all land in Wales is defined as having been previously in agricultural use unless it is a former industrial site; sand dunes; a quarry; a spoil heap or a coal tip; an existing golf course or sports field; a paddock for grazing animals used other than for agricultural purposes; or derelict land that has clearly fallen out of agriculture. The overall aims of this measure are to encourage the sustainable management and planting of forests and woodlands; to provide jobs and improve the economy of rural areas and other areas with few sources of economic activity; to encourage the creation of new woodlands and forests; and to provide an alternative use for land instead of agriculture. In Wales, this is delivered by the Woodland Grant Scheme which supports and encourages multiple objectives for afforestation and encourages the multi purpose management of existing woodlands and the creation of new woodlands to achieve a wide range of management objectives. Those additional forestry activities which can be funded within Objective 1 areas are identified in Measure 4 of this Priority.

7.5.4.6 Non-accompanying Measures

7.5.4.7 Activities under the non-accompanying measures, which are also set out in the Rural Development Plan in respect of east Wales, link directly to Themes 1 and 2 and complement Themes 3 and 4. The key aim for all these measures is to ensure coherent delivery of schemes across the whole of Wales where this is appropriate to achieve their objectives. The measures are:

7.5.4.8 Processing and marketing of agricultural products – support for investment to facilitate the improvement and rationalisation of processing and marketing of agricultural products, thereby contributing to increasing competitiveness and added value of such products. In Wales, this measure will be used to take forward the All-Wales Agri-Food Strategy, develop alternative sectors and improve the marketing and promotion of Welsh food.

7.5.4.9 Training: sServices to help farming adapt and diversify – vocational training to contribute to the improvement of occupational skills and competence of farmers and other persons involved in agricultural and forestry activities, and to assist in diversification. Activities are designed to prepare farmers for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of the skills needed to enable them to manage an economically viable farm. In forestry, it will prepare forestry holders and other persons involved in forestry activities for the application of forest management practices to improve the economic, ecological and social functions of forests.

7.5.4.10 Investment in agricultural holdings – support for investment in agricultural holdings to contribute to the improvement of agricultural incomes and of living, working and production conditions. The investment will be directed at promoting the diversification of farm activities.

7.5.4.11 Forestry and woodland management – support for forestry which will contribute to the maintenance and development of the economic, ecological and social functions of forests in rural areas. Support will promote sustainable forest management and development of forestry; maintenance and improvement of forest resources; and extension of woodland areas on non-agricultural land.

7.5.4.12 Adaptation and development of rural areas - A wide range of activities is proposed under this measure all with the key objectives of raising the GDP and quality of life in rural areas of Wales by providing a broader range of well-paid employment opportunities; helping to raise economic activity rates; enhancing or providing additional mainstream services for the rural economy; providing openings for future economic development, including tourism and craft activities; encouraging diversification of farm activities; improving the physical environment of villages and conserving the rural cultural and linguistic heritage; addressing social exclusion.

7.5.4.13 In addition, and subject to the outcome of a feasibility study, there is scope for support to be given to young entrants to the agriculture sector which reflects concern over the age structure of farmers in Wales, and the perceived barriers for new entrants. The Assembly has commissioned research into the practicalities of providing support and it is envisaged that, should the research indicate that a scheme is feasible and offers value for money, an additional Measure would be introduced into this Priority by way of modification to the SPD.

7.5.6 Links to other priorities

The success of this priority depends on strong links being made to all the other priorities when delivering support. This priority focuses on addressing those issues unique to rural areas which are not dealt with elsewhere. It does not however seek to deliver all policies for rural areas. Mainstream business support and training initiatives will need to be delivered in ways which are sensitive to the needs of rural areas and to the "rural premium" additional cost of delivering services in sparsely populated areas. Measures to support community economic development in rural areas will be developed in a common framework but the delivery mechanisms and often the actions will be quite different. Community regeneration of the more deprived rural areas through Community Action will also draw on support from priority 3. Equally rural areas have a significant opportunity to benefit from investments in infrastructure and new technologies but will need specific support to be able fully to utilise these opportunities. Important elements of the specific support delivered under this priority will allow those living in rural areas to secure access to more generic programmes and integrate them in an appropriate way. The cross-cutting issue of equal opportunities will inform all activities, aiming to enhance the role of women in rural development and increase the participation of people with disabilities and those from ethnic minorities where they are members of rural communities

7.5.7 Links to National Action Plan

This priority will support the Employment Guidelines for developing entrepreneurship; encouraging the adaptability of businesses and their employees and strengthening equal opportunities policies for women and men (guidelines 10, 11, 12, 13, 16, 18, 19, 20, 21 and 22). It will also take forward action in the European Commission 1999 Joint Employment Report, particularly in respect of the modernisation of work organisation and increasing the participation of women in the workforce.

7.5.8 Financial Allocations

This priority will be supported by 3 funds;

EAGGF 130.5 mecu

ERDF 67.3 mecu

FIFG 15.2 mecu

7.5.9 Targeting. This priority will be horizontal across the parts of the region which are rural in nature.

7.6 PRIORITY 6 - STRATEGIC INFRASTRUCTURE DEVELOPMENT

7.6.1 Rationale

The region is peripheral in both European and UK terms. It has only one major city, Swansea, and no other urban centres with populations greater than 50,000. This lack of critical mass has reduced incentives for investment in some areas of infrastructure and limited growth potential both away from the M4 and A55 corridors and towards the western ends of these corridors. While some eastern areas of Wales have succeeded in attracting substantial inward investment over the last 15 years to help replace jobs lost in traditional heavy industries, these investments have rarely penetrated into more western rural areas except when exploiting particular natural resources (such as the harbour facilities at Milford Haven). This is partly due to distance from core markets but also partly due to the state of infrastructure in more western areas. This state of affairs also inhibits the development of some existing sites as well as making the development of local SMEs much more difficult.

The purpose of this priority is to remove some of the key constraints to growth and help develop potential for economic development in the more westerly (and other peripheral) areas of the region. This will be vital to reducing the East/ West divide in economic performance in Wales and in helping rural areas adapt and diversify successfully.

Transport infrastructure remains incomplete in the most westerly areas. This inhibits full realisation of trade opportunities with the Republic of Ireland and the adaptation of the economies of Pembrokeshire and Anglesey in particular which have suffered severe recent increases in unemployment. Poor transport infrastructure also exacerbates problems of seasonality in the tourism industry. Core route ends, connecting with sea and air ports, also need development, with rail interchange facilities to improve the development of brownfield sites and enhance transport links to Ireland, opportunities have been identified particularly in Port Talbot, Swansea, Milford Haven and Holyhead. In all locations rail loading gauge is a current constraint. There is evidence in the Bridgend area and to the west that if gauge enhancements to take 9’6" standard box containers were made then existing business could operate more profitably and could expand. It is estimated that this investment could bring a 20 - 33% growth in rail freight traffic. If no gauge enhancements are made some business are considering re-locating further east

The development of transport links to strategic sites, often for inward investors, has been an important element in the economic growth that some more easterly parts of Wales have seen over the last decade and more. While land availability is an inhibiting factor, market returns for site developments in the western areas of the region and parts of the Valleys have not encouraged investment. Investment in strategic sites in will be vital for any attempts to encourage economic growth in the western parts of the area. Major employment sites are an essential means of encouraging regional economic cohesion and creating the necessary links between urban and rural economic areas in both north west and south west Wales. Investment in strategic sites and projects will be vital to any attempts to encourage economic growth in the western parts of the area; without this critical mass of activity brought about by strategic sites, markets for SMEs will remain small and opportunities for job creation will remain limited. It will be important to consider what infrastructure improvements need to be made to support the development of the strategic sites. This will particular apply to the road and telecommunications networks, especially in the more westerly and rural parts of the region.

In the south, improvements in the A 40 and A 477 have the potential to secure further investments in areas such as Cleddau Bridge. Further east insufficient transport links from the M4 are inhibiting the expansion of a major industrial site around Port Talbot, a location which has the deepest berthing facilities on the Severn Estuary and considerable potential to expand alongside the proposed Energy Park at Baglan Bay. In north Wales the A 55 is largely complete but links to it from the more rural areas are poor, reducing both opportunities for economic renewal in the former slate valleys and links to the growing site at St Asaphs. Extending and improving links to core routes in both north and south is important for programmes supporting the diversification of rural economies: for example, initiatives to increase the amount of food processed locally are dependent on the provision of good transport links to wider markets. Improved public transport access can also help extend effective travel to work areas providing bigger labour markets for rural employers who are often short of skilled labour. Investment in infrastructure such as cycle routes and footpaths will also help extend tourism opportunities across the region. Existing road networks are not suitable for use by walkers and cyclists and the development of networks which extend existing routes such as *Lon Las Cymru* will encourage "green" tourism with users spending more locally than car borne users.

The patterns of industrial change in South Wales have seen a major increase towards people living in the formerly industrial valleys commuting to work in the towns and cities on the coast both within the region and to Cardiff and Newport. Further developments of these routes is essential to ensuring that employment opportunities remain open to those in the most deprived communities in the region and for promoting sustainable development. Investments in public transport systems will be critical to reducing demand for car use in the more urban areas of the region.

The Objective 1 area lags behind the rest of Europe in the way it manages its solid waste. Too much reliance is placed on landfill which if improperly managed can cause environmental and health effects. EU and UK waste policies require the more sustainable management of waste with re-use, recovery and recycling preferred to landfill. While clean technologies will eventually help reduce the levels of waste produced, their benefits will take some time to realise and will not provide the complete solution. The new EC Landfill Directive will require a major change in the way municipal waste is managed in the Objective 1 area. Alternative ways of dealing with the majority of organic material in municipal waste will have to be found. this will require major investment in large scale composting and energy from waste facilities. The costs are likely to be several hundreds of millions of points in the Objective 1 area alone. Outlets need to be found for the compost and there are opportunities for the agricultural sector. There are also opportunities to recycle more of the non-organic fraction of both municipal and industrial wastes. This will require investment in segregation and sorting facilities and in reprocessing plants to turn the recyclate into new products. All of these facilities can create jobs and wealth in the objective 1 area.

In the more densely populated areas of the region electricity provision is adequate for businesses. However the more westerly regions lack secure networks which are limiting the potential for major investment. Electricity trunk networks are poor in the west and local gas networks are weak throughout the whole of the Welsh Objective 1 area. There is a shortage of new supply at competitive prices in many locations as well as a lack of flexibility in the distribution network to accommodate new generation. Many regions are disadvantaged because gas supply is limited, especially non-interrupted gas supplies, for either existing industries or new investment. Rural or remote areas have no gas supplies.

The increased provision of electricity is essential to any employment-generating opportunities if West Wales and the Valleys are to attract investment. The inability of electricity distributors to finance investment in advance is recognised as an issue which requires public sector support throughout the UK. 24 projects in West Wales and the Valleys have been identified which require advance investment in electricity infrastructure to attract new business. The key sites include Aberdare, Pen-y-Waun (500 - 1,000 jobs), Swansea, Felindra (around 500 jobs), Swansea Vale (over 500 jobs), the Old ICI site, Llantrisant (major job creation) Bridgend, Llanilid (a key industrial development) and Baglan Energy Park (over 500 jobs). The development of problem brownfield sites in the Valleys and "below threshold" sites in rural Wales will not happen without additional financial support. The Objective 1 Programme provides the best opportunity for turning derelict sites into job creating industrial developments.

Transco's baseline forecast in the Transportation Ten Year Statement 1999 is that annual demand for gas will grow by 27% over the next five years and by nearly 37% over the next 10 years. Gas's share of primary energy consumption is forecast to grow from 38% to 45% between 1998/99 and 2009/10. Though Transco feel they can supply most of urban and industrial North Wales, supplies in rural areas are limited. Most of mid Wales does not have access to pipeline gas. Despite Transco's upgrade of its compressor facilities at Peterstow in 1998, almost all of these increases have taken up by new demand and there was little increase in gas supply in the south-west region. Any further demand for gas in the south and West will therefore require substantial infrastructure upgrading. For many years there has been insufficient gas in south-west Wales to provide commercially viable quantities to industrial customers.

For major projects currently in development, Transco estimates an infrastructure cost of £114 million. Though Transco has indicated that it will pay for most, if not all, of the connection costs/general upgrades, this depends on an "economic test" which not all the proposed projects will meet. This figure does not include the cost of extending the gas trunk main from Swansea to Pembroke Dock. Such a link is vital for the long term future of industry in the far west of Wales and for the three major oil refineries at Milford Haven, which are among the region's leading major quality employers.

Often connecting wind or biomass developments requires an upgrade from 33 KiloVolts (KV) to 123KV. This might cost in the region of £3 million, payable by the first such developer to enter the network. This effectively makes the first step economically non-viable. Public subsidy is necessary in order to overcome this first hurdle and encourage other developers of renewable energy. It is estimated that there are potentially three to five network upgrades for wind projects and the same number for biomass projects. Without infrastructure support increasing the supply of clean energy in the region will not be achieved.

7.6.2 Aims and Objectives

The Aim of the Priority is to secure additional investment and employment for the less developed parts of the region by promoting area based business investment, supported by key infrastructure improvements.

This aim is underpinned by three objectives;

- To develop a limited number of strategic projects and sites to provide suitable locations for major investment and employment
- to remove infrastructure constraints which act as a barrier to economic growth
- To provide an environment for sustainable economic growth in peripheral rural areas.

7.6.3 Targets

Activity targets

new sites supported 8

nos intemodal facilities provided/improved 5

no of public transport links provided/improved 4

Output targets

Gross jobs created 14,100

Nos of jobs safeguarded 10,000

Impact targets

net additional jobs 700

Net jobs safeguarded 5,000

7.6.4 Links to other Priorities

Activity under this priority will in most cases need to be co-ordinated with each other and with activities in other priorities. Investment in transport links will need to be tied to investment in strategic sites or to opening access for established or growing clusters of technology firms. Investments in non renewable energy will need to be linked in to existing or new sites in peripheral areas. Those applying for support will need to clearly show the links on a project basis between these investments. Small scale infrastructure developments in energy or transport could also be used to supplement urban or rural regeneration initiatives. Support for SMEs - including, for this purpose, agricultural businesses - in less well connected areas, could be enhanced by improvements to transport (and ICT infrastructure) which make moving goods and people easier and quicker. Improvements to public transport also increase access to training and employment for excluded groups (Priority 4) and help reduce the exclusion of whole communities from services and job opportunities.

7.6.5 Resources. This priority is supported by 228 meuros of ERDF.

7.6.6 Targeting. The activities in this priority will be spatially targeted though the criteria for each measure will be slightly different. Investments will focus particularly strongly on helping open up economic opportunities in more peripheral areas though some investments will be to complete transport links to the valleys from the south coast and to complete environmental remediation work. Measure level criteria will be developed in the Programming Complement.

7.7 Priority 7 Use of Technical Assistance

7.7.1 Rationale

Technical Assistance (TA) is an essential resource for effective delivery of the programme. Delivery of a large and complex programme such as this one inevitably requires sophisticated and robust administration systems. These will go beyond those utilised for present economic development and regeneration programmes funded either by domestic or European Union resources. These arrangements will include not only the establishment of a new executive agency - the Welsh European Funding Office (WEFPO) - to support the Programme Monitoring Committee (PMC) and take over the responsibilities currently shared by the Welsh European Programmes Executive and the National Assembly. but new They are also likely in some areas to feature arrangements for delegated delivery of certain aspects of the programme; through "Action Plans" which these will require adequate administration and support. In addition full information and guidance about the programme will be required to allow a wide range of potential project sponsors to come forward with proposals. There is also need for research money to be available to ensure proper evaluation of the programme and of particular aspects of it. The specific need for research into the equal opportunities data required for the programme has been raised earlier in this chapter. Research and scoping studies for other activities will also be important.

7.7.2 Core Activity

There are three principalle activities which are proposed as part of a core TA programme. These are:

- Programme Support and Development
- Publicity and Communication
- Research

7.7.2.1 Programme Support and Development

One of the drawbacks identified by partners in current delivery mechanisms is the lack of a strategic approach. It is envisaged that this will be tackled in the new programme by utilisation of "themed packages" covering the entire region and by local action plansArrangements need to be put in place which ensure a more coherent approach to local economic development utilising Structural Funds. Programme development and support of these activities will be resourced by both Technical Assistance and partnership resources to support this role in addition to those provided by WEFO whose role it would be to service the PMC.

Facilitators have not been widely used on Welsh programmes before (except Interreg) to help deliver Structural Funds programmes. However the requirements of the new programme will require a considerable facilitation role to be developed., particularly by partnerships running packages at local and programme wide levels in order to ensure that the maximum number of projects come forward to package managers (Accountable Bodies). The main role of facilitators will be to assist potential project applicants to , develop ideas and empower local communities to take forward their proposals. This is particularly important to provide support for sectors which have been traditionally under-represented in the Programme such as voluntary groups and the private sector. These bodies will also require tailored support from WEFO when it comes to submitting direct applications to the Monitoring Committee. In the context of action plans, fFacilitators will also need to support those partnerships running delegated appraisal processes which will ensure that all projects submitted are subject to a level of rigorous appraisal which meets the minimum requirements of the regulations and utilise the full range of available partnership expertise.

7.7.2.2 Publicity and Communication

The Task Force process and the ensuing public consultation has already generated substantial interest in the Programme amongst the wider population. In order to ensure that as many people as possible are aware of the Programme there is a need for WEFO to promote it to new organisations and also to make the wider public aware of the benefits of the Programme. This activity will be in addition to the publicity carried out by individual project sponsors as part of their contractual obligation as grant recipients.

Workshops and seminars will also play an important role in publicising the programme and enchancing understanding of the new mechanisms for implementation. These events will satisfy a number of objectives:

- Increasing expertise for organisations new to the Programme, and new members of staff in organisations with previous funding experience
- Providing guidance and support on aspects of the funding process such as selection criteria, and eligibility;
- Promote the aims and achievements of the Programme to a wide audience.

The Welsh European Programmes Executive produced a range of guidance material to assist applicants in the

Objective 2 and 5b Programmes. A range of partner organisations have recommended the production of additional guidance materials, especially given consideration of the use of packages of projects to ensure strategic delivery of the programme. With the wider scope of the Objective 1 Programme, it will be important to make extensive guidance available to potential applicants, particularly the private and voluntary sectors.

This will involve both further research and the production of high quality support materials. This will include written guidance on all aspects of the programme, including the application and claims processes, as well as technical guidance on issues such as estimating economic effects of projects. Specialist guidance on issues such as eligibility will also be made available.

7.7.2.3 Research

Previous experience of Structural Fund programmes has shown that additional, bespoke research can often be of significant benefit in operationalising elements of the strategy such as business support or training. Bespoke strategies will incorporate a detailed review of existing conditions, highlight priorities for intervention and encompass methods for ranking of project applications.

Evaluation also plays a crucial role in improving the effectiveness and efficiency of the Programme. Provision has been made for an interim evaluation at the end of the third year of the Programme, and a final evaluation following the end of 2006. Recommendations from the interim evaluation, where appropriate, will be used to improve the operation of the second half of the Programme.

The choice of studies to be funded would be determined by the Monitoring Committee, following consideration of detailed Terms of Reference. It is expected that the Monitoring Committee would establish a Steering Group to oversee any studies.

Aims and Objectives

The aim of the Priority is to ensure efficient, transparent management of the programme

This leads to three main objectives

- Widen access to the use of Structural Funds to the maximum range of eligible partners.
- Support strategically driven, well informed management of the funds.
- Support the development of appropriate levels of skills and expertise among those running the programmes at all levels.

4. **Links to Other Priorities.** Resources from this Priority will be available to support activities linked to any of the other priorities, across the entire eligible area.

7.7.5 Resources

This Priority will be supported by the following resources

ERDF 18 mecu

ESF 1.5 mecu

NATIONAL EDUCATION AND TRAINING TARGETS

In the context of the National Strategy for Learning, the Assembly has agreed Education and Training Targets for Wales. These are in line with the recommendations of the Education and Training Action Group for Wales. The targets are recognised as being challenging but command widespread support amongst employers and learning practitioners.

The Objective 1 programme will make an important contribution towards the achievement of the targets by widening participation in learning and raising skills and qualification levels. Progress against the main National Education and Training *Lifelong Learning* Targets will provide a useful benchmark against which to measure the impact of the programme and in particular the impact of the HRD measures under Priorities 1, 2, 3, 4 and 5. The following table provides an estimate of the current position in West Wales and the Valleys and the targets to be achieved by 2004. The Commission will be advised about updates to these targets at the half-year review stage for the programme.

LIFELONG LEARNING MEASURE	**OBJECTIVE 1 AREA: ESTMATE OF POSITION (AUTUMN 1998)**	**TARGET TO BE ACHIEVED BY 2004**
1. 16-18 year olds without qualifications	LFS sample too small to estimate. Wales 14%	To be reduced to 5%
2. 19-21 year olds without NVQ Level 2 or equivalent qualification	24%	Below 20%
3. Adults (19+) without qualifications	22%	Below 12.5%
4. Adults (19+) with NVQ Level 2 or equivalent qualification	61%	Above 70%
5. Adults (19+) with NVQ Level 3 or equivalent qualification	38%	Above 50%
6. Adults (19+) with NVQ Level 4 or equivalent qualification	20%	Approaching 33%
7. Adults (19+) with functional basic skills in literacy	Wales 85% (1996)	Above 90%
8. Adults (19+) with functional basic skills in numeracy	Wales 56% (1996)	Above 60%

Note :- Estimates for Objective 1 are based on the former counties of Dyfed; West Glamorgan; Mid Glamorgan and Gwynedd.

Chapter 8 - The Cross Cutting Issues

The programme consists of seven priorities which have been highlighted in the previous chapter. However in examining the aims of the programme we need to look at the priorities alongside the agreed strategies for the cross cutting issues which are mainstreamed across the entire programme whilst receiving specific treatment in particular.

These issues are

- Equal Opportunities
- The Information Society
- Environmental Improvement

8.1 Equal Opportunities

The definition of gender mainstreaming according to the Commission’s New Programming Technical documents 2000-2006 (technical document 3 Mainstreaming equal opportunities for women and men in structural fund programmes and projects Dec 99) is as follows.

Gender Mainstreaming involves ensuring that all general measures and operations openly and actively take into account – during planning, implementation, monitoring and evaluation – their effects on the respective situations of women and men. It also involves the complementary design, implementation, monitoring and evaluation of specific measures and operations to promote equality and to assist women to participate and benefit equally."

Within the context of UK legislation and in order to address fully gender equality it will be necessary to target those facing multiple disadvantage, for example people from black and ethnic minority communities, disabled people, lone parents.

The ex-ante assessment of equal opportunities in west Wales and the Valleys highlights the disadvantages faced by women trying to access jobs, especially in higher paid sectors. The analysis also indicates significant labour market disadvantages faced by those with limiting health problems, disabled people, members of ethnic minority communities, those with outdated skills and men and women in former industrial communities or isolated rural areas.

The aim of the programme is to promote equal access for all to the education, training and employment opportunities offered by the programme regardless of gender, disability or ethnic origin and with regard to the bilingual nature of many of the communities in the Objective 1 area. To achieve this, three main objectives are set out below. These objectives will be mainstreamed across the programme, rather than isolated as specific measures. Mainstreaming will require the adoption of an equal opportunities perspective for all policies and practices supported by the Programme, including at individual project level.

A number of key issues for promoting equal opportunities will complement the Programme and will be developed by the policies of the National Assembly for Wales, the Equal Opportunities Commission, the Commission for Racial Equality, the new Disability Rights Commission and other equality organisations.

Priority will be given to access the Programme by those groups most excluded from mainstream provision and by enabling them to sustain the benefits from any new access. Where issues are defined in more specific terms, and particularly gender-specific programmes, it should be assumed that this applies equally to women from all excluded and disadvantaged communities in Wales.

The first objective is to increase and secure access to education, training and employment opportunities for women, disabled people and ethnic minorities who suffer from exclusion.

Sustained economic advances can only be achieved if previously excluded groups secure access to higher level training and ultimately, to higher paid jobs. This can partly be achieved by ensuring equal access to business support measures and entrepreneurial training, for example, by flexible approaches to the delivery of education and training, work - home reconciliation strategies by employers, equality training for providers and a supportive physical environment that offers ease of access, safety and childcare. There will be a need to prioritise women returners, lone parents, part time workers and those who have experienced long term exclusion from the labour market (e.g. through disability, ill health, low skills) all of whom tend to experience the greatest difficulty in accessing good training and employment opportunities

The second objective is to increase the number of women, disabled people and members of ethnic minorities securing training and employment in higher paid and higher skilled sectors and self employment.

For members of excluded groups to take full opportunity of the increased access offered by the programme it will be important that both business and training organisations take account of their needs to allow them to make the fullest possible contribution to the region’s economy. Flexible training and employment options, specific support to increase access to entrepreneurial funds and advice, innovative schemes to encourage the take up of higher level courses and well - paid careers, non – traditional employment opportunities, enhanced use of and involvement at higher levels with ICT are all examples of options available in the Programme to achieve this objective.

The third objective is to increase the number of employers and training organisations adopting equal opportunity policies and working practices to reconcile work and family life issues.

The development of good equalities structures and practices will increase the ability to harness and develop the skills and talents of all those able to enhance the economic wealth of the region. For example, employers, training and education providers and business advisers should develop equal opportunity strategies and training within their organisations that recognise the need to develop flexible work arrangements and training delivery methods, child and elder care support, accessible environments and a recognition that work – home reconciliation applies equally to men as it does to women.

8.2 Implementing the Equal Opportunities Strategy

The National Assembly of Wales will ensure gender balance and representation from equality organisations within the Programme Monitoring Committee and in other strategic groups. An Equality unit will be set up within the Programme Executive to ensure good training, implementation, monitoring and evaluation procedures are developed for the organisation and dissemination of the Programme. The programme Monitoring Committee will receive an equal opportunities monitoring report annually.

The equal opportunity objectives will be implemented in each priority through the activities supported. This will be done by examining how project sponsors plan and implement activities including;

- Gender balance and representation from other targeted groups on planning and monitoring committees.
- Equal Opportunities assessment at development stage
- Report on steps taken to remove specific barriers
- Targets set at project level
- Monitoring of progress against these targets
- Development of data

The analysis of the way each priority will contribute to these objectives has been carried out using the four strands of Community policy (apart from balanced participation in decision making, which is a process issue) though the objectives stated above have merged the labour market and education and training aspects of the policy into one objective dealing with labour supply issues.

Targets at measure level will be set within the Programme Complement. However it is also important to set programme wide targets to ensure the mainstreaming of equality within the overall SPD. The lack of dis-aggregated data in areas affecting race and disability groups and some aspects of gender is an issue that has been recognised. This restricts the possibility of setting meaningful targets at this stage, though they can be set by the Programme Monitoring Committee as the data becomes available.

Consideration is being given to undertaking a Wales - wide survey of employers focusing on participation by women, ethnic minorities and disabled people in the labour market. Proposals will be put to the Monitoring Committee recommending that this survey is undertaken early in the lifetime of the programme and repeated at three year intervals. The Labour Force Survey, which is a household survey, can be used to analyse, amongst other things, people's position in the labour market for different age, sex, ethnic, religious and disability groups. This can help identify groups experiencing discrimination. This survey is currently too small to provide reliable information for some variables even at a Wales level and consideration is being given to boosting the sample size in Wales . This would give more reliable information for women but, given that ethnic minorities tend to feature in only a few areas of Wales, it would not produce sufficiently reliable information for these groups. However the 2001 Census will collect this information for the whole population and could be used as a basis for future research in this area. The Labour Force Survey also collects information on limiting long-term illness and disabilities and could have the potential for monitoring the involvement of disabled people in the labour market.

In the meantime 3 headline targets are identified;

30% of jobs created in new sectors to be secured by women

30% of start up SMEs assisted to be owned by women

50% of higher level training places to be taken up by women

In preparing proposals, project sponsors will need to recognise that there is a significant linguistic dimension to the promotion of equal opportunities. The linguistic medium and accessible formats in which opportunities are presented can have a direct effect on participation, especially by people whose first language is Welsh or another language or who are disabled. Similarly, people at the margins of society will remain excluded if they are unable to access services and opportunities because they feel unable to communicate effectively. Economic and educational developments have to be designed to take account of the importance of language as a defining aspect of some communities and it should be noted that Welsh remains the language of the majority in some rural communities. Provision should be made accordingly to avoid the danger that the developments themselves could add to the process of decline and adversely affect the character of the communities concerned.

MATRICES to give examples of targeted activities and equal opportunities mainstreaming.

The matrices below suggest the rationale, outcomes and actions that could be considered to enhance the contribution of women and others who experience exclusion from the economy to the economy. These matrices in the main focus on women but highlight areas that could be applied to disabled people and those from black or ethnic minorities. The activities would be underpinned a regard for language, the need for childcare and to move away from the gender segregation and low wage rates currently experienced in the Welsh labour force by women in particular.

The Matrices are based on the format used by the Community Structural Fund. Other matrices outlining more precise examples of projects will accompany the Programme Complement for the guidance of applicants based on the Commission`s Technical Programming Document 3 and the good practice model developed in Scotland and across Europe. They focus on the 6 priorities used in this programme.

PRIORITY 1

Analysis	Targeted activities and examples of equal opportunities mainstreaming	Anticipated Results
Increase in female employment ILO unemployment rate for women in Wales is 5.8% across UK. Women earn 84% of male wage rates in Wales. Women tend to be concentrated in low paid part-time work. People who are doubly disadvantaged in the labour market (eg in from ethnic minorities, disabled people, lone parents) face greater barriers in gaining/returning to employment. 0.8% of the Welsh population are from ethnic minority groups and 1 in 6 are disabled. Both groups are significantly more inactive in the labour market. Part time workers have reduced access to training. Women make up the bulk of part timers in the labour force	• Support for initiatives to reduce the disparity between men and women's wage rates and economic activity through improved access to training, enterprise opportunities, ICT, flexible provisions, distance learning and transport. • Support to organisations with effective equal opportunity strategies. • Support for sponsors that consult beneficiaries about project design/delivery. • Childcare provision • Support for increased participation in training and enterprise opportunities for those who are doubly disadvantaged within the communities to encourage regeneration and community capacity building • Improved access to training/ job • opportunities/flexible provision • Support for training for entrepreneurial skills • Improved access to training and updating of skills of part-time workers. • Support for initiatives to develop management skills through training. • Support for organisations with good equality practices. • Improved access to training for part-time workers. • Support for flexible delivery of training and education including distance learning, accessibility, transport and carer initiatives. • Support for provision which encourages greater access to training for disabled people, ethnic minorities and through the medium of Welsh. • Support for companies offering flexible working hours, training	It is anticipated that women and disabled people will particularly benefit from activities promoting and supporting home/work balance. It is anticipated that at least 10% of the funds allocated to this policy field will be spent on part-timers. It is likely that the gender split for funds spent in part-time workers will reflect the labour market situation, with women making up the majority of beneficiaries Childcare costs will be an eligible cost for all projects in this field. It is anticipated that 5% of ESF support used under this policy field will be spent on childcare.

Women generally receive less training than men, partly because of career breaks. Lack of access to childcare & inflexible training delivery are also cited as barriers.

Managerial skills are in short supply in Wales and women, disabled people and ethnic minorities are under repression in management roles. Economic growth is dependant upon the active involvement of all the labour market. Flexible home/work balance strategies enables more people, particularly women and disabled people, to improve their availability for job opportunities

Updating skills is a particular difficulty for returners and part timers.

Self-employed entrepreneurs are almost 75% male. Women have often less access to funds because of a lack of capital/low incomes

hours, guidance and support.

- Support to companies and organisations which develop and implement employment equality strategies and which have formal equal opportunities policies.
- Encouragement of awareness-raising and training measures in equality for managers and advisors of enterprise support services.
- Research into new forms of work organisation including introducing improved/enhanced flexible working practices with consideration to work/home balance).
- Improved access to training and updating of skills of part-time workers.
- Support for women's entrepreneurship through specific activities to enable access to funding and support for the creation and development of SME's.

PRIORITY 2

Analysis

Vertical & horizontal gender segregation exists in the labour market.

Women are under represented in higher levels of R & D and ICT sectors

People who are doubly disadvantaged in the labour market (eg in from ethnic minorities, disabled people, lone parents) face greater barriers in gaining/returning to employment.

0.8% of the Welsh population are from ethnic minority groups and 1 in 6 are disabled. Both groups are significantly more inactive in the labour market.

Part time workers have reduced access to training. Women make up the bulk of part timers in the labour force

Women generally receive less training than men, partly because of career breaks. Lack of access to childcare & inflexible training delivery are also cited as barriers

Economic growth is dependant upon the active involvement of all the

Targeted activities and examples of equal opportunities mainstreaming

- Support for initiatives to reduce the disparity between men and women's wage rates and economic activity through improved access to training, enterprise opportunities, ICT, flexible provisions, distance learning and transport.
- Support to organisations with effective equal opportunity strategies.
- Support for sponsors that consult beneficiaries about project design/delivery.
- Childcare provision.
- Support for activities to promote R&D and ICT enterprise opportunities.
- Support for activities that bring greater accessibility to disabled people through ICT and R&D.
- Support for activities that increase the level of ICT training for women (eg NVQ levels 4/5) as they are under represented in this section at senior levels.
- Improved access to training for part-time workers.
- Support for flexible delivery of training and education including distance learning, accessibility, transport and carer initiatives.
- Support for provision which encourages greater access to training for disabled people, ethnic minorities and through the medium of Welsh.
- Support for organisations offering guidance, information and advice using flexible approaches.
- Support to ICT organisations which develop and implement employment equality plans and which have formal equal opportunities policies.
- Encouragement of awareness-raising and training measures in equality for managers in ICT and R&D organisations.
- Improved access to training and updating of skills of part-time workers.
- Support for women's entrepreneurship in the fields of ICT and R&D.

Anticipated Results

It is anticipated that women and disabled people will particularly benefit from activities promoting and supporting home/work balance.

It is anticipated that at least 10% of the funds allocated to this policy field will be spent on part-timers. It is likely that the gender split for funds spent in part-time workers will reflect the labour market situation, with women making up the majority of beneficiaries.

Childcare costs will be an eligible cost for all projects in this field. It is anticipated that 5% of ESF support used under this policy field will be spent on childcare.

labour market. Community enterprises often create a more responsive form of employment to cope with home/ work balance which enables more people, particularly women and disabled people, to improve their availability for training..

Updating skills is a particular difficulty for returners and part timers.

Self-employed entrepreneurs are almost 75% male. Women have often less access to funds because of a lack of capital/low incomes.

PRIORITY 3

Analysis

Increase in female employment ILO unemployment rate for women in Wales is 5.8% across UK.

Women earn 84% of male wage rates in Wales.

Women tend to be concentrated in low paid part-time work.

People who are doubly disadvantaged in the labour market (eg in from ethnic minorities, disabled people, lone parents) face greater barriers in gaining/returning to employment.

0.8% of the Welsh population are from ethnic minority groups and 1 in 6 are disabled. Both groups are significantly more inactive in the labour market.

Part time workers have reduced access to training. Women make up the bulk of part timers in the labour force

Women generally receive less training than men, partly because of career breaks. Lack of access to childcare & inflexible training delivery are also cited as barriers

Economic growth is dependant upon the active involvement of all the labour market. Community enterprises often create a more responsive form of employment to cope with home/ work balance which enables more people, particularly women and disabled people, to improve their availability for training..

Updating skills is a particular difficulty

Targeted activities and examples of equal opportunities mainstreaming

- Support for community enterprises offering guidance, information and advice using flexible approaches.
- Support for community enterprises which develop and implement employment equality strategies and which have formal equal opportunities policies.
- Encouragement of awareness-raising and training measures in equality for managers and advisors of community enterprise support services.
- Research into new forms of work organisation including introducing improved/enhanced flexible working practices (with consideration to work/home balance).
- Support for women's entrepreneurship through specific activities to enable access to funding and support for the creation and development of businesses in the social economy.
- Support for initiatives to reduce the disparity between men and women's wage rates and economic activity through improved access to training, job opportunities,ICT, flexible provisions, distance learning and transport.
- Support for returners.
- Support to organisations with effective equal opportunity strategies.
- Support for sponsors that consult beneficiaries about project design/delivery.
- Childcare provision
- Support for increased participation in training and job opportunities for those who are doubly disadvantaged within the communities to encourage regeneration and community capacity building
- Support to organisations with effective equal opportunity strategies.
- Support for lone parents
- Improved training opportunities for community capacity and regeneration work.

Anticipated Results

It is anticipated that women and disabled people will particularly benefit from activities promoting and supporting home/work balance.

It is anticipated that at least 10% of the funds allocated to this policy field will be spent on part-timers. It is likely that the gender split for funds spent in part-time workers will reflect the labour market situation, with women making up the majority of beneficiaries

Childcare costs will be an eligible cost for all projects in this field. It is anticipated that 5% of ESF support used under this policy field will be spent on childcare.

for returners and part timers.

Self employed entrepreneurs are almost 75% male. Women have often less access to funds because of a lack of capital/low incomes.

PRIORITY 4

Analysis

Increase in female employment ILO unemployment rate for women in Wales is 5.8% across UK.

Women earn 84% of male wage rates in Wales.

Women tend to be concentrated in low paid part-time work.

People who are doubly disadvantaged in the labour market (eg in from ethnic minorities, disabled people, lone parents) face greater barriers in gaining/returning to employment.

0.8% of the Welsh population are from ethnic minority groups and 1 in 6 are disabled. Both groups are significantly more inactive in the labour market.

Part time workers have reduced access to training. Women make up the bulk of part timers in the labour force

Women generally receive less training than men, partly because of career breaks. Lack of access to childcare & inflexible training delivery are also cited as barriers

Targeted activities and examples of equal opportunities mainstreaming

- Support for initiatives to reduce the disparity between men and women's wage rates and economic activity through improved access to training, job opportunities, ICT, flexible provisions, distance learning and transport.
- Support for returners.
- Support to organisations with effective equal opportunity strategies.
- Support for sponsors that consult beneficiaries about project design/delivery.
- Childcare provision.
- Support for increased participation in training and job opportunities for those who are doubly disadvantaged.
- Improved access to training/ job

opportunities/flexible provision

- Support to organisations with effective equal opportunity strategies.
- Support for lone parents
- Support for activities to reduce the gender gap and to encourage disabled people and those from ethnic minorities to take up youth training and apprenticeship schemes.
- Support for increased participation in higher level certificated courses.
- Support for first step educational and training opportunities.
- Support for organisations with good equality practices.
- Improved access to training for part-time workers.
- Support for flexible delivery of training and education including distance learning, accessibility, transport and carer initiatives.
- Support for provision which encourages greater access to training for disabled people, ethnic minorities and through the medium of Welsh.

Anticipated Results

All projects will be eligible for childcare costs 5% to be spent on childcare.

It is anticipated that there will be particular benefits to women., disabled people and ethnic minorities.

It is anticipated that 10% will be allocated to part time workers. Women are likely to be the major benefactor

It is anticipated that women and disabled people will particularly benefit from activities promoting and supporting home/work balance

PRIORITY 5

Analysis

Targeted activities and examples of equal opportunities mainstreaming

Anticipated Results

Vertical & horizontal gender segregation exists in the labour market.

Women are under represented in agricultural, fisheries and allied sectors.

a. People who are doubly disadvantaged in the labour market (eg in from ethnic minorities, disabled people, lone parents) face greater barriers in gaining/returning to employment.
b. 0.8% of the Welsh population are from ethnic minority groups and 1 in 6 are disabled. Both groups are significantly more inactive in the labour market.

Part time workers have reduced access to training. Women make up the bulk of part timers in the labour force

Women generally receive less training than men, partly because of career breaks. Lack of access to childcare & inflexible training delivery are also cited as barriers

Economic growth is dependant upon the active involvement of all the labour market. Flexible home/work balance strategies enables more people, particularly women and disabled people, to improve their availability for job opportunities.

Updating skills is a particular difficulty for returners and part timers.

Self employed entrepreneurs are almost 75% male. Women have often less access to funds because of a lack of capital/low incomes.

- Support for activities to improve the participation of women in agricultural, forestry, fisheries and allied sectors
- Support for women's entrepreneurship through specific activities that will encourage greater participation (eg farm diversification, agri-product development and marketing, tourism)
- Improved training opportunities in agricultural, forestry, fisheries and allied sectors.
- Support to rural organisations with effective equal opportunity strategies.
- Support for sponsors that consult beneficiaries about project design/delivery.
- Childcare provision.
- Support for increased participation in training and job opportunities for those who are doubly disadvantaged within the agricultural, forestry, fisheries and allied sectors.
- Improved access to training/ job

opportunities/flexible provision

- Support for flexible delivery of training and education including distance learning, accessibility, transport and carer initiatives.
- Support for provision which encourages greater access to training for disabled people, ethnic minorities and through the medium of Welsh.
- Encouragement of awareness-raising and training measures in equality for managers and advisors of enterprise support services.
- Research into new forms of work organisation including introducing improved/enhanced flexible working practices (with consideration to work/home balance).

It is anticipated that 10% of funds for training iwill be allocated to part time workers. Women are likely to be the major benefactors

It is anticipated that women and disabled people will particularly benefit from activities promoting and supporting home/work balance.

PRIORITY 6.

Targeted activities and examples of equal opportunities mainstreaming

Anticipated Results

Analysis

Vertical & horizontal gender segregation exists in the labour market. Women are less represented in energy & w ater, construction and communication sectors People who are doubly disadvantaged in the labour market (eg in from ethnic minorities, disabled people, lone parents) are least likely to use private transport 0.8% of the Welsh population are from ethnic minority groups and 1 in 6 are disabled. Both groups are significantly more inactive in the labour market Part time workers have reduced access to training. Women make up the bulk of part timers in the labour force Women generally receive less training than men, partly because of career breaks. Lack of access to childcare & inflexible training delivery are also cited as barriers Economic growth is dependant upon the active involvement of all the labour market. Flexible home/work balance strategies enables more people, particularly women and disabled people, to improve their availability for job opportunities. Updating skills is a particular difficulty for returners and part timers. Self employed entrepreneurs are almost 75% male. Women have often less access to funds because of a lack of capital/low incomes.	• Support for employment opportunities at higher levels in transportation, energy and environmental sectors for targeted groups. • Support for activities that increase participation in the decision-making and management processes relating to strategic infrastructural developments. • Support for improved transportation initiatives, design of vehicles, safety issues, to take into account accessibility and allied issues. • Support to organisations with effective equal opportunity strategies. • Support for sponsors that consult beneficiaries about project design/delivery. • Childcare provision. • Support for companies offering flexible working hours, training hours, guidance and support. • Support to companies and organisations which develop and implement employment equality plans and which have formal equal opportunities policies.	It is anticipated that there will be particular benefits to women and disabled people by improvements in transport It is anticipated that women and disabled people will particularly benefit from activities promoting and supporting home/work balance.

8.3 Information Society Strategy

The Information Society is already proving one of the prime drivers of economic and social change in Europe. It is no longer the case that an economy can grow with only certain individuals having access to information. The transition to an information society requires participation by all. However its potential is not being fully exploited in west Wales and the Valleys despite its potential to increase business competitiveness and help tackle the peripherality that affects much of the region. Business use of Information and Communications Technology(ICT) in the region is relatively low compared to other regions of the United Kingdom. Personal use and access to facilities is also lower than the UK, which has the potential to constrain growth in an area that has most to benefit from ICT. With an increasing number of competitor firms in other regions taking advantage of the expanded market opportunities, it is essential that SMEs are able to utilize the advantages of ICT and that their workforce has the required skills to do so. The Information Society also has the ability to overcome many of the difficulties encountered by the peripheral parts of the region as well as allowing enterprises and communities based in these areas to become more sustainable.

There is a danger that the Information Society will create a digital divide providing increased opportunities for those already possessing basic qualifications whilst reducing opportunities for those that do not. This should be countered by a systematic integration of ICT skills into all types of activities, but especially for activities which seek to develop basic and key skills. Those who lack basic and/or key skills are the most likely to have the poorest access to ICT services and facilities. A lack of familiarity with ICT is likely to increase the difficulty that individuals have in accessing opportunity, both now and in the future. Therefore, projects supported under basic and key skills priority areas will be especially encouraged to demonstrate how ICT skills have been taken into account in the content and delivery (the demonstration effect) of the proposed training activities. Basic and key skill activities should ensure that they play a role in equipping participants to become digital generalists confident in the use of ICT.

Adequate ICT infrastructure and easy access to it is also an essential part of closing the divide. This divide will be widened if peripheral areas do not have access to infrastructure in the same way as the more populous and central locations.

The potential of the Information Society permeates through all aspects of the programme. While there are specific efforts to utilize ICTs to modernise the region's economy and develop its SME base, for maximum advantage to be gained, the presence of Information Society activity must be evident in all areas of the programme.

The programme's aim is to increase the use of information and communications technology by all businesses and social groups in the region.

This leads to four specific objectives

- To increase awareness of the potentials offered by ICT
- To increase the number of people receiving high quality ICT related skills training
- To increase business competitiveness in the region by supporting increased use of ICT applications
- To reduce the negative effects of peripherality by increasing the use of ICTs by those living in more isolated areas

Significant aspects of this aim will be dependent on events outside the programme's control, including the pace of technological change, the investment decisions of the major service providers and the convergence of new technologies. Both businesses and community organizations alike need to be fully aware of the opportunities provided by ICTs before they are likely to utilise technology to their advantage.

The implications of ICTs are far reaching in all sectors of business and the community. Businesses become more competitive, communities become enfranchised and individuals develop skills that provide new opportunities. The isolation suffered in peripheral and rural areas can for the first time be diminished through access to new markets, equal access to information and new delivery methods for training. For all this to happen there must be widespread awareness and understanding of what ICT can help achieve.

This step change in awareness and understanding will need a range of specific initiatives to spread the key messages. Training through the medium of ICT is both an important end in itself and a crucial way of showing the technology's uses. Exemplar projects for businesses will be important for demonstrating the potential of the Information Society to SMEs who have often been slow in this region to adopt new technologies. For learners of all ages it will be important to raise awareness of the absolute centrality of ICT skills to labour mobility, opportunity and lifelong learning; to portray ICT skills as the "new literacy" is little exaggeration.

For businesses, application of ICT has significant potential to increase their competitiveness. In a fast changing economy where knowledge is increasingly vital, the use of the Internet is essential for securing greater access to information and knowledge. Potential new markets, customers and entry to supply chains are within reach as never before. Equally vital will be the development of skills to best manage and exploit knowledge for sustainable competitive advantage to be realised. The new economics of information dictate that rewards will accrue to regions with such skills.

For firms in more peripheral areas the benefits could be particularly marked where they could gain disproportionately from the Information Society compared to more populous areas. If infrastructure allows adequate access, ICTs have the potential to overcome many of the barriers placed by physical isolation, removing constraints enforced by small local markets. Not only regional but global markets become accessible and in areas like rural West Wales whose appeal is based to an important degree on its physical beauty there are important marketing benefits and opportunities for those who make best advantage of new ways of working.

Utilising ICTs for advantage can only be achieved if businesses, employees and individuals have the confidence and skills to use these technologies productively. This will obviously be critical to ensuring that firms themselves can exploit the potential of the new technologies. However this will be best achieved if training in ICT skills is done in a flexible way, widening its access and fully exploiting the opportunities offered by the medium itself. It is recognised that developments in information and communication technology will increase opportunities for working from non-central office bases, including the home. The reorganisation of working practices and structures is something that the region can take advantage of if the possibilities are fully understood. In order that opportunities are available to all members of the community, the programme will ensure that every ICT application will be available using formats, languages and technologies that enable equitable participation. It is recognised that ICT developments should not be regarded as a solution to the problem of inaccessible workplaces.

The Information Society will in time affect the way almost all firms in the region do business. Some are already witnessing the entry of new competitors that were not in existence two or three years ago. New delivery channels provide both opportunities and threats. Those that react fastest and stay abreast of new developments will gain most from the new dynamics of the business environment. The ability to respond to an ever-changing marketplace requires adaptability and key skills which have been previously recognised as an important element of the strategy. In particular, sectors and businesses in certain locations that use technology to overcome problems caused by peripherality have the potential to expand where this was not previously possible thus strengthening and modernising the economy.

8.4 Delivering the Strategy

The strategy will be delivered across the entire programme – mainstreaming ICT is essential for universal participation in the Information Society. Almost all aspects of the programme will play some role in delivering the different aspects of the strategy. In particular awareness raising exercises need to be part of not only business development, but training and skills initiatives and programmes to promote community and rural development.

More specifically initiatives to promote use of ICTs among businesses will be driven through Priorities 1 and 2. Measures to increase SME competitiveness will of necessity include elements of use of ICT. There are specific measures in Priority 2 aimed at increasing the take up rates of ICTs among businesses in the region and for improving access to infrastructure. This will extend to agricultural businesses and others located in rural areas through coverage of both EAGGF and ERDF measures within Priority 5.

Taking advantage of the potential of the Information Society to tackle peripherality will be a feature of both Priority 3 and Priority 5. Isolation is not just a feature of typically rural communities but also of some Valleys communities too. ICT can do much to increase the capacity of community organisations and increase their access to services and information such as labour market opportunities and training. The presence of adequate telecommunications infrastructure is an essential prerequisite to such applications and Priority 2 will help fill some of the infrastructure gaps present in rural areas for the benefit of businesses, learning institutions and communities alike.

Developing skills in the use of ICT will be a feature of most of the training interventions throughout the programme. This will be true for both the general training and the full range of skill development offered in Priority 4. More specialized business linked skills will be developed in Priority 1 and higher level skills will be supported through Priority 2. Training in ICT skills as part of Community Capacity building will be part of the programmes offered through Priority 3 as an important enabling step. A measure in Priority 5 will provide an opportunity for training in ICT skills as a means of adaptation and diversification for farmers.

8.5 Implementing the Strategy

Each priority will implement the objectives within the context of the different activities being supported. This will be done by

- Ensuring that new facilities have suitable ICT infrastructure
- Providing ICT delivered information on all advice and marketing initiatives
- Providing flexible ICT training accessible to as wide an audience as possible
- Ensuring business development activities take advantage of ICT wherever possible
- Ensuring peripheral areas have the opportunity to reduce the negative effects caused by isolation

Detailed guidelines for implementation will be developed with the wider partnership. For awareness raising and training activities, the options include the setting of minimum endorsement standards for course content and materials and the establishment of minimum outcomes. The standards for the use of ICT in increasing business competitiveness and reducing the effects of isolation will also be developed by the wider partnership. The standards are expected to change over time, in line with developments in the macro environment, including changes in ICT and policy.

Targets

Targets will be set at measure level with the Programme Complement along with details of how the monitoring of these objectives will be carried out. However the following programme wide targets can be set;

- For 50% of SMEs in the region to have Internet access by the end of the programme
- To increase by 40 % the number of people with ICT qualifications at NVQ level 4

To increase by 30% the number of trainees receiving training using ICT as the delivery mechanism

Priority 1 Measures	increasing awareness of the potentials offered by ICT	increasing the number of people receiving ICT related skills training and information	reduce the negative effects of peripherality	increasing business competitiveness
Financial support for SMEs	Types of companies supported would be likely users of ICTs and thus increase awareness	Positive – Firms will invest in their staff	Positive – firms can locate in peripheral areas due to opportunities presented by ICTs	Positive - Investment would likely include ICTs which generally increases business competitiveness – positive
Increasing the Birth rate of SMEs	Positive - ICT is seen as providing new opportunities for SMEs and their creation	Positive - More SMEs will require more employees with ICT skills	Positive – ICTs provide more opportunity for locating/ starting up in peripheral areas	
Developing Competitive SMEs	Positive - Using ICT to access new markets and supply chains etc will raise awareness	Positive - More interconnection between firms will require ICT skills		Positive - Investment in ICT generally increases business competitiveness
Promoting Entrepreneurship and Adaptability	Positive – Entrepreneurial activity and adaptability is seen as having a role with ICT	Positive - Entrepreneurial activity requires skills, ICT should be amongst them	Positive – entrepreneurial activity is not always dependant on location	Positive - Modernisation of work using ICT

Providing an attractive environment for SMEs			Positive – improved infrastructure in peripheral locations will provide an attractive environment for SMEs	

Information Society

Priority 2 Measures	increasing awareness of the potentials offered by ICT	reduce the negative effects of peripherality	increasing the number of people receiving ICT related skills training and information	increasing business competitiveness
ICT Infrastructure	Positive – infrastructure will increase awareness especially in remote areas	Positive – broadband infrastructure will reduce effects of peripherality	Positive – offers more opportunities for distance based learning	Positive – opens up new markets, supply chains and work based training
Encouraging the use of ICT among Businesses	Positive – business will see effects and exemplars could be used	Positive - Increased ICT use will reduce the effects of peripherality, especially if allied with infrastructure	Positive - Will provide opportunities for training in ICT to make best use of ICT in businesses for employees and managers	Positive – provides opportunities for improved competitiveness along the length of the Value Chain
Promoting Research and Development and Innovation	Positive – R&D and innovation are closely linked with ICT and will therefore increase awareness	Positive - R&D can be located in more remote areas if infrastructure is available	Positive – ICT related skills will be necessary for R&D and innovation	Positive - More R&D provides more opportunity for its exploitation thus increasing business competitiveness
Skills for Innovation	Positive – ICT skills will be seen as part of the skillset		Positive - Basic, intermediate and advanced ICT skills can facilitate innovation	Positive – outputs from innovative activity can increase business competitiveness
Promoting Clean Energy Technology	Positive – ICT has a role to play in clean energy and will be seen			Positive - Dissemination of information/awareness raising and marketing of opportunities

Information Society

Priority 3 Measures	increasing awareness of the potentials offered by ICT	reduce the negative effects of peripherality	increasing the number of people receiving ICT related skills training and information	increasing business competitiveness
Community action for social inclusion	Positive – activity may include use of ICT and will raise awareness	Positive – isolated communities can use ICT as a means of reducing effects of peripherality	Positive – ICT skills will be a part of social inclusion	Positive - Socially excluded re-enter the labour market with up to date skills
Partnership and Capacity Building	Positive – can be used as best practice or for disseminating best practice		Positive – capacity building will require basic ICT skills	

Community led initiatives	Positive if the initiatives use ICT	Positive – improved access to ICT will reduce effects of peripherality		
Supporting the social economy	Positive – can be used as a means of disseminating information			

Information Society

Priority 4 Measures	increasing awareness of the potentials offered by ICT	reduce the negative effects of peripherality	increasing the number of people receiving ICT related skills training and information	increasing business competitiveness
Active Labour Market Policies	Positive – ICT can be used as part of the process	Positive - Increased information access in peripheral areas	Positive - LMs need skills including ICT	
Social Inclusion	Positive if ICT is used as part of the process	Positive - People in peripheral areas with ICT skills can work in their areas rather than having to move	Positive – social inclusion will require basic ICT skills	
Skills and LifeLong Learning	Positive – awareness will be raised by using ICT as part of the lifelong learning process	Positive – activities can be undertaken in peripheral areas	Positive - Lifelong learning must include ICT skills	New skills will play a role in increased business competitiveness
Improving the learning system	Positive – ICT will be part of the process	Positive – activities can be undertaken in peripheral areas		
Equal Opportunities for Women			Positive – More ICT skills will be required	
Skills Research			Positive if research shows demand for ICT skills	

Information Society

Priority 5 Measures	increasing awareness of the potentials offered by ICT	reduce the negative effects of peripherality	increasing the number of people receiving ICT related skills training and information	increasing business competitiveness
Processing of Agricultural Products	Positive – can be used as part of the process of marketing etc.			
Helping farming to adapt and diversify	Positive – will be a part of adaptation/ diversification	Positive – improved access to ICT would reduce effects	Positive – diversification may require ICT skills	
Investment in agricultural holdings				

Forestry	Positive if used to link supply chains/ share information etc.	Positive – linking to new customers etc can reduce effects of peripherality	Positive if needed to gain access to supply chains/information etc.
Young Entrant Support			Positive – will need ICT skills as part of a wider skillset
Adaptation and development of rural areas		Positive if ICT is used to provide access to services/new markets etc.	
Local Economic Development	Positive – can be used as part of information dissemination	Positive – ICT will have a large role to play in local economic development	Positive – ICT skills will be necessary for economic development
Countryside Management	Potentially positive if used as a means of improving the environment/ dissemination of information etc.		
Coastal Zone Management			
Fisheries			

Information Society

Priority 6 Measures	increasing awareness of the potentials offered by ICT	reduce the negative effects of peripherality	increasing the number of people receiving ICT related skills training and information	increasing business competitiveness
Transport Infrastructure	Positive – can be used as part of the process e. g. disseminating information on traffic flows etc.			Positive – provides opportunity for businesses to develop information systems etc.
Strategic Employment Sites	Positive - if sites include access to telecoms infrastructure	Positive - New sites could be located in peripheral areas	Positive – more sites will require more employees – some if not all will need ICT skills	Positive - Sites will include more competitive companies having access to better infrastructure
Environmental Infrastructure	Positive – ICT can be used as part of information dissemination			
Energy Infrastructure				

8.6 Environmental Sustainability

Some elements of the Welsh environment are of outstanding quality. These require protection if they are to be enjoyed by future generations and if their potential contribution to sustainable economic growth is to be realised. There are also symptoms of damage that must be remedied and rising pressures which need to be countered.

The region is obviously facing the effects of global climate change (‘Global Warming’) leading to direct impacts on habitats and species, and the loss of some species. More specific to the region are negative effects of high levels of particulates and nitrogen oxide in urban areas which are damaging to health. Acidification of surface waters arising from atmospheric pollution (sulphur dioxide, ammonia and nitrogen oxides) is a particular problem in Wales. It is estimated that about 12,000km of streams and rivers are adversely affected, the majority of which are within the Objective 1 region. Concentrations of ground-level ozone, primarily caused by emissions from motor vehicles, regularly breach levels set for the protection of the natural environment and for human health.

The discharge and leaching of nutrients (mainly from sewage and agricultural fertiliser run-off) into many lakes, rivers and some coastal areas poses a significant risk of artificial nutrient enrichment. This can result in the development of algal blooms and associated water quality problems. Sewage and trade effluent, and combined sewer overflows, continue to pollute freshwaters and in some cases coastal water.

Unsustainable agricultural practices, principally arising from high livestock densities, are damaging natural vegetation and soils. Sheep dip pesticides have been shown to cause widespread damage to the ecology of streams and rivers. About 5-million tonnes of controlled waste is disposed of in landfills in Wales. Of the non-controlled wastes, 4 million tonnes of agricultural waste, and 5.5 million tonnes of mine and quarry waste are produced in Wales each year. The construction of landfill sites alters landscapes and generates odours, dust and noise. Historic mining and industrial developments have damaged the landscape and cause contamination of land and freshwaters and the wildlife they support"

There have been notable declines in some forms of wildlife such as farmland birds and salmonid fish.

Tackling these widespread problems requires a comprehensive strategy to protect the environment in the region. A summary of the strategy is set out below. It has been tailored for the Objective 1 region from the overall strategy for Wales presented in State of the Environment reports prepared by Environment Agency Wales and the Countryside Council for Wales. It also takes account of environmental issues described in Local Environment Agency Plans (LEAPs). More detail of this strategy is included in the Ex Ante environmental evaluation in. The overall aims are presented here :-

To maintain and enhance the environmental assets of the region

Central to meeting this aim will be the need to take steps to counter climate change and improve air quality. This will entail steps to promote energy savings among businesses and communities and promote the use of sustainable renewable energy sources.

The first objective is to Save energy by development of a sustainable energy strategy

It will also be important to tackle the environmentally damaging effects of excessive reliance on private transport, especially in urban areas which also contributes to poor air quality, congestion and high ozone concentrations.

The second objective is to Promote integrated transport

The high levels of waste produced in the region and damaging use of some of the chemicals associated with agriculture are harming the rural environment and fresh water resources. There is also a need to reduce water use and preserve fish stocks.

The third objective is to Promote efficient use of natural resources

There is a requirement to protect greenfield sites, discourage floodplain development and develop sustainable urban drainage systems to reduce pollution from surface runoff. Changes to more sustainable agriculture and forestry should be promoted to remedy the damage caused by existing practice.

The fourth objective is to Support sustainable land use

The programme will need to ensure a high level of protection for designated conservation areas both to encourage tourism and meet the requirements of Natura 2000. This will involve the improvement of degraded habitats and work to promote conservation of important species and habitats.

The fifth objective is to Protect and enhance bio-diversity

A fundamental path to environmental improvement lies in increasing all sectors' sense of value of the environment through education and involving all sectors of the community in environmental management.

The sixth objective is to Promote environmental education, community involvement and partnership schemes

The link between the quality of the environment, community health and people's sense of well being is becoming increasingly recognised.

The seventh objective is to Develop monitoring programmes to establish links between community health and environmental quality

A good quality environment is a major incentive for the attraction of businesses. Problems that need addressing include damage caused by the industrial legacy, discharges of sewerage from antiquated sewerage systems and insufficient protection of disadvantaged communities to flooding. These are particular issues in the valleys.

The eighth objective is to Improve the quality of the environment to support sustainable development and protect vulnerable communities

8.7 Implementing the Strategy

Each priority will use these objectives within the context of the activities likely to be funded. These actions will include full appraisal of environmental aspects and opportunities at the project development stage and reporting and monitoring on progress against the set objectives. Projects should also seek to promote awareness of the importance of environmental protection for both economic and social purposes.

Targets

Specific targets will be set at measure level in the programme complement. However two contextual indicators targets will be used to assess the overall effects of the programme. These are:

- Reduction in CO_2 emissions by 20% by 2010
- Reduction or halt traffic growth forecasts for Wales

An analysis has been undertaken of the contribution of each measure to the achievement of the environmental objectives and consideration given to whether the measures might exacerbate the existing situation or cause new problems. The impacts identified are considered to be those that, on balance, and with appropriate influence on individual projects, are likely to arise from each measure. This is clearly a high-level consideration and individual examples of possible projects within each measure will have a different environmental sustainability potential. Every attempt will need to be taken to influence projects to ensure that within the constraints of the proposal they are as environmentally sustainable as possible. At the project assessment stage, projects that inherently environmentally unsustainable should not be allowed to proceed, although clearly each decision must be made on a broad (i.e. not just financial) cost-benefit basis.

The analysis has been undertaken by means of matrices, which provide a framework for looking at the potential of all measures in the 6 priorities to contribute to the environmental objectives (tables 1-6). Suggestions are also made as to how the projects in each measure should be influenced to help achieve the environmental objectives. These matrices are best interpreted by first considering a measure and then asking whether it can contribute to each of the objectives in turn. Where there is no indication of positive or negative effect the measure should be considered as neutral.

Table 1 - Priority 1 : Developing the SME Base

Measure à Objective	**1. Financial support for SMEs**	**2. Increasing the birth rate of SMEs**	**3. Developing competitive SMEs**	**4. Promoting adaptability and entrepreneurship**	**5.Developing sites and premises**
Sustainable Energy	Potentially negative - Should target businesses promoting energy conservation & efficiency services.	Potentially negative - Should target businesses promoting energy conservation & efficiency services.	Potentially positive – Competitive SMEs should use energy efficiently	Possibility of influencing to include development of sustainable energy related businesses.	Positive - Highest energy efficiency and conservation standards must be built into new premises
Integrated transport	Potentially negative - Should promote green transport plans for business	Potentially negative - Should promote green transport plans for business	Potentially negative - Should promote green transport plans for business		Positive - New business parks must be accessible by public transport, and cyclists
Natural resources	Potentially negative - May encourage greater resource use. Should be tied in with participation in Environmental Management.	Potentially negative - May encourage greater resource use. Should be tied in with participation in Environmental Management.	Potentially negative - May encourage greater resource use. Should be tied in with participation in Environmental Management.	Potentially negative - May encourage greater resource use. Should be tied in with participation in Environmental Management.	Positive - New premises must incorporate water minimisation, and maximise use of recycled aggregates, and use locally sustainable sourced resources
Sustainable land use	Potentially negative - Preference for brownfield locations essential	Potentially negative - Preference for brownfield locations essential			Negative - Need to promote ecologically-led landscaping
Enhance biodiversity	Should be used to help rural businesses offering countryside management services.	Should be used to help rural businesses offering countryside management services.			Negative - Need to promote ecologically-led landscaping
Environmental education	Positive - should be used to encourage environmental reporting	Positive - should be used to encourage environmental reporting			Positive - Landscaping should include interpretative panels for wildlife features
Community health	Potentially negative - should be used to encourage low emissions and low waste. Consider need for Health Impact Assessment (HIA).	Potentially negative - should be used to encourage low emissions and low waste. Consider need for HIA	Potentially positive – Competitive SMEs should minimise emissions		Negative - Business parks must be planned to minimise traffic, pollution, and waste
Environmental improvement	Potentially negative - should be used to encourage businesses involved in remediation	Potentially negative - should be used to encourage businesses involved in remediation		Need to develop SMEs providing environmental goods and services.	Negative - Use of brownfield sites should be encouraged

Table 2 - Priority 2 : Modernising the economic base of the region

Measure à Objective	**1. ICT Infrastructure**	**2. Developing the Knowledge driven economy**	**3. Support for Innovation & R&D**	**4. Skills for innovation & technology**	**5. Promoting clean energy technology**

Sustainable energy		Positive - Use of ICT in disseminating best practice on energy use	Positive - Should be used to promote innovative ways of saving energy, and developing renewable technologies to market competitiveness	Potentially positive – If sustainable energy technologies are pursued	Positive - Energy infrastructure should promote efficiency measures and the generation of low-emission electricity
Integrated transport	Positive - ICT should reduce the need to travel and combat peripherality electronically	Positive - Reduce the need for business travel, and reduce peripherality electronically	Positive - Should be used to promote load sharing, % efficient freight distribution	Positive – innovation and technology-based solutions to e.g. information provision	Positive - The use of LPG or other low emission fuels should be promoted
Natural resources	Positive - A reduced need to travel will reduce use of natural resources	Positive - Reduce travel should reduce pressure on natural resource use	Positive - Should be used to promote innovate ways of reducing resource use, maximising recyclability and minimising waste	Potentially positive – need to look at new technologies which minimise waste	Positive - Sustainable generation of energy, including renewables, low emission generation, and cleaning up conventional generation, should reduce negative impacts on natural resources
Sustainable land use	ICT infrastructure must be planned with care	Positive - ICT infrastructure needs to be planned carefully	Positive - Should be used to promote remediation	Positive - Should be used to promote remediation	Great care is needed that renewable energy developments do not damage landscapes
Enhance biodiversity		Positive - ICT infrastructure needs to be planned carefully	Positive - Should be used to promote new ways of creating and managing habitats for rural businesses	Positive - Should be used to promote new ways of creating and managing habitats for rural businesses	Positive - Reduced emission will benefit biodiversity. New energy developments should avoid sensitive sites and include mitigation measures
Environmental education	Positive - ICT can be used to make environmental information available to businesses and communities	Positive - Use of internet to encourage business environmental reporting should be promoted	Positive - Results from environmental R&D should be made available as part of company environmental reporting		
Community health	Positive - Communities can access environmental and health information via ICT	Positive - Use of ICT to make information available to communities about environmental impacts of business	Positive - Research into links between business activity and community health.	Positive – Innovative technologies which minimise emissions should be developed	Positive - Low emissions should enhance community health. Community ownership of small-scale renewables should be promoted.
Environmental improvement		Positive - Use of ICT to pass on best practice in remediation	Positive - Research into remediation	Positive – Research into environmental remediation techniques etc.	Positive - Renewable energy development should be targeted at brownfield sites

Table 3 - Priority 3 : Community regeneration

Measure à Objective	**1. Community action for social inclusion**	**2. Partnership & community capacity building**	**3. Community led initiatives**	**4. Supporting the social economy**
Sustainable energy		Positive - Build up community's capacity to recognise the need for efficiency and conservation	Community-led efficiency, conservation and small-scale renewable projects must be promoted	Positive - Potential for community owned renewable energy businesses.
Integrated transport		Positive - Build up capacity of community to input into Local Transport Plans	Positive - Potential for local solutions to complement implementation of Local Transport Plan.	Positive - Opportunities for local transport providers, cycle hire shops etc.

Natural resources	Positive - Where people are included in society they are less likely to abuse the environment e.g. by fly-tipping	Positive - Build up capacity of community to recognise which natural resources are important to them, such as local woods or streams	Positive - Management of local natural resources, and local food distribution networks to reduce food-miles	Positive - Locally produced and distributed food networks, e.g. farmers markets
Sustainable land use		Positive - Build up capacity of community to implement sustainable land use practices	Positive - Management of land including commons, village greens, and allotments	
Enhance biodiversity	Positive – Socially included individuals are less likely to be involved in activities which damage ecosystems	Positive - Build up capacity of community to recognise, manage and monitor local biodiversity	Positive - Potential for locally-managed nature reserves	Positive - Opportunities for local countryside management contractors.
Environmental education	Positive – Potential for basing action on greater understanding and appreciation of the environment	Positive - Environmental education should be a horizontal theme running through all community capacity building	Positive - Pro-active use of ICT should facilitate community-led environmental education	
Community health	Positive – Achievement of greater social inclusion will have benefits for community health.	Positive - Build up capacity of community to recognise and monitor environmental and health links		
Environmental improvement	Small-scale improvements to local environmental infrastructure		Small-scale improvements to local environmental infrastructure	

Table 4 - Priority 4 : Promoting employability and the development of a learning society

Measure à Objective	**1. Labour market measures**	**2. Promoting social inclusion**	**3. Skills & lifelong learning**	**4. Widening access to learning**	**5. Improving participation by women**	**6. Anticipation and analysis of skills needs**
Sustainable energy			Education in energy management could be included	Education in energy management could be included		Need to include skills related to sustainable energy management
Integrated transport	Accessibility to public transport by labour market entrants should be sought	Accessibility to public transport for employment is a key requirement			Accessibility to safe public transport is a key requirement	
Natural resources			Education in environmental management could be included	Education in environmental management could be included	Education for women in environmental issues	Skills to be developed should include waste minimisation
Sustainable land use			Education in sustainable land use could be included	Education in sustainable land use could be included	Education for women in sustainable land use	Need to develop countryside management skills
Enhance biodiversity			Positive - Education in countryside management skills could be included	Education in countryside management skills could be included	Training for women in countryside management skills	
Environmental education			Positive - Environmental education should be a horizontal theme throughout lifelong learning	Environmental education should be a horizontal theme	Environmental education should be a horizontal theme	Environmental education should be included in all skills development

Community health	Positive - Promoting social inclusion should promote community health	Should include skills to recognise the link between the environment & health
Environmental improvement		Need for environmental management skills to be included

Table 5a - Priority 5 : Rural development and sustainable use of Natural Resources

Measure à Objective	1. Processing of agricultural products	2. Training & Awareness	3. Forestry	4. Adaptation & development of rural areas	5. Young Entrant Scheme
Sustainable energy		Potentially positive – possibility of developing energy crops	Positive - Scope for using forestry residues in small-scale wood-burning power stations, and use of energy crops	Possibility of further contribution to production of sustainable energy	
Integrated transport	Transport of processed rather than raw goods should reduce transport impact		Positive - Promote local production and consumption of food and fibre to reduce food and fibre miles	Need to ensure appropriate transport services provided	
Natural resources		Positive - Active promotion of Codes of Good Agricultural Practice should be required for farmers receiving structural funds			Positive - Active promotion of Codes of Good Agricultural Practice should be required for farmers receiving structural funds
Sustainable land use		Positive - Measures to promote conservation of landscape features should be promoted	Positive - Measures to promote conservation of landscape features should be promoted	Positive - Promote organic farming.	Positive - Measures to promote conservation of landscape features should be promoted
Enhance biodiversity			Positive - Enhancing biodiversity should be at the core of forestry measures	Potentially negative unless care is taken	
Environmental education		Positive - Continue training for farmers and land managers in countryside and environmental management		Potentially positive if opportunities taken e.g. eco-tourism	Positive - Continue training for farmers and land managers in countryside and environmental management
Community health		Positive - Promote the link between organic food, local production and community health			Positive - Promote the link between organic food, local production and community health
Environmental improvement			Positive - Potential for new woodlands on remedied land	Positive – need to promote businesses that can contribute to environmental improvement	

Table 5b - Priority 5 : Rural development and sustainable use of Natural Resources

Measure à Objective	6. Promoting local economic development	7. Countryside Management	8. Recreation & Environmental Management	9. Fisheries
Sustainable energy		Location and management of energy crops needs great care	Potential for tide and wind energy production	

Integrated transport		Promote links between Public Rights of Way, open access to the countryside opportunities and public transport		
Natural resources	Need to ensure careful use of natural resources	Promote water, energy, rescue management on farms. Promote organic farming.	Need to ensure proper consideration of resource issues	Negative - Must avoid over-exploitation of fisheries, and avoid intensive freshwater or coastal fish farms
Sustainable land use	Positive - Promote organic farming.	Positive - Promote organic farming.		
Enhance biodiversity	Potentially negative – need to ensure minimal impact on ecosystems	Positive - Promote species or habitat-specific conservation initiatives	Positive – Conservation issues should be included	Positive - Measures to promote coastal and marine conservation should be promoted
Environmental education		Positive - Promote best environmental practice via open days and demonstration farms.	Positive – Should include relevant environmental education	Positive - Promote environmental best practice for fisheries and aquaculture.
Community health		Positive - Promote the link between organic food, local production, and community health		
Environmental improvement	Positive – need to promote businesses that can contribute to environmental improvement	Positive - Remedy past damage to the countryside, freshwaters, and to the coast	Positive - Promote soft coastal defence works in context of integrated coastal zone management.	

Table 6 - Priority 6 : Strategic infrastructure development

Measure à Objective	**1. Transport**	**2. Sites and Premises**	**3. Energy**	**4. Environmental infrastructure**
Sustainable energy		Positive - Highest energy efficiency and conservation standards must be built into new premises	Positive - Energy infrastructure should promote efficiency measures and the generation of low-emission electricity	Positive - Infrastructure must promote the hierarchy of waste management which includes energy from waste.
Integrated transport	Positive - Promoting the implementation of integrated Local Transport Plans should be a priority	Positive - New business parks must be accessible by public transport, and cyclists	Positive - The use of LPG or other low emission fuels should be promoted	
Natural resources	Positive - Encouragement for public transport should have a positive effect on resource use. In contrast major new road construction will encourage traffic growth and use natural resources	Positive - New premises must incorporate water minimisation, and maximise use of recycled aggregates, and use locally sustainable sourced resources	Positive - Sustainable generation of energy, including renewables, low emission generation, and cleaning up conventional generation, should reduce negative impacts on natural resources	Positive - All projects must promote the sustainable use of natural resources
Sustainable land use	Any new construction must promote environmental best practice	Negative - Need to promote ecologically-led landscaping	Great care is needed that renewable energy developments do not damage landscapes	Positive - All projects must be consistent with sustainable land use
Enhance biodiversity	Positive - New construction must include measures for habitat creation and mitigation	Negative - Need to promote ecologically-led landscaping	Positive - Reduced emission will benefit biodiversity. New energy developments should avoid sensitive sites and include mitigation measures	Positive - All projects must be consistent with the promotion of biodiversity
Environmental education		Positive - Landscaping should include interpretative panels for wildlife features		Positive

Community health	Positive - Traffic reduction will benefit community health . Consider need for HIA	Negative - Business parks must be planned to minimise traffic, pollution, and waste	Positive - Low emissions should enhance community health. Community ownership of small-scale renewables should be promoted. Consider need for HIA	Positive - Environmental infrastructure should consider community effects at the outset - these should be positive
Environmental improvement		Negative - Use of brownfield sites should be encouraged	Positive - Renewable energy development should be targeted at brownfield sites	Positive - Environmental infrastructure should help to remedy past damage

Chapter 9 - Measures

9.1 Measures for Priority 1

9.1 .1 Measure 1- Financial Support for SMEs (ERDF)

9.1.1.1 Rationale

The essential factor in establishing or growing a business is the quality and commitment of the people involved. However, more can be achieved by such individuals, and more quickly, given an appropriately supportive environment. There are different aspects of such an environment but the most basic of these is finance.

Funds will be created to support start-up ventures, encourage the growth of indigenous SMEs and to attract new SMEs to the area. Funds should be established, wherever possible, on an evergreen basis, having no pre-determined life-span, and capable therefore of continuing, without further public support. Funds will allow potentially viable SMEs easier expansion by providing access to debt and equity capital which cannot be obtained from normal commercial sources. Emphasis will also be placed on building on and improving existing domestic programmes, such as those [provided under the umbrella of Business Connect.

The measure will not be restricted to support for loans funds. Small grant schemes to SMEs where loan finance is not a viable option (e.g. small tourism ventures) will also be available.

This measure seeks to ensure that Welsh SMEs with the ability and drive to grow and be successful, including community-based businesses, have access to appropriate finance from the earliest stages of a business idea through to the expansion of a viable business. Specifically it addresses:

- Lack of access to investment capital.
- Lack of access to a comprehensive and targeted broad range of grants and loans.
- Specific needs of SMEs in rural areas.
- Inability to expand beyond initial scale of business. Institutional equity capital is limited in the region with available funds invested in larger amounts and generally into larger companies than envisaged under this Measure.
- Support for innovative enterprises or projects which may not become profitable in the period for which loan finance is normally available. The development of new ventures/SMEs and development of sources of venture capital for high risk projects needs special attention in Wales
- Incomplete and inexperienced management teams. Historically projects have not been funded in the region because of venture capitalist concerns over the quality of the management teams within the local businesses.

Business development must be sustainable and where possible protect or enhance the natural environment and heritage of the region, while using these features to promote added value. Incentives to promote environmental management will be built into assistance packages where appropriate.

9.1.1.2 Aims and Objectives

- Improve the survival rate of businesses.
- Provide capital to investment funds (whether providing loan or equity) operating where market failure exists, including but not limited to high growth and technology based opportunities.
- Support the matching of private investors, whether institutional or business angels.
- Encourage the establishment of new ventures within the context of further and higher education.

9.1.1.3 Possible activities; support for an additional supply of finance, grants, loans and venture capital to Welsh SMEs, including micro businesses and sole traders; support to be available to expand the activities of existing funds and/or to establish new ones; 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; support to direct appropriate firms seeking investment to locate into the region

9.1.1. 4 Final Beneficiaries may include; the private sector, local auhtorities, national public sector bodies

This Measure will receive 15-20% of the resources allocated to the Priority

9.1.2 Measure 2: Promoting Entrepreneurship and Increasing the Birth Rate of SMEs (ERDF)

9.1.2.1 Rationale

The realisation of the overall objectives of this priority will depend to a significant degree on the region's ability to encourage the growth of new businesses in both the urban and rural areas and in higher added value growth sectors.

Wales has the lowest SME birth rate in the UK and the Objective 1 region has a lower than average business density. The main reasons for a low enterprise culture in the region have some grounding in the previous large scale employment opportunities provided by heavy industry and the public sector. To achieve a more enterprising region a stronger enterprise culture has to develop, with a support system which encourages entrepreneurial activity and removes barriers to new business formation. These changes must also be encouraged among existing businesses if they are to develop and become more competitive. Too many lack the skills or ambition to grow and this has severely blunted the growth potential of the indigenous SME sector; helping existing firms to become more entrepreneurial in approach will be as important as promoting higher start up rates. Entrepreneurship support for existing businesses must reflect the needs of these businesses as they seek to grow. This report must be accessible in terms of timing and location. Entrepreneurs are passionate about their work and advisors need to match the entrepreneur as individuals as well as matching their business requirements.

The Entrepreneurship Action Plan will provide a framework of action for

providing existing entrepreneurs with services that meet their need to allow

them to grow. A sustainable enterprise culture for the region will only be achieved if we address the issue with young people in formal and these issues will be addressed in measure 4.

It is also important to ensure that any early intervention tackles two key issues. Firstly that of gender balance and an early programme aimed at encouraging young women to consider setting-up their own enterprise. Secondly, that entrepreneurial activity is not the sole privilege of the well educated or academically successful but is available to all. The support mechanisms will offer a focused alternative to those who may not follow an academic route but may see self-employment or establishing their own enterprise as their future.

9.1.2.2 Aims and Objectives

- Provide a range of pre-start and start-up support which will promote equality of access for all business sectors.

- Support increased entrepreneurial activity in areas with low rates of business start up.
- Promote entrepreneurial behaviour among existing businesses.
- Support and assist the entry of young people into entrepreneurial activity.

9.1.2.3 Possible activities; provision of start-up accommodation and advice services; support for research and data collection aimed at the identification of local business opportunities and to support the dissemination of results; support to promote networks for new businesses, encourage sectoral clustering, encourage joint and corporate ventures and peer support; support for initiatives aimed at increasing the number of women and Welsh speakers who set-up their own business (including childcare support); support for youth enterprise action especially for the young unemployed.

9.1.2.4 Final Beneficiaries may include; private sector, voluntary sector, national public sector bodies, and local auhtorities

This Measure will receive 15-20% of the resources allocated to the Priority

9.1.3 Measure 3: Developing Competitive SMEs (ERDF)

9.1.3.1 Rationale

The development and continued growth of SMEs in the region should be supported by the provision of a co-ordinated and focused system of high quality business advice and support. Action is needed across a wide range of issues and must be offered in a way which engages the existing business sector. Part of the action required is to assist existing businesses through a culture change which will lead to improving standards, addressing the capacities of owner/ managers, increasing the level of co-operation and joint ventures, risk assessment and management and an improved understanding of local, national and international markets and how to access them. It will also be essential to strengthen the Welsh tourism brand in order to create a positive environment for SMEs in which they can become more competitive and move away from the low price culture prevalent in many parts of the industry. There is also potential to utilise the working methods of cultural industries to support innovation in product design and marketing across a range of different sectors.

Actions under this measure will also including encouraging more efficient resource use and less pollution and waste, recognising the marketing advantages for SMEs of producing products with environmental accreditation. The need for cultural change applies to both urban and rural areas in the region and will aim to pave the way to diversification and/or growth and the development of entrepreneurial behaviour amongst existing businesses.

9.1.3.2 Aims and Objectives

- Support a proactive, customer-led high quality business support service, including aftercare, to assist businesses individually or collectively to improve their turnover and profitability and enable them to employ more people.
- Promote research into identifying market gaps, market opportunities and

  high value added products and to disseminate the results.

- Promote activities which improve the marketing of regional products and enterprises, including contributing towards the creation of a strong tourism brand for Wales in external markets.

9.1.3.3 Possible activities; to promote the creation of supply linkages and industrial co-operation and local inter-trading; to promote business networking; to assist owner/managers to develop a greater understanding of the wider market; to promote and assist businesses to diversify and widen their commercial activity; support for initiatives which help firms promote exports; support for marketing initiatives promoting firms and products from the region; support for activities encouraging firms to utilise environmental best practice and to meet increased environmental standards.

9.1.3.4 Final Beneficiaries may include ; national public sector bodies, local authorities, private sector and voluntary sector

This Measure will receive 20-25% of the resources allocated to the Priority

9.1.4 Measure 4 - Promoting Adaptability and Entrepreneurship (ESF)

9.1.4.1 Rationale

This measure will increase the productivity and competitiveness of SMEs by increasing the skills, knowledge and adaptability of the workforce, promoting management development and entrepreneurial skills and encouraging in-work training. The focus will be on raising skills in SMEs but, exceptionally, training in larger businesses may also be supported where this is linked to training partnership arrangements with SMEs as part of cluster and supply chain arrangements. Emphasis will be placed on building demand driven solutions.

This measure will also support the modernisation of work organisation; help workers affected by industrial change or changes in productions systems; provide training support for business start-ups; and support initiatives in the context of the Entrepreneurship Action Plan to develop a more positive attitude towards enterprise amongst those in work and those involved in education and training

It is estimated that 25% of resources under this Measure will support entreprenuership actions, with the balance supporting workforce development.

9.1.4.2 Aims and Objectives

- Raise productivity and competitiveness in SMEs by updating and upgrading the knowledge, skills, competence and vocational qualifications of employees and employers, including higher level skills, ICT, basic and generic skills.
- Encourage and assist firms to develop their own training strategies and raise awareness of training levels among competitors.
- Encourage the development of clusters of SMEs to meet common training needs.
- Ensure that the development of entrepreneurship and management skills, alongside information technology capabilities, is a priority amongst SMEs in the region.
- Encourage a partnership approach to the modernisation of work organisation.
- Increase business start-ups through enterprise training.
- Raise the skills base and promote entrepreneurship within existing social economy businesses.
- Promote an understanding and appreciation of the opportunities offered by entrepreneurial activities among learners and educators alike.

9.1.4.3 Possible activities will include: action to update and upgrade employees' vocational skills, including basic skills; promoting effective ICT use amongst SMEs; identifying and meeting emerging skills shortages, including higher level skills; initiatives to encourage employers to invest in the development of their workers; sector/area/supply chain training initiatives; provision of careers information, guidance and counselling services for employees; capacity building for social partners linked to modernisation of work organisation; training of trainers, mentors and managers; specific skills training in marketing and exporting; support for SMEs in utilising graduate skills; helping employers to overcome employees’ childcare and dependant care difficulties; enterprise training to support business start-ups; encouraging entrepreneurship amongst graduates and other initiatives to encourage entrepreneurship of individuals and competitiveness of businesses.

9.1.4.4 Final Beneficiaries may include private sector, training organisations, volutnary sector, national public sector bodies, further education colleges, higher education institutions.

This Measure will receive 27% of the resources allocated to the Priority

9.1.5 Measure 5: Providing sites and premises for SMEs (ERDF)

9.1.5.1 Rationale

There is a shortage of the high quality sites and premises that are crucial to encouraging the establishment and development of a more diverse range of businesses. The measure will focus in particular on the development of clusters and incubator units to attract the newer industries and service sectors which are likely to bring higher income levels.

This measure will not be used in areas where the private sector can deal with the need. It will be used in areas of the region where the private sector will not generate the rate of return necessary to guarantee their involvement. This intervention is therefore seen as a pump-priming measure to attract the private sector into further future involvement. High quality premises will only be provided by the private sector once there is a market and it is the intention to use this measure to help create an active market for future investment.

Premises will be developed to high environmental standards, in locations with easy access to safe public transport, and include provision of childcare facilities and full access for disabled staff and customers and will provide links to business support services.

9.1.5.2 Aims and Objectives

- Provide a wide range of sites and premises to support the formation of

  indigenous enterprises, clusters and to attract new investment in the area.

- Provide sites and premises in key towns in urban and rural areas to encourage SME developments which can act as a "bridge" between the urban and rural communities in the region.
- Provide sites and premises which incorporate the most modern

  environmentally friendly technologies and techniques.

9.1.5.3 Possible activities; renovate and develop business sites for SMEs; provide appropriate premises for a full range of SMEs; ensure all sites and premises accord with the needs of disabled staff and customers.

9.1.5.4 Final Beneficiaries; include private sector, public agencies, local authorities, voluntary sector, training organisations and colleges.

This Measure will receive 15-20% of the resources allocated to the Priority

9.2 Measures for Priority 2

9.2.1 Measure 1: Information and Communications Technology (ICT) Infrastructure (ERDF)

9.2.1.1 Rationale

Digital technologies provide the nerve system of new economies driven by continuing advances in the ability to collect, store, retrieve, analyse and communicate vast quantities of information in a short time. Access to ICT networks will be affected by a wide range of factors including income and geography. The availability 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. It will also increase access to key services for groups, such as women and the disabled whose access to transport is very limited. This Measure will seek to bring the quality of infrastructure in the region up to the level of elsewhere in Wales and to give the region a competitive advantage by investing in the most advanced available technology.

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.

9.2.1.2 Aims and Objectives

- Increase the availability of public access points served by high-bandwidth connections.
- Increase coverage for mobile and digital telephones.
- Maximise the numbers of people living in the region with access to ICT

opportunities.

9.2.1.3 Possible activities; to provide two-way broadband communications, using leading edge technology, and thus effectively a high speed internet backbone to all parts of the region; to upgrade local exchanges to raise capacity; to support innovative actions to increase access to ICT in rural areas for communities and businesses.

9.2.1.4 Final Beneficiaries; may include local authorities, voluntary sector, private sector

This Measure will receive 10-15% of resources allocated under this Priority

9.2.2 Measure 2: To Stimulate and Support Demand for ICT (ERDF)

9.2.2.1 Rationale

The acquisition, analysis and use of knowledge will be the key to sustained competitiveness. Information and communication technologies will therefore need to be exploited to the full if the region is to achieve greater economic prosperity.

Stimulating the demand for ICTs is 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 (this last point being dealt with in Measure 4).

9.2.2.2 Aims and Objectives

- Enhance awareness-raising activities amongst SMEs.
- Stimulate demand by building local exemplars to demonstrate the benefits

  of the ICTs.

- Support the use of ICT in the development of solutions to key

environmental issues.

9.2.2.3 Possible activities; support for utilisation of ICT e.g. innovation technology counsellors; develop clusters of key activities around concentrations of expertise in key sectors; using technologies to benefit local communities as well as firms; support for the exploitation of opportunities of e-commerce and other innovative ICT applications; to support roll-out of known best practices; and build effective business information networks.

9.2.2.4 Final Beneficiaries may include; further and higher education bodies; national public sector bodies, local authorities and the private sector

This Measure will receive 20-25% of resources allocated under this Priority

9.2.3 Measure 3 - Support for the Development of Innovation and Research and Development (ERDF)

9.2.3.1 Rationale

Innovation, the successful exploitation of new ideas, is widely recognised as being the key to enterprise and enhanced competitive performance for a wide range of organisations, especially SMEs. The Wales Regional Technology Plan (RTP) provides a strategic approach to innovation in Wales, based on wide consultation and partnership and an evolving consensus. Its Action Plan published in 1996 and updated in 1998, outlines a series of long term actions to improve innovation capacity in Wales, around a framework of 6 priorities:

- A culture of innovation
- Global innovation and technology
- Supply chains and networks
- Education and training for innovation and technology
- High quality business and innovation support
- Readily available finance for innovation

This measure is based on the RTP framework and will apply across the whole programme area.

Among its objectives are the development of an integrated and comprehensive support infrastructure for business in Wales and the creation of an innovation culture in the region. Its evaluation undertaken in spring 2000, highlights some areas of achievements but identifies that many challenges remain.

One of the main challenges for Wales is to increase industrial investment in research and development, which is still the lowest of the UK mainland regions. By so doing Welsh companies will generate the new high value added, internationally tradeable products, processes and services which will create jobs and wealth in the twenty first century.

While expenditure by the business sector on R&D is low, the research institutions have a number of centres of excellence at the forefront of R&D and innovation activity, e.g. engineering, biotechnology. This measure will build on the successful work underway at HEIs and FE colleges and develop wider networks and leading edge research activity in the region to provide a world class technology support framework.

This will be largely a revenue measure, focused on modernising the businesses in the region, and supporting commercialisation of the knowledge base and development of new products, processes and services. Support will be provided for technology transfer and implementation eg through work undertaken at innovation, technology support centres and applied research centres based around key sectors/clusters, and through specialist consultancy and advice services such as Innovation and Technology Counsellors. Costs of equipping specialist centres could be covered here but the main capital expenditure will take place under Priority 1 or Priority 6 depending on the scale of the sites under development.

9.2.3.2 Aims and Objectives

- Embed a culture of innovation throughout the region for all sectors.
- Provide a comprehensive innovation and technology support infrastructure for business.
- Develop long term R and D capacity in the region.
- 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.
- Support the development of networks and clusters of technology based companies and allow further exploitation of research.
- Exploit the business opportunities provided by specialist ICT applications such as E-commerce and other digital technologies.
- Support the development of content providers for the new technologies.

9.2.3.3 Possible activities; support the management of science parks and innovation centres, technology centres and new media centres; support mentoring programmes for technology based businesses; support technology transfer and implementation programmes and identify and learn from international good practise; support for formation of new technology businesses including spin outs from academic institutions; incentives for companies to invest in and access funding for R&D; nurturing the growth of companies in new technology sectors; wider application of clean technologies (which could include emission controls, waste treatment, use of recyclate in products etc).

9.2.3.4 Final Beneficiaries may include; further and higher education bodies; national public sector bodies, local authorities and the private sector

This Measure will receive 35-40% of resources allocated under this Priority

9.2.4 Measure 4 - Skills for Innovation and Technology (ESF)

9.2.4.1 Rationale

This measure will underpin the action supported by other measures in this Priority. Support will be provided for higher level skills training (mainly at Levels 4 and 5), to strengthen the region's research and technological base. The result will be an upskilling of the innovation and technology base in West Wales and the Valleys which successful companies require in order to grow, increase productivity and market share. This in turn will improve the confidence and ability of individuals to be a part of the enterprise culture so essential to successful SME business. An widening of the skills base will require increased opportunities for groups, including women and people with disabilities, who have failed to secure high level qualifications in technology skills in the past.

The target groups for this measure will be owner/managers, managers, the current and potential workforce of small firms, trainers and commercial managers, including those from excluded groups. Specific emphasis will be placed on targeting groups which have been traditionally underactive in these fields. Although the focus is on SMEs, a number of companies in the region are small subsidiaries of larger companies owned outside the region. These are vulnerable and require assistance if the region's economic base is to thrive and develop.

9.2.4.2 Aims and Objectives

- Develop higher level skills, especially in science, technology and innovation management.
- Increase the ICT skill base in the region through training programmes that cover a wide range of different levels by targeting groups within firms and by up-grading teacher and trainer skill levels through initiatives such as industry placements.
- Widen the skills base for technology industries across the region.
- Stimulate the awareness of innovation in young people
- Develop the capacity of the region to deliver technological, scientific, creative, marketing and innovation skills.

9.2.4.3 Possible activities; placements of researchers into industry; placements of SME staff into research establishments; graduate retention programmes, innovative high level skills training targeted to meet the needs of growth companies; development and delivery of high level skills to support the increased use of clean technologies; customised high level training developed in partnership with sectoral clusters; high level skills training to support research and development of innovative ICT; higher level skills programmes aimed at women and people with disabilities.

9.2.4.4 Final Beneficiaries may include; further and higher education bodies; national public sector bodies, local authorities and the private sector

This Measure will receive 13% of resources allocated under this Priority

9.2.5 Measure 5 - Clean Energy Sector Developments (ERDF)

9.2.5.1 Rationale

In the context of sustainable development, improvements to the region's energy efficiency and increasing the production of clean energy play a vital role. In the longer term, the emphasis must be on introducing cleaner methods of energy production and on reducing energy consumption by better use of energy saving technologies which can both reduce environmental damage and promote economic growth in more peripheral areas. Clean energy production and associated sector developments require initial pump priming before they can achieve commercial success. In addition, the contribution to sustainable development of encouraging the growth of environmentally focused industries, for example 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.

9.2.5.2 Aims and Objectives

- Support research into and encourage the installation and use of local high efficiency and clean electricity production plants.
- Stimulate further energy conservation and energy efficiency efforts in all sectors.
- Mitigate the increase in carbon dioxide emissions arising from growth in GDP by encouraging use of cleaner energy technologies.

9.2.5.3 Possible activities; support for recycling schemes and other environmental best practice technologies;

prorogation of environmental management good practice; development of exemplar projects; research into energy efficiency measures; pump-priming support for the exploitation of renewable or other clean energy sources; strengthening the clean energy R and D base in companies and universities; support for the development of the environmental goods and services sector.

9.2.5.4 Final Beneficiaries; include private sector, public agencies, local authorities, voluntary sector, training organisations, universities and colleges.

This Measure will receive 10-15% of resources allocated under this Priority

9.3 Measures for Priority 3

9.3.1 Measure 1: Community action for social inclusion (ESF)

9.3.1.1 Rationale

Community based groups have direct access to people who are most at risk from social exclusion or those who suffer from inequality of opportunity. These groups, either on their own or working in partnership with others, will be able to deliver training and activities in a way which is perceived as relevant and accessible by those people.

This measure will support "bottom-up" community-led and community-managed strategies that provide a way for the excluded to join in economic and social renewal. In particular this measure will support training through ESF funded actions amongst groups who too often play a limited role in community development. By providing targeted support and training to assist communities and voluntary groups to develop their own first-stage solutions to tackling the causes of exclusion and provide support for excluded groups and improving their access to employment.

9.3.1.2 Aims and Objectives

- Equip people and communities with the skills to combat social exclusion and to develop, support and implement strategies and actions aimed at increasing the employability of excluded people.
- Equip people and community organisations with the skills, tools, confidence and back-up resources to develop and sustain equal partnerships with statutory agencies in their areas.
- Develop and encourage use of community advice and information services.

9.3.1.3 Priority actions may include; support for skills training for community representatives on partnership groups, support for the development of community training plans and teams aimed at providing confidence building, especially for excluded groups; to provide people who experience social exclusion with opportunities to acquire skills and abilities that will increase their employability through personal development, informal learning, and training;

9.3.1.4 Final Beneficiaries; may include voluntary sector, community groups, Training Institutions, local authorities

This Measure will receive 13% of resources allocated under this Priority

9.3.2 Measure 2: Partnership and Community Capacity Building (ERDF)

9.3.2.1 Rationale

Voluntary and community sector members of local partnerships, and the organisations with which they relate, should have access to resources and capacity building services that are not determined by other members of the partnership. Local partnerships, particularly in the earlier stages of the programmes, may not identify or involve all relevant organisations, and some local groups may be excluded or may be unable to engage with the process. Third sector organisations are still inadequately understood by other sectors in some areas, and innovative ideas may need direct access to dedicated resources to test out and prove their efficacy before local partnerships recognise their contribution and involve the organisations concerned;

This measure will build the capacity of individuals and groups from all backgrounds, 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.

It will also support organisations that provide professional or technical expertise to community groups operating in the more deprived areas and the training and deployment of skilled community development workers. This support can help these groups to develop and implement plans for regenerating their locality, spreading best practice throughout the programme area and minimising the unnecessary duplication of specialist advice. Resources will also be made available to encourage the exchange of good practice between community groups in the programme area.

9.3.2.2 Aims and Objectives

- Equip agencies to work with communities and partnerships to place communities at the centre of regeneration initiatives.
- Support the work of agencies who provide a catalyst for community-centred development.
- Combat social exclusion and poor health in deprived and marginalised communities by supporting actions which encourage people to get involved in their communities; build self esteem and promote healthier lifestyles.

9.3.2.3 Priority actions will include support for capacity building to assist groups who too often play a limited role in community development, women, ethnic minorities and the disabled. To provide people facing social exclusion with opportunities for social re-engagement and participation in mainstream economic, social, and environmental activities;

9.3.2.4 Final Beneficiaries will include voluntary sector, community groups, Training Institutions, local authorities.

This Measure will receive 15-20% of resources allocated under this Priority

9.3.3 Measure 3: Regeneration of deprived areas through community-led action (ERDF)

9.3.3.1 Rationale

This measure will support actions that address the specific needs of local communities - as identified by those communities. The activities proposed should be determined and implemented by groups that are representative of the locality but within a strategic framework established and agreed by the local partnership covering the relevant area.

Community partnerships will be supported in implementing action that helps remove barriers to participation for whole communities or groups within them, including those arising from inequalities in health, lack of childcare or elder care facilities or geographical remoteness. Actions that provide integrated solutions to different aspects of economic and social disengagement will be encouraged.

9.3.3.2 Aims and Objectives

- Encourage Participation of local people in a wide range of community activities will be encouraged as a step towards future economic engagement.
- Support community led initiatives which help address local economic, social or environmental problems and their underlying causes.
- Support community led projects which help improve the local physical environment and provide openings for future economic development.
- Support community led projects which widen access to mainstream services in marginalised communities.

9.3.3.3 Priority Actions include: the provision of facilities within the community to allow a range of community actions and provide links to the labour market such as accessible training, employment resource and advice centres. This may include improved access to Information and Communications Technology; improved community services which contribute to the greater involvement in community life of excluded sections of the population; support for physical and environmental improvements, new buildings, services or facilities, or improved business facilities, anti-crime initiatives and arts, cultural recreation activities which help tackle disaffection and social exclusion.

9.3.3.4 Final Beneficiaries will include national and local voluntary sector and community organisations, LEADER groups, local authorities, national public bodies, training organisations and the social partners.

This Measure will receive 45-50% of resources allocated under this Priority

9.3.4 Measure 4: Support for the Creation and Development of Businesses in the Social Economy (ERDF)

9.3.4.1 Rationale

Businesses in the social economy can be the best placed direct providers of a range of services, involving local people in providing local solutions. This measure will help to raise awareness about the contribution that social economy organisations, including credit unions, 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. Social economy organisations can play a particularly important role in helping women and other people who have traditionally been excluded to secure access to local employment opportunities. The measure will entail the provision of both revenue and capital support.

This measure will support the creation or enhancement of community businesses and other organisations in the social economy that contribute directly to raising the skills base, create or safeguard employment, sustain economic growth or provide services of social or economic significance to enhance the quality of life in deprived and/or peripheral communities.

9.3.4.2 Aims and Objectives

- Develop new businesses within the social economy.
- Encourage sustainable growth in employment and income among businesses within the social economy.
- Provide business advice for social economy organisations that increase employment or provide economic benefits.
- Provide communities with access to alternative finance.

9.3.4.3 Possible actions; provide community bodies with alternative routes for accessing finance where mainstream financial services are not sufficiently flexible to meet their needs. Examples are Credit Unions, Community loan funds and LETS; support for the provision of specialist business advice to social economy organisations and promote initiatives that encourage the exchange of best practice between social businesses.

9.3.4.4 Final Beneficiaries will include national and local voluntary sector and community organisations, LEADER groups, local authorities, national public bodies, and the social partners.

This Measure will receive 20-25% of resources allocated under this Priority

9.4 Measures for Priority 4

9.4.1 Measure 1 : Active Labour Market Measures (ESF)

9.4.1.1 Rationale

This measure will include action to prevent people slipping into long-term unemployment. It will also help young people to make a successful transition from education into work and will help long-term unemployed and economically inactive people into employment. This measure will build on existing policies and programmes for helping people into or back to work, including the JSA job plan arrangements; the New Deal; Employment Zones; and training and apprenticeship schemes for young people and the long-term unemployed. It will work towards ensuring that employability support for unemployed men and women starts as soon as an individual becomes unemployed and intensifies as the duration of unemployment lengthens.

9.4.1.2 Aims and Objectives

- Support the re-integration of the long-term unemployed and economically inactive into the labour market.
- Assist the transition and integration of young people into the labour market.
- Prevent long-term unemployment by providing pathways to employment for those recently unemployed or about to become unemployed.

9.4.1.3 Possible activities; **Possible activities** will include the strengthening of links between education and business; mentoring; the development of integrated advice, assessment, guidance and counselling services, including systems for the early identification of people at risk of moving into long-term unemployment or inactivity; job-search programmes and information on careers and learning opportunities; improving employability and the enhancement and improvement of basic and generic skills; motivational skills; pre-vocational and vocational skills acquisition programmes; apprenticeship programmes; job support and employment aids; work trials; support for unemployed people to set up their own businesses; and actions to support mobility and flexibility amongst job seekers.

4. **Final Beneficiaries** will include the Employment Service; the Voluntary Sector and Community Groups; Local Authorities; Further and Higher Education Institutions; the Careers Service; Training and Enterprise Councils; Trade Unions; the private sector.

Approximately 50% of the resources allocated to this measure will support preventative actions, with the balance supporting curative actions.

This Measure will receive 30-35% of resources allocated under this Priority

9.4.2 Measure 2 : Social Inclusion (ESF)

9.4.2.1 Rationale

This measure will aim to reduce the impact of disadvantage faced by excluded groups and support their integration into the labour market. It will support the development of both preventative and active policies. Target groups will include disabled people; ethnic minorities; young people with learning difficulties; returners to the labour market; lone parents; older people; disaffected people; people with basic skill needs and other excluded groups identified in the UK Policy Frame of Reference. Additionally, this measure will 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. The emphasis will be on developing local responses to local needs and tailored/individualised packages of assistance. A sub-measure under this measure will provide for targeted support under Social Risk Capital arrangements.

9.4.2.2 Aims and Objectives

To help targeted groups to :-

- Access advice, guidance and support services.
- Access work experience and formal and informal training opportunities related to improving employability.
- Receive tailored/individualised packages of assistance aimed at overcoming barriers to employment.
- Retain or enter paid/unpaid employment / self-employment.
- Develop new ways of engaging disaffected young people (pre or post 16) with activities promoting good citizenship, learning and employability.

9.4.2.3 Possible activities will include measures to attract under-represented groups into learning and employment support; out-reach work and confidence building activities; strengthening access to advice, guidance and support services; formal and informal training opportunities related to employability; intermediate labour market measures; integrated projects to engage disaffected people or those at risk of disaffection; projects to improve the employability of target groups, including childcare and dependants care; innovative approaches to helping disabled people and people from ethnic minorities; awareness raising actions for employers and trainers.

Local groups, including voluntary sector and community groups, will have simple and rapid access to ESF support through Social Risk Capital arrangements (Article 4(2) of the ESF regulation) to develop projects combating social exclusion. In addition to the above, these might include special action to facilitate the integration of young people, the long-term unemployed and others returning to the labour market through engagement actions; labour market entry programmes; and awareness raising actions for employers and trainers. At least 1% of the ESF programme budget will be made available to support action under social risk capital arrangements. Further information is provided in the Implementation Chapter.

9.4.2.4 Final Beneficiaries will include the Employment Service; the Voluntary Sector and Community Groups; Local Authorities; Further and Higher Education Institutions; the Careers Service; Training and Enterprise Councils; and, from 2001, the National Council for Education and Training for Wales.

This Measure will receive 20-25% of resources allocated under this Priority

9.4.3 Measure 3 : Lifetime Learning for All (ESF)

9.4.3.1 Rationale

This measure seeks to widen participation in lifelong learning. It will be targeted at individuals, particularly those who have only limited access to learning opportunities at the workplace, and will help them to develop the vocational and transferable skills required to improve their employability. It will support the National Learning Strategy for Wales set out in the *Learning is for Everyone* Green Paper and the *National Targets for Education and Training* which have been endorsed by the National Assembly. There will be a particular focus on the development of basic and ICT skills and the development of transferable skills. It will also support the development of new quality systems, including a single credit based qualifications framework, which recognise and support informal and non-accredited learning and support progression.

9.4.3.2 Aims and Objectives

- Support the development of a culture of lifelong learning in West Wales and the Valleys and to increase and widen participation in learning.
- Increase access to information and guidance services on learning.
- Equip all with the basic skills and confidence to continue learning.
- Increase, develop and support lifelong learning initiatives aimed at developing vocational and generic skills, including ICT.
- Improve the planning and delivery of lifelong learning and to develop better integration between different methods of delivery and particular points of transition.
- Upgrade the capabilities of practitioners to deliver lifelong learning opportunities to all.

9.4.3.3 Possible activities will include the development of all-age advice, guidance and counselling services; the development of partnerships at local and regional levels to improve the planning and delivery of learning; the extension of community based learning and the development of family learning initiatives; the extension of vocational and generic skills training, including ICT and basic skills, taking account of local skills needs and the most appropriate medium of delivery; initiatives which encourage individuals to take greater responsibility for their own learning; activities which integrate public, private, voluntary and community provision to widen access to learning support; outreach arrangements; development of a single credit-based qualifications framework; measures which take maximum advantage of new technologies and ICT for the delivery of learning; actions which widen choice and levels of participation for targeted groups by overcoming barriers to learning; initiatives which improve access to learning for people with caring responsibilities; environmental education and environmental skills training; initiatives which increase participation in equal opportunities training; and measures which upgrade the capabilities of lifelong learning practitioners to deliver lifelong opportunities for all.

9.4.3.4 Final Beneficiaries: will include the Employment Service; the Voluntary Sector and Community Groups; Local Authorities; Further and Higher Education Institutions; the Careers Service; Training and Enterprise Councils; National Training Organisations; Trade Unions; the private sector and, from 2001, the National Council for Education and Training for Wales.

This Measure will receive 20-25% of resources allocated under this Priority

9.4.4 Measure 4 : Improving the Learning System (ERDF)

9.4.4.1 Rationale

This measure will extend access to learning by upgrading learning; teaching and learner support facilities; develop a range of flexible learning systems; support the development of learning partnerships and networks and develop outreach learning opportunities in areas of low participation. It will build on initiatives such as those which support community access to lifelong learning under the *New Opportunities Fund* and the *Capital Modernisation Fund.*

9.4.4.2 Aims and Objectives

- Promote and extend access to learning opportunities, particularly in peripheral areas.
- Take full advantage of ICT developments in extending access to learning and to develop a range of flexible learning delivery media.
- Develop outreach learning opportunities in areas with low participation rates.
- Upgrade learning, teaching and learner support facilities, including colleges, universities, guidance centres; adult education centres and work based training facilities, so as to improve and extend access to learning.

9.4.4.3 Possible activities will include providing ICT based and ICT enhanced learning facilities; exploiting the potential of the internet as a learning resource; childcare facilities for learners; providing integrated learning facilities for disabled learners; providing innovative learning solutions for isolated, older or discouraged learners; improving learning opportunities in rural areas and isolated communities; upgrading learning and teaching facilities to improve and extend access to learning; development of new training facilities.

9.4.4.4 Final Beneficiaries will include the Employment Service; the Voluntary Sector and Community Groups; Local Authorities; Further and Higher Education Institutions; the Careers Service; Training and Enterprise Councils; National Training Organisations; Trade Unions; the private sector and, from 2001, the National Council for Education and Training for Wales.

This Measure will receive 14% of resources allocated under this Priority

9.4.5 Measure 5 : Improving the Participation of Women in the Labour Market

9.4.5.1 Rationale

This measure will support action to improve access to learning and remove barriers to employment. There will be a particular focus on increasing access to affordable childcare; support for women returners to the labour market and addressing job segregation issues.

9.4.5.2 Aims and Objectives

- Increase the level, accessibility, affordability and range of provision of childcare facilities in the community and at the workplace.
- Improve access to training, education and employment opportunities.
- Improve regional competitiveness through a more efficient labour market.
- Promote measures to balance work and home responsibilities.
- Reduce job segregation.
- Reduce pay differentials in equivalent jobs between men and women.

9.4.5.3 Possible activities will include increasing the level, accessibility, affordability, quality and range of provision of childcare and dependants care facilities in the community and at the workplace; increasing access to training and education and removing barriers to employment and self-employment; support for women entrepreneurs; training in non-traditional occupations; raising awareness of and promoting family- friendly and carer- friendly policies; measures to reduce job segregation; measures to improve women’s career progression and access to higher level positions;

9.4.5.4 Final Beneficiaries will include the Employment Service; the Voluntary Sector and Community Groups; Local Authorities; Further and Higher Education Institutions; the Careers Service; Training and Enterprise Councils; National Training Organisations; Trade Unions; the private sector and, from 2001, the National Council for Education and Training for Wales.

This Measure will receive 5-10 % of resources allocated under this Priority

9.4.6 Measure 6 : Anticipation and Analysis of Skill Needs

9.4.6.1 Rationale

This measure will build on the *Future Skills Wales* study and support analysis of current and future skill needs at a regional; local; sectoral and organisational level to strengthen strategic business planning. It will inform the development of the Objective 1 Programme by providing a regular flow of information about the skills available in the workforce; the training needs of the employed and the re-skilling needs of the unemployed; and the demand for skills by business. This is essential to developing training and integration opportunities which meet the needs of individuals and employers and which help businesses to adapt to change. This measure will also support research into equal opportunities and social exclusion in the labour market.

9.4.6.2 Aims and Objectives

- Improve the supply of skills information.
- Encourage a culture of strategic business development and skills analysis and planning within and between organisations.
- Develop ways to better balance the supply and demand for skills.
- Understand the underlying causes of inequality and exclusion in the labour market.

9.4.6.3 Possible activities will include: additional research into specific skill needs areas, such as ICT; up-dating and refining skill-needs forecasts; developing ways to better balance the supply and demand for skills; research into ways in which employers might better meet the skills needs in their sectors and become more competitive; developing the capacity of employers, community and voluntary groups to identify skill needs; research into equal opportunities issues, including those relating to pay, part-time work, entrepreneurship, segregation, promotion and discrimination in employment: research into new, integrated and effective ways of delivering training, employment opportunities or services which will better meet the needs of employers and individuals, with a particular emphasis on meeting the needs excluded groups; and dissemination of research outcomes.

9.4.6.4 Final Beneficiaries: will include the Employment Service; the Voluntary Sector and Community Groups; Local Authorities; Further and Higher Education Institutions; the Careers Service; Training and Enterprise Councils; the Wales Skills Task Force and Skills Unit; National Training Organisations; Trade Unions; the private sector and, from 2001, the National Council for Education and Training for Wales.

This Measure will receive 1-5% of resources allocated under this Priority

Measures for Priority 5

9.5.1 MEASURE 1 : PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS (EAGGF)

Rationale

9.5.1.1 In line with the Strategic Action Plans for key agricultural sectors developed as part of the Wales Agri-Food Strategy, support will be given to investment to facilitate the improvement and rationalisation of the processing and marketing of agricultural products, thereby contributing to the objectives of increasing competitiveness and added value of such products.

9.5.1.2 Support will be granted to those persons ultimately responsible for financing the investment in enterprises and only where economic viability can be demonstrated and minimum standards regarding the environment, hygiene and animal welfare are complied with. Investment must contribute to improving the situation of the basic agricultural production sector in question. It must guarantee the producers of such basic products an adequate share in the resulting economic benefits and sufficient evidence must be shown that normal market outlets for the products concerned can be found. Support under this measure can include a range of capital and revenue items. Investment in fisheries is excluded under this sub-measure as is investment at the retail level and investment in the processing or marketing of produce from third countries.

9.5.1.3 In 1998, the Welsh Office commissioned a study to develop Strategic Action Plans for the key sectors in Wales - lamb and beef, dairy and organic. The Plans, which were published in March 1999, reviewed the current state of each sector, evaluated its strengths and weaknesses and set out key strategic objectives and action points to develop each sector and to boost the rural economy. The development of the added value processing industry in all three sectors (and in the alternative sectors listed later in this measure) is a key factor in the successful delivery of the Plans and the proposals for action under this measure echo the recommendations of these Plans.

Operational Proposals

9.5.1.4 The delivery of the three Strategic Action Plans, known collectively as the Agri-Food Strategy, has been charged to the Welsh Development Agency, advised by the Wales Agri-Food Partnership and its four regional groups.

9.5.1.5 Sectoral Aims

The main aims for the three key sectors are:

- **Lamb and beef -** to help farmers and the related meat industry in Wales to develop profitable and sustainable markets for Welsh lamb and beef;
- **Dairy -** to improve the performance of the dairy industry and enhance its contribution to the rural economy and rural life in Wales;
- **Organic -** to establish the key role of organic agriculture in implementing farming and environmental policies in Wales. Additionally, to expand the Welsh organic sector by increasing production of existing and new businesses and to exploit fully the growing market opportunities that exist in Wales, the UK and world wide.

9.5.1.6 Sectoral Objectives and Actions Proposed

- **Lamb and beef**
- To differentiate Welsh lamb and beef products in the market so that they compete more on quality and less on price;
- To strengthen the added-value supply chain;
- To develop an integrated approach to improving the quality and cost-efficiency of primary on-farm production.
- **Dairy**
- Improving Marketing;
- Maximising the Performance of Processors;
- Maximising the Performance of Milk Producers;
- Improving the Information Base of the Industry.
- **Organic**
- Increasing the supply of organic produce from Wales;
- Developing markets for Welsh organic produce;
- Addressing specific problems facing the organic sector.

Proposed actions are:

- **Marketing of quality agricultural products**

Adding value and improving the marketing of agricultural products is a key method of increasing returns for farmers. There are opportunities to add value to basic agricultural commodities including speciality food, novel, industrial crops and livestock.

Proposed actions include: assisting collaboration between producers to market products which are produced to a defined quality specification; promoting Welsh food; developing stronger links within the food chain, for example forming a market intelligence network for a quality product sector; developing and marketing of organic products; speciality foods (including the use of an EU protected name); regional/local branding of products; development and establishment of farmers' markets or other national or local marketing schemes such as box schemes; quality assurance schemes to include aspects such as traceability; hygiene (e.g. Hazard Analysis Critical Control Points Systems and welfare standards); development of new innovative products; and creation of new markets for existing quality products.

- **The Processing and Marketing Grant Scheme**

It is proposed to introduce a new scheme within the Objective 1 area to replace the Processing and Marketing Grant scheme which operated under EC Regulation 866/90 until 31 December 1999. This will improve the agricultural processing and marketing infrastructure by providing capital grants for the construction of new buildings, the refurbishment of existing buildings and the purchase of new equipment.

9.5.1.7 Potential New Areas for Development

The National Assembly is also working to identify other sectors where there is the potential for sound economic development of the agriculture industry in Wales. Initial scoping studies have been undertaken into the opportunities offered by the speciality food sector, horticulture, aquaculture (including freshwater fishing) and alternative crops. The outcome of these will be used to inform decisions on priorities for future development. The activities will also aim to increase the active involvement in processing and marketing activities by women and thus a higher take up of relevant grants.

Work has already commenced on the development of the speciality food sector and it is envisaged that support for processing and marketing activities will mirror those set out for the three key sectors above.

With the exception of aquaculture, which is funded under the Financial Instrument for Fisheries Guidance (see Measure 8), the development of these sectors could be supported under Objective 1. Although proposals are in their very early stages, it is likely that assistance specifically for processing and marketing activities would cover construction of suitable processing and storage facilities, upgrading of existing facilities to raise environmental standards and quality of the final product and developments to meet a specific demand in the market, or to take advantage of a new niche product opening.

9.5.1.8 Links to Rural Development Regulation

Activities in this area are covered by Articles 25 to 28 of Council Regulation 1257/1999.

This Measure will receive 20-25% of resources allocated to the Priority

9.5.2 MEASURE 2: TRAINING: SERVICES TO HELP FARMING ADAPT AND DIVERSIFY (EAGGF)

9.5.2.1 For most farming families in Wales within the Objective 1 area there is a need to improve business efficiency and competitiveness. This includes providing services to address business planning and analysis of production costs. If farming families are to adapt successfully and become more market orientated help is needed to:

- Develop skills to manage and develop their businesses, and to diversify;
- Adopt best practice, including environmentally friendly farming techniques; and
- Take informed decisions about their future and the career options facing family members both on and off farm.

9.5.2.2 There is a need to develop a greater coherence in research and development, technology transfer, training and information and advisory services. This needs to be implemented under the umbrella of Business Connect. The Agri-food partnership has formed a Farm Development Strategy Group to explore the way forward. This group will in particular examine (and implement where required):-

- how an all Wales network of demonstration farms can be established to disseminate best practice;
- how services can be expanded to ensure that life time learning becomes a reality in the farming sector; and
- how centres of expertise can be sustained and developed to drive the agenda forward.

9.5.2.3 Training: Technology Transfer

Support will be given to training related to innovative infrastructure items such as IT links and networks. It will be directed at the development and improvement of skills connected with the development of agriculture and the broadening of the economic base of farming households. This will ensure that there is a network of demonstration farms linked to appropriate support services for farmers. Additionally, there will be a need to ensure that Centres of Excellence are established for specialist development.

9.5.2.4 Training (especially in business and IT skills)

Support will be given to highly targeted training which can contribute to the improvement of occupational skills and competencies of farmers and other persons involved in the agriculture and forestry industries. This may include the provision of specific incentives to encourage farmers to take up specific training, provided in Welsh or English as appropriate. This will complement the wider training activities undertaken under Priority 4, which remain available to those engaged in the agriculture and forestry (and ancillary) industries.

Training will be targeted on the acquisition of business and IT skills and in particular will be designed:

- To prepare farmers for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of skills needed to enable them to manage an economically viable business; and
- To prepare forest holders and other persons involved with forestry activities for the application of forest management practices to improve the economic, ecological and social functions of forests and woodlands.

There is a need to develop an integrated approach to the delivery of training through local providers, demonstration farms and centres of excellence, co-ordinated by umbrella organisations such as LANTRA. Such training must be provided to a recognised standard and follow a structured programme.

Proposed training areas include:-

a) Agriculture - Preparation for qualitative reorientation of production, Animal welfare, Acquisition of skills for viable farm management, Environmental Management, New Entrants to the Industry, New enterprises, Organic Farming, Diversification – on and off farm, Food production, Marketing and Succession planning;

b) Forestry - Establishment, Sustainable Management, Harvesting, Adding Value;

c) Biomass and Energy Crops - To include training related to sustainable production, harvesting and marketing.

9.5.2.5 Training: Information and Advice

One of the key barriers to farmers improving their businesses or diversifying is access to information covering the range of options which is available to them. There is a plethora of information available which needs co-ordination and cohesion. A need has been identified to establish coherent networks for the delivery of advisory services designed to improve business efficiency and product quality linked to demonstration farms and appropriate research and development establishments.

Proposals will be targeted at:-

- Assisting in the reduction of production costs, and improving and re-deploying production – in both cases through training, dissemination of information, and consideration of a Farm Review Scheme;
- Action to improve the quality and relevance of information and advisory services to farmers;
- Developing specialist management services to ensure successful implementation of new projects;
- Encouraging the further development of machinery rings and labour pools;
- Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes;
- Support for wider pluriactivity opportunities in service and manufacturing industries;
- support for novel crops and livestock enterprises, re-use of redundant farm buildings, new non-agricultural activities;
- Biomass/alternative crops. Provision for establishment /development grants and advice; and establishment of support groups; and
- Implement the findings, where appropriate, of the alternative sector studies.

9.5.2.6 Training: Business Development

The Welsh Agri-food Strategy is targeted at moving the Welsh agri-food industry into the quality end of the market where Welsh products will attract a premium price and provide the maximum potential return for all in the industry including farmers. To do this it is essential to improve the quality of Welsh output by producing to the best possible standards. Some of this has been embarked upon under the previous Objective 5b programme and it is essential to build on this with further development work in the area of training and awareness related to farming and forestry activities, to include:

- specific actions to address particular breed and animal health problems that are of particular concern to Welsh farmers;
- animal, grassland and crop production techniques designed to improve business efficiency, competitiveness and business quality;
- Preserving and improving the natural environment, hygiene conditions and animal welfare standards;
- Promoting awareness of possible diversification of farming activities both on and off farm;
- Development of the biomass and alternative crops sector to include miscanthus and other renewable crops to include complementary initiatives associated with energy conservation and combined heat and power; and
- Environmental management techniques to include organic farming.
- Increase take-up of agri-food related training by women

9.5.2.7 Links to Rural Development Regulation

Activities in this area are covered by Article 9 of Council Regulation 1257/1999.

This Measure will receive 15-20% of resources allocated to the Priority

9.5.3 MEASURE 3: FORESTRY (EAGGF)

9.5.3.1 Support for forestry in the context of this SPD should concern one or more of the following measures.

- Multi purpose woodlands (including those complementary to agriculture, agro-forestry, recreation, shelter belts etc.);
- improvement and rationalisation of harvesting, processing and marketing and the promotion of new outlets for forestry products;
- establishment of associations for forest holders as support groups;

9.5.3.2 Contribution to rural development within the Objective 1 area

Support available under this measure will contribute to the achievement of the following rural community objectives:

- Encouragement of the sustainable use of resources;
- Added value to timber creating additional employment;
- Creation of opportunities for renewable energy production;
- Diversification of income sources within the rural community; and
- Creation of links within the rural community for wildlife and landscape benefits associated with tourism and recreation.
- Creation of opportunities for women to develop skills in all aspects of forestry management

A new Wales Woodland Strategy is in preparation. There may be a need to adjust the emphasis of some of the actions proposed for this measure, in the light of the final strategy which emerges.

9.5.3.3 Activities

The potential for development within the forestry sector can be considered in relation to:

a) Woodland management

Well managed and better designed forest achieved through restructuring, will improve the quality of woodlands and bring opportunities for rural employment reduce fire risk, and bring benefits to the tourist industry and to the communities which they adjoin.

b) New woodlands

Plantation of new woodlands on non-agricultural land which are in sympathy with the environment will support the rural economy and provide future economic, environmental or social benefits. New woodlands provide a complementary land use with benefits for the agriculture sector (such as agro-forestry, shelter belts around field margins and the creation of key woodland / tourism links) and are an important landscape alternative for ex-mineral and land regeneration sites.

c) Harvesting, Processing and marketing

Support will be targeted at:

- Mechanisms to assist in reducing the capital costs of harvesting machinery and improving access within woodlands;
- developing supply chains between businesses to ensure a sustainable added value wood based industry in Wales;
- the provision, where justified, of processing facilities for timber and timber products;
- developing a sound "adding value" SME business framework near to woodlands and rural communities and creating employment as demand increases;
- Supporting and developing marketing initiatives including generic promotion and sustainable local processing to ensure that a wider range of income sources can be exploited

d) Energy production

- The generation of energy from wood fuel resulting from silvicultural operations and adding value through the development of production integrated with large/small scale generating plants embedded in the local infrastructure, which could potentially be funded through ERDF under Priority 6 Measure 4.
- Previous support for the establishment of Short Rotation Coppice (SRC) is due to cease on 31 March 2001. Future support is available under Article 31 of the Rural Development Regulation through the Rural Development Plan. Further funding may include support for the establishment of processing plants and for the production of SRC as part of an integrated processing strategy. Support for the development of biomass crops will be made available under Objective 1 as an Article 33 measure (see Measure 4).

There are a number of grant schemes which may be utilised to deliver the actions described above, including Woodland Improvement Grants, Annual Management Grants, Standard Establishment Grants and the Farm Woodland Premium Scheme.

9.5.3.4 Links to Rural Development Regulation

Activities in this area include those covered by Articles 29, 30 and 32 of Council Regulation 1257/l999.

This Measure will receive 20-25% of resources allocated to the Priority

9.5.4 MEASURE 4: PROMOTING THE ADAPTATION AND DEVELOPMENT OF RURAL AREAS (EAGGF)

9.5.4.1 Rationale

Rural communities are living and working environments that provide livelihoods and which can make a significant contribution to the economy of Wales as a whole. However, many are disadvantaged simply because of their remoteness from the main population centres. Their viability is being threatened by the demise of essential local services such as the village shop and post office, healthcare provision and recreational amenities. Where agriculture and tourism are dominant in the local economy, average wage levels can be relatively low and employment may be seasonal. Out-migration of younger people is leaving behind an imbalance in the population structure. The National Assembly’ s [draft] strategic plan, published on 24 January, recognises the problems facing rural communities and reinforces the need to build a strong, sustainable and modern rural economy across all parts of Wales.

This measure capitalises on one of Wales' strengths; the vibrancy and resourcefulness of its rural communities. They can provide a springboard for economic regeneration and a solid foundation for maximising the potential of the areas' cultural and social way of life. The measure aims to harness, enhance and nurture the wealth of community skills, knowledge and ideas available in every rural community through the development of projects and strategies that address local needs. These will focus on creating a sustainable future for rural communities in Wales by encouraging diversification of the economic base, reducing the impact of peripherality on the local economy, improving access to basic services, developing higher value tourist activities while encouraging a positive approach to the environment.

9.5.4.2 Aims

- to provide a broader range of well-paid employment opportunities;
- to help raise economic activity rates;
- to enhance or provide additional mainstream services for the rural economy;
- to provide openings for future economic development, including tourism and craft activities ;
- to improve the physical environment of villages and conserving the rural heritage;

Support, which is available for both capital and revenue expenditure, will be concentrated in particular on the following activities from amongst those listed in Article 33 of Council Regulation 1257/1999:

(1) Basic services for the rural economy and population

Many communities in rural Wales have limited access to the broad span of services which their counterparts in urban areas often take for granted. Improved service provision is a prerequisite for encouraging the economically active to work, invest or set up businesses in rural Wales.

- Support will be provided to community partnerships for the cost effective enhancement of basic services for the rural economy and population. The activities will support community led projects that widen access to mainstream services for the rural economy and population or marginalised communities. Particular attention will be paid to how services can encourage entrepreneurship and address aspects of equal opportunities and social exclusion. Issues of elder/childcare and accessibility will also be addressed. Activities must form part of local regeneration strategies and the measure will be administered as part of the local packages.

(2) Renovation and development of villages and the protection and conservation of the rural heritage

Whilst the built environment and the area's natural resources have the potential to provide a significant contribution to the area's prosperity, there is a need to conserve the best of both whilst also ensuring that appropriate new development takes place.

- Support will be provided to community partnerships for the renovation and development of villages and protection and conservation of the rural heritage. Activities under this measure must form part of local regeneration strategies and the measure will be administered as part of local packages.

(3) Encouragement for tourist and craft activities

Tourism is an integral part of the rural economy that has been identified as a potential growth sector for the Welsh economy: Local communities need to be encouraged to develop tourist and craft activities appropriate to their locality

- Support will be provided for community led projects that encourage tourist and craft activities aimed at enhancing the contribution that these activities make to the rural economy, and targeted on those that will provide a high value return from tourism or help to extend the tourist season in the area, and provide greater opportunities for wet weather recreation.

(4) diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes

For farming in Wales to adapt successfully, farmers need to make changes to their current activities. They need to explore the options available for diversifying their activities and to co-operate to strengthen their bargaining power. As well as providing assistance in these areas, this action will assist in developing multiple sources of income for farming households and will therefore reduce dependency on a narrow and vulnerable economic base.

Support for investment in diversification will contribute to the improvement of agricultural incomes and of living, working and production conditions. It will be delivered through a new Farm Diversification and Improvement Grant (FDIG) scheme which will facilitate a range of activities by pump priming capital investment to include service sector, agri-tourism, manufacturing and craft activities. It will be available primarily to help those who are unable to access other sources of finance and who have prepared a business plan which clearly demonstrates a viable case for assistance. Support may also be made available for the development of miscanthus (elephant grass) and other biomass crops, which offer the possibility of meeting power requirements from renewable sources while allowing farmers to employ sustainable, environmentally friendly farming systems. Experience has shown that diversification initiatives are often led by women and there will be specific activities to encourage and support women in this role.

9.5.4.3 Other measures

In addition to the support foreseen above, the only other measure likely to be employed is action to restore agricultural production potential damaged by natural disasters and the introduction of appropriate prevention instruments. Support for the agriculture and forestry elements of this Measure will be delivered through the other appropriate Measures in this Priority.

The programme complement will confirm that EAGGF will finance measures in respect of tourist and craft activities and that financial engineering is not foreseen for this SPD.

9.5.4.4 Links to Rural Development Regulation

Activities in this area include those covered by Article 33 of Council Regulation 1257/l999.

This Measure will receive 5-10% of resources allocated to the Priority

9.5.5 MEASURE 5: PROMOTING LOCAL ECONOMIC DEVELOPMENT (ERDF)

9.5.5.1 Rationale

The small scale of many markets in rural areas severely limits both competition and the size to which enterprises can grow, limiting in turn their ability to compete with larger outside interests and to acquire many specific areas of expertise. There are also higher costs associated with accessing markets further afield. This situation means that co-operating and networking among local businesses can often be important as a way of compensating for such barriers. In particularly isolated communities social economy organisations can play a vital role as suppliers of scarce services. It will also be important to take advantage of the strengths of working within smaller, more self contained markets, especially of the greater potential for locally spourcing and inter trading.

The market and coastal towns and the larger villages of the region have potential to be local centres for successful economic diversification in rural west Wales. Many already operate as local service centres and the growth that has taken place in recent years has focused mainly on services in these towns and villages. Many have the potential for further growth that could be exploited. Many are old settlements with attractive centres with a strong potential for tourism often already being exploited. In addition the cultural and linguistic identity of these areas needs to be promoted as a valuable source of economic activity in its own right and as an agent to add value to local products. Development of these industries will also make it easier to retain young skilled people in the area.

There are also business opportunities in more high technology fields; there are a number of universities and colleges located in small rural towns which could be utilised as important catalysts for local growth. The previous Objective 5b programme is also installing ADSL links into 10 small rural towns which will aid the potential for e commerce. Investments under this measure will complement outputs from Priority 2 (Research and Development, innovation) and Priority 1 (small scale sites and premises). Work under this measure will partly seek to build on the successful work done by LEADER groups in rural parts of the region.

9.5.5.2 Aims and Objectives

- Promote a wider range of interaction and mutual learning among firms of all types to help rural enterprises tackle information gaps, working where possible, with universities.
- Increase access to mainstream urban-based services and export markets by networking or use of special facilitators.
- Raise the participation of social enterprises within the mainstream economy.
- Promote alternative employment by providing an attractive location for businesses.
- Encourage further tourism to local centres.
- Encourage the development of local growth nodes, based on local competitive advantage, including maximising opportunities arising from the creative industries.
- Develop greater economic opportunities for young skilled people in the area to reduce out migration.
- Encourage greater participation by women and people with disabilities in decision making roles.

9.5.5.3 Priority actions ***will include; support for special facilitators or advice services; support for development of local supply chains; support for networking initiatives among businesses and between businesses and learning centres, specifically those supporting enterprises run by women, people with disabilities and those from ethnic minorities; support for community enterprises; initiatives to encourage young people to return to/remain in the area; support for community transport and local elder/childcare facilities; renovation and upgrading of street frontages; developing signages/display; marketing initiatives; environmental improvements.***

9.5.5.4 Final Beneficiaries ***will include; national public sector bodies, local authorities, LEADER groups, the private sector and the voluntary sector.***

This Measure will receive 20-25% of resources allocated to the Priority

9.5.6 MEASURE 6 : A SUSTAINABLE COUNTRYSIDE - ENHANCEMENT AND PROTECTION OF THE NATURAL ENVIRONMENT AND COUNTRYSIDE MANAGEMENT (EAGGF)

9.5.6.1 Rationale

The natural environment is one of the area’s major assets and has a significant impact on the perceived quality of life for people living and working in the rural community, consumers, tourists and investors. Protection and enhancement of the environment is important in terms of securing long-term sustainability and supporting economic development.

There are still many pressures on the natural environment affecting the quality of air, water, soil and bio-diversity in the countryside. Agriculture, forestry, fishing, mining and quarrying industries generate waste. There is an opportunity for utilising and recycling this waste and where possible adopting strategies which improve efficiency in production techniques to reduce or eliminate waste generation.

Reversing these pressures in ways which contribute to the economy of the area is a key challenge. It will be important to ensure that the Welsh environment is sustained and protected for future generations. In order to achieve this it will be crucial to ensure that erosion, pollution and degradation of the natural resources are minimised and that environmentally friendly management techniques are adopted. In particular artificial nutrients, chemical pesticides and herbicides need careful management and there is a need to ensure that water quality is maintained and enhanced to provide both opportunities for income generation and wildlife conservation.

It will be important to develop opportunities for environmental schemes which are linked to job creation and which go some way to reconciling the conflict that exists between recreation and the environment. The aim is to strengthen links between agriculture, tourism, culture and the natural environment. This includes implementing opportunities for the positive enhancement of the rural landscape - such as utilising renewable materials within the construction industries - and in countryside interpretation within the Objective 1 area.

9.5.6.2 Aims and Objectives

- Improve the management of countryside access to protect the environment and promote the enjoyment, awareness and interest of the public.
- Encourage a greater degree of integration in land use and water resource management.
- Develop appropriate recreational opportunities and facilities in for the benefit of all.
- Reduce and manage sustainable waste generated in the countryside in connection with agricultural, forestry and landscape conservation.

9.5.6.3 Final Beneficiaries

Final beneficiaries are likely to include the private sector, the voluntary sector, local authorities and national public sector bodies.

9.5.6.4 Priority Actions are likely to include adopting best practice methods with environmentally sensitive techniques, advising on land management, extensification, organic and environmentally-friendly and animal-welfare friendly modes of production; developing efficient resource (such as water and energy) use on farms including promoting the Codes of Good Agricultural Practice, farm waste minimisation and recycling initiatives; sustaining and enhancing wildlife habitats (including riparian management) with priorities guided by the Natura 2000 series, and by the UK and local Biodiversity Action Plans; improving accessibility to the countryside and facilities for sustainable recreation, thus enhancing living environments and supporting tourism; promotion of sustainable land use management practices to reduce pollution; exploring opportunities to involve local communities in the sustainable long-term management and promotion of access routes in the countryside;

9.5.6.7 Links to Rural Development Regulation

Activities in this area relate to Article 33 of, and are complementary to Articles 22 to 24, of Council Regulation 1257/1999.

This Measure will receive 10-15% of resources allocated to the Priority

9.5.7 Measure 7: Support for recreational opportunities and management of the natural environment

9.5.7.1 Rationale

The environmental quality of the Welsh countryside, its coast and its rivers and lakes is a major tourist attraction. For example, surveys show that the reason why people chose to visit Welsh National Parks is the quality of the scenery and the landscape (59% of visitors), followed by peace and quiet (a further 29%). Likewise, the Welsh coast attracts 22 million day visitors each year, spending £141 million and sustaining 5,600 jobs in coastal communities. Maintaining and enhancing the quality of experience enjoyed by visitors to the Welsh countryside and coast, and its rivers and lakes, is central to increasing the economic importance of environmental recreation in Wales. To achieve this, it is vital to treat the aquatic, marine and coastal environment as a whole as not as a series of separate environments. This requires the integrated planning and management of wider actions that impact on the natural environment, and actions such as reducing flood risks to vulnerable communities, and other management tasks.

West Wales and the Valleys has an abundance of rivers and lakes offering fishing opportunities for local and visiting anglers. However, there has been a decline in salmon and trout stocks in some fisheries. This has been contributed to by habitat degredation and acidification. The stocking of some stillwater fisheries with brown and rainbow trout provides popular recreation for many anglers and stillwater coarse fisheries are a growth area in Wales, particularly privately managed lakes and venues for competition angling. These inland fisheries make a major contribution to the economic and social well being of many communities within the area.

The importance of Wales, nature reserves and wildlife, and the quality of walking in rural Wales, have direct economic benefits, creating jobs in environmental management and attracting visitors. Nature reserves in Wales jointly attract over 3 million visitors each year. A survey of visitors to three nature reserves in rural Wales in 1998 shows that they were responsible for generating over £8.1 million in income to the local economy annually, which in turn secured 400 local jobs. A survey of businesses alongside one of Wales' National Trails showed that tourism related expenditure was important for 70% of businesses, and that tourism expenditure made up over half of a businesses revenue in up to 50% of businesses in some small towns. Actions to maintain these expenditure levels directly helps sustain rural economies.

A large portion of the West Wales and the Valleys coast is designated for its high conservation and landscape value, and the maritime areas also boasts 4 candidate marine SACs as well as a Marine Nature Reserve (with another proposed MNR). The quality of the coast is a key attraction for tourists, as well as being instrumental in affecting the sustainability of the coastal fishing industry. Marine pollution however remains a major threat to the estuarine and coastal environment. Significant contributions to concentrations of nutrients and algae in the Irish Sea arise from agricultural runoff, sewage, and industrial discharges. Overfishing continues to damage fish stocks, and some seabird populations are in decline. In addition, development pressures on the coast are harming natural habitats, and spoil the appeal for tourists. Coastal communities need to be able to play an active part in the management and enjoyment of the coast. In certain vulnerable areas, flood risk needs to be reduced or managed sustainably in the light of predicted sea-level rise. This work must be integrated with other initiatives for coastal zone management so as to provide an integrated approach to addressing the problems affecting coastal communities.

9.5.7.2 Aims and Objectives

The strategic aim of the measure is:

> to promote sustainable management of environmental resources and improve the quality of environmental recreation to stimulate the rural economy and increase social well-being.
>
> Key objectives will be to:

- Promote integrated planning, management and monitoring of economic activity on the coast.
- Sustain and enhance the qualities of coastal land, beaches, and the sea**,** and the wildlife it supports (with

priorities guided by the Natura 2000 series and by local and UK Biodiversity Action Plans).

- Improve riverine fisheries through habitat restoration.
- Create new stillwater fisheries to meet increasing recreational demand.
- Enhance visitor experience at nature reserves through visitor management and interpretation, and enhance opportunities for visitors to enjoy Welsh wildlife.
- Enhance opportunities for walking and riding along strategic and other walking and riding routes in rural Wales.

9.5.7.3 Possible Actions will include; preparation of coastal zone management plans; Integrated actions to reduce flood risks to vulnerable communities; projects to manage and enhance beaches and coastal water quality, and to sustainably manage coastal and marine wildlife habitats and species; Improvement of riverine habitat by planting, fencing and appropriate management schemes; support for the development of new stillwater fisheries; visitor management initiatives aims at sustaining and enhancing visitor enjoyment; actions to enhance the quality of walking and riding trails in rural Wales;

9.5.7.4 Final beneficiaries will include the private sector, local authorities. the voluntary sector and national public sector bodies.

This Measure will receive 20-25% of resources allocated to the Priority

9.5.8 MEASURE 8: SUPPORT FOR FISHERIES AND AQUACULTURE

9.5.8.1 EU Fisheries Structural Funds Assistance

Structural aid for the fisheries and aquaculture sector which is co-funded by the Financial Instrument for Fisheries Guidance (FIFG) is a vital element of the common fisheries policy. It seeks to guide and speed up the restructuring of the sector through the rationalisation and modernisation of the means of production and other measures which will have a permanent impact.

Regarding the fishing fleets, programmes must take account of the following priorities:

i) The multi-annual guidance programmes for the fishing fleets, (MAGP IV until 2001) and the restructuring of the fleet after 2001remain the reference basis for the framework for fisheries capacity. Hence, priority must be given to their implementation.

ii) In is also necessary to avoid undesirable effects. Thus, insufficient renewal could lead to the widespread ageing of the fleet: on the other hand, technical progress could wipe out reductions in capacity, even in resulting in a worsening imbalance between the fishing effort and resources.

iii) At the technical level, priority must be given to the use of more selective fishing gear and methods, improving the quality of the fish taken and preserved on board and improving working conditions and safety.

In the rest of the productive sector (aquaculture, the processing of products, etc.) collective measures which devote attention to the interests of the whole of the sector have much greater priority than investment in firms. Combating environmental problems, improving product quality and disposing of surplus or under-exploited species are also priorities.

Structural policy in the fisheries sector is also a component of cohesion policy: on the one hand, Community aid to the sector is concentrated chiefly in the regions eligible under the territorial Objectives of the structural Funds; on the other, it seeks to provide a response to the socio-economic difficulties of coastal areas caused by the restructuring of the sector by creating jobs and diversifying activities in the most promising areas through joint assistance from various Structural Funds. It is therefore essential to ensure the synergy of the different Structural Funds in order to guarantee the effectiveness of their combined impact.

9.5.8.2 The Fishing Industry in Wales

The coastal areas dependent on the fishing industry are particularly characterised by low output and earnings, with high underemployment, low female activity rates and a decline in some traditional industries. The disparity between the GDP for rural Wales and the UK GDP values has widened over the years and this is particularly true in the fisheries dependent areas.

It is estimated that approximately 1200 full time and 300 part-time fishermen are employed on Welsh vessels with a further 800 employed in fisheries related shore jobs. In addition approximately 400 men, nominally recorded as Welsh fishermen, work on the Spanish owned, UK registered, high seas vessels based at Milford Haven. These vessels operate mainly out of Spanish ports but bring important economic benefits to the area when they visit Milford Haven to make compliance visits in accordance with UK fisheries legislation. The indigenous fleet mainly land their catches to Holyhead in the north or Milford Haven in the south or to the many smaller harbours scattered throughout the Objective 1 area.

Spanish vessels apart, the majority of the Welsh fleet of about 500 vessels are under 10 meters and mainly fish inshore in the Irish Sea and Bristol Channel, for shellfish and some whitefish. There are perhaps a dozen vessels under five years of age but the majority are much older and many are 20 or 30 years old. Of these older boats few are fitted with the latest on board handling or ice facilities, although this is relatively unimportant for a fleet which mainly does one or two day trips. Most of the fleet have the necessary safety equipment but some vessels might benefit from the provision of vessel safety grants.

The Welsh shellfish industry accounts for about 6% of UK recorded landings, although it is difficult to be precise as large landings of shellfish are made by under 10 metre vessels which are not required to submit landing statistics to Fisheries Departments. Lobsters and crabs are landed in large quantities throughout Wales and there is an important local cockle fishery in the Burry Inlet, and a number of important mussel fisheries at Conwy and Menai Straits.

Shellfish farming continues at a low level, but of late interest has turned to the potential for farming sea fish. A number of multi-national organisations have shown interest in locating in Wales and work is about to start on a 500 tonne per annum turbot farm at a cost of £2.8m. The Greek company involved already has plans to create a processing facility once fish are being produced in sufficiently large numbers. The proposed facility could also handle species other than turbot and will be a welcome addition to a very depleted processing sector.

The present processing sector is almost non-existent, although some very basic primary processing is undertaken, usually by the fishermen themselves before the fish is overlanded. There is no secondary processing and this is an area with real scope for expansion if regular supplies of raw material can be secured. The shellfish industry in Wales also performs only the basic processing of purification and packaging before the product is either overlanded to other UK markets or is exported direct, usually to France or Spain.

There is clear potential for the processing of aquaculture products in Wales, as indicated by the plans of the Greek company described above for a primary processing facility to support their production facility; the company envisages being in a position to offer this facility to other producers. They also have plans for handling the processing of naturally produced sea fish and if this is successful they would wish to move into producing ready prepared meals.

The Welsh fishing industry has changed little over recent years. Some improvements have been made to ports facilities and to fish processing facilities using funds provided by the previous FIFG scheme, but only in the later stages of that scheme did we see any new innovation in the form of grants for two aquaculture projects. In all a total of £1.4m was awarded under the previous scheme.

9.5.8.3 Aims and Objectives of the Welsh Fisheries programme

The strategic aims of this programme will be to retain and create employment opportunities within the Welsh fishing industry by maximising existing potential and by seeking new opportunities. Key areas of the framework will be to :

- *assist the rationalisation and restructuring of the fishing industry in Wales*
- *assist the Welsh fishing industry, including the shellfish industry, to develop its activities*
- *promote investment in aquaculture, particularly for projects concerned with the farming of sea fish species.*
- *encourage projects from the fish processing sector which add value to both sea fish and aquaculture species.*
- *promote investment to improve port facilities*
- *encourage appropriate vocational training leading to recognised qualifications*
- *support for feasibility studies into new markets and product promotion.*

These aims and objectives will be implemented under four main fishing priorities which will be expanded upon in fishing measure sheets in the programme complement. Independent research is currently being undertaken to assess the potential for all aspects of fisheries in Wales and the results of that research will inform decisions on the priorities to be attached to each sector. The indicative financial breakdown between the fishing priorities is set out in the table below.

9.5.8.4 Financial Details

EU COMMITMENT PROFILE

			meuro	
	EU	Public	Private	Total
Fishing Priority 1 - Adjustment of fishing effort: permanent withdrawal				
Fishing Priority 2 - Renewal and modernisation of the fishing fleet				
Fishing Priority 3 - Processing, marketing, ports and aquaculture				
Fishing Priority 4 - Other measures				
Total				

9.5.8.5 Fishing Industry Baselines

The fishing industry baselines are detailed below.

	<10 metres	>10 Metres
Number of boats		
	Large	Small
Number of ports		
	Full time	Part time
Number in employment		
Value of catch		

9.5.8.6 Indicators and Targets

The key targets for FIFG support as a whole is illustrated in the table below. The Programme Complement will provide more detailed indicators and targets at the level of the four FIFG fishing priorities, along with detailed information on activities which are eligible for support.

Priority 4 : FIFG - Key outputs, results and impacts

Indicator	Baselines	Target
Outputs		

Boats up-graded
Boats de-commissioned
Fishing ports improved
Aquatic development projects supported
New processing units
Processing units improved
Marketing establishments improved
Small scale fishing projects supported
Promotion sales & marketing campaigns supported
Quality initiatives supported
Producer organisations supported

Results

Gross Direct Jobs Safeguarded
Gross Direct Jobs Created
Gross Sales Safeguarded
Gross Additional Sales

Impact

Net Additional Jobs Safeguarded
Net Additional Jobs Created
Net Additional GDP Safeguarded
Net Additional GDP Created

Outputs, results and impacts by measure are detailed in the programme Complement

Note: Employment forecasts exclude some of the indirect employment effects.

9.5.8.7 Fishing Priority 1 - Adjustment of fishing effort: permanent withdrawal

The objective will be to continue to re-establish the balance between available resources and the means of exploiting them consistent with the UK's obligations under the CFP and in particular under MAGP IV and under any other plans for restructuring of the fleet after 2001. The EU allows aid for the removal of vessels from the fleet either by scrapping, transfer to a third country or reassignment to uses other than fishing and it is proposed to continue this on a UK basis. The indicative reduction in vessel capacity and power is...................................

9.5.8.8 Fishing Priority 2 - Renewal and modernisation of the fishing fleet

It is intended to follow very closely the UK policy of continuing aid for safety work on vessels, and possible aid for diversifying into other methods of fishing, but not for vessel renewal or modernisation.

9.5.8.9 Fishing Priority 3 - Processing, marketing, ports and aquaculture

There is real potential in Wales for the establishment of a dynamic aquaculture industry. The belated interest in this sector in Wales means that the country is well placed to take full advantage of up to date technology, especially that associated with the farming of sea fish species. The new systems are self contained, land based facilities, which do not necessarily require supplies of natural sea water. The Objective 1 area contains many suitable sites for these enterprises.

Very little Welsh landed, or Welsh produced fish is processed in Wales. Opportunities will be sought actively to encourage fishermen to consider value added processing opportunities whether singly or as part of a co-operative. It follows that very little marketing of fish takes place either and encouragement will also be given to this activity.

Actions under this axis would also include improvements to port facilities.

Although some improvement work has already taken place at the major fishing ports of Holyhead and Milford Haven much needs to be done at the many smaller harbours scattered throughout the Objective 1 area. A number of these harbours will require structural improvements to quays, breakwaters etc., whilst others will benefit from projects such as re-use and refurbishment of vacant buildings to provide storage facilities, cold stores and ice plants.

9.5.8.10 Fishing Priority 4 - Other measures

Encouragement will be given to small-scale community based measures, particularly at smaller harbours. The regeneration of these smaller harbours will have wider socio-economic benefits and will be the catalyst for a more innovative Welsh fishing industry. In addition support may be given to promotional and marketing activities and to producer organisations. Thus under this priority measures small-scale coastal fishing, socio-economic measures, innovative actions, measures to find and promote new market outlets, and measures to provide a wide range of training opportunities.

9.5.8.11 Possible Final Beneficiaries; National Assembly and public agencies, local authorities, private sector, voluntary sector and training institutions

This Measure will receive 7% of resources allocated to the Priority

9.6 Measures for Priority 6

9.6.1 Measure 1: Accessibility and Transport

9.6.1.1 Rationale

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 form an important element as will improving the provision of public transport to the main sub-regional and local centres of employment. These will help increase access for people going to work and improve the attractiveness of these centres as economic locations. Activities must also seek to widen access to transport facilities for all, and tackle the problems associated with the use of public transport by disabled people and many women. Decisions on alternative options will be informed by strategic environmental and/or sustainability appraisals which will identify all externalities.

To maximise use of limited resources, any schemes supported under this measure must be able to demonstrate clear local economic benefits. Priority will be given to investments which are compatible with sustainable development aims.

9.6.1.2 Aims and Objectives

- To improve access to and facilities for intermodal transfer for people and goods and promote integrated information and ticketing services.
- To make best use and extend life of the existing highway and railway networks, including end points such as ports, in overcoming capacity constraints and making appropriate provision for buses, bicycles and pedestrians.
- To extend and enhance road and rail networks to complete core routes, provide access to development areas and sub regional links to the core network.

9.6.1.3 Possible activities; completion of core routes; improvement to intermodal access and exchange; improved capacity for freight handling at ports; development of railfreight terminals to promote sustainable transport use; promotion of public transport schemes; promotion of integrated public transport schemes, schemes to increase access to public transport for people with disabilities; initiatives to promote safer transport for women; real-time indicators in rural and urban areas, public transport marketing initiatives, promotion of cycle paths and other initiatives to allow bike-friendly public transport.

9.6.1.4 Final Beneficiaries; National Assembly, WDA, local authorities, private sector, (including social enterprises) Environment Agency, voluntary sector

This Measure will receive 35-40% of resources allocated to the Priority

9.6.2 Measure 2. Energy Infrastructure

9.6.2.1 Rationale

An affordable and 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 (particularly through renewables etc) would produce significant economic, environmental, social and community benefits. In the longer term the emphasis must be on replacing existing sources of energy with renewables to reduce environmental damage, secure supplies and promote economic growth in more peripheral areas. 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.

A small number of major projects would greatly help address the energy dearth in the Objective 1 area. Aid for establishing grid connections for renewables projects and for connecting new greenfield industrial sites would greatly aid business development in the more rural areas. The former would also go a long way towards the type of pump priming support needed to expand the supply of renewable energy in the region. In addition a mains gas link between Swansea and Pembrokeshire would provide a vital infrastructure resource for the region and help safeguard jobs in one of the most depressed parts of the region.

9.6.2.2 Aims and Objectives

- To ensure the energy infrastructure develops so not to hold back the region's economic needs
- To increase the production of clean energy in the region
- To promote the use of renewable energy supplies to help develop the current network, to make a substantial reduction in overall carbon dioxide output, provide additional income in rural areas and encourage the associated 'supply-side' industries.
- To mitigate the increase in Carbon Dioxide emissions due to GDP growth

9.6.2.3 Possible activities; to encourage the installation and use of local high efficiency and clean electricity production plants; to facilitate community renewable energy initiatives; to complete gas networks to major sites

9.6.2.4 Final Beneficiaries; National Assembly, WDA, local authorities, private sector, (including social enterprises) Environment Agency, voluntary sector

This Measure will receive 5-10% of resources allocated to the Priority

9.6.3 Measure 3: Strategic employment sites

9.6.3.1 Rationale

The supply of strategic sites is limited both in quantity and quality. This is a barrier to broadening the economic base and bringing job opportunities to the area. The low levels of economic activity and business formation that come with a low GDP, are reflected in the average market values for land and property which are significantly below those in other areas of the United Kingdom. As a result, there is little incentive for private sector investment in the physical fabric of the area. This is demonstrated by the extremely limited private investment to bring forward new sites and premises, through to the lack of subsequent reinvestment to maintain and modernise much of the older property. Whether for green or brownfield sites, the costs of overcoming these constraints and / or providing the appropriate infrastructure to the site - is usually greater than the market value. While there has been some movement towards public private sector partnerships in recent years, this has been slow and remains at a low level. In other cases, private sector investment has only been viable with support from grants such as Urban Investment and Industrial Improvement grants. 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.

In selecting and developing the strategic sites there will be a particular need to consider how they can be developed by offering new and upgraded sites which are capable of meeting modern business requirements in sectors like information technology, research and development and computer software. Equally, for the more traditional types of economic activity, such as manufacturing and processing, this enhanced provision will help SMEs to strengthen their business links with the key manufacturing centres and plants. In addition, the development provides a major opportunity to further the practise of 'clustering' of some key sectors including call centres and high value R & D activity based on regional Universities. Major tourism investments are also likely to have significant multiplier effects and have particular potential to stimulate wider development in rural areas where investment opportunities from many other sectors are very limited.

Strategic projects will be identified on the basis of sites meeting the following criteria:

- Prime location with top class supporting infrastructure and providing a focal point for long term investment;
- Ability to provide long term job capacity
- Opportunities for clustering of new and high value industries, and sourcing opportunities;
- Employment opportunities are accessible to an appropriate workforce;
- No loss of environmental quality;
- Potential for attracting inward investment;
- The provision of growth opportunities for new and existing firms.

The Measure will support x such investments across the programme area.

Naturally, the strategy will be completely complementary to other infrastructure developments harmonising with, for example, the latest environmental practise and procedure. Developments will also be expected to provide childcare facilities for employees and be accessible by public transport.

9.6.3.2 Aims and Objectives:

- Provide a range of serviced sites to support the formation and development of local businesses and attract new investment to the area.
- Support targeted strategic projects which widen the range of employment opportunities and remove barriers that inhibit start up companies and employment opportunities.
- Support the development of strategic projects with potential for stimulating significant local multiplier effects.

9.6.3.3 Possible activities; to support regionally strategic employment sites for strategic regional development; to facilitate site development by upgrading the infrastructure including access, utilities, and environmental improvements including support for energy and water conservation and clean energy measures in existing and new premises; to support tourism investments which provide significant regional employment opportunities and stimulate wider local investment.

9.6.3.4 Final Beneficiaries; National Assembly, WDA, local authorities, private sector, (including social enterprises)

Environment Agency, voluntary sector

This Measure will receive 25-30% of resources allocated to the Priority

Measure 4 - Environmental Infrastructure

9.6.4.1 Rationale

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. Cost benefit analyses of treatment of discharges from abandoned mines have been undertaken on a number of projects in Wales. These have demonstrated positive outcomes when the costs of treatment have been compared to the benefits to recreational, fisheries and in terms of securing water resources of suitable quality for abstraction. Sustainable remediation techniques should be used for land reclamation schemes to achieve good value for money that results in sites suitable for their proposed use including new habitat creation.

Urban areas in steep sided valleys in South Wales are particularly subject to the hardships of river flooding. This tends to affect the most deprived communities. These should be protected by improvements to, or the construction of new defences. As well as safeguarding lives and property such schemes provide a favourable environment for economic regeneration. These initiatives should be focused on those disadvantaged areas at greatest risk which are not covered by Environment Agency Wales' current flood defence programme.

Better use of waste as a valuable resource and less reliance on landfill is necessary to achieve a more sustainable economy. An infrastructure needs to be established to extract the economic value from waste materials, through either recycling or the recovery of energy. It has been estimated that the proper recycling of wastes in Wales would create more than 1000 jobs.

Use of water by the different sectors is generally inefficient and can lead to avoidable and damaging pressure on the environment. Savings of 20-50% are achievable within acceptable investment times. These reduce costs of water use and disposal thereby contributing to business competitiveness and sustainablilty.

Waste and pollution can also be reduced by the provision of local renewable energy supplies, especially in areas isolated from mainstream provision.

Enhancing the natural environment on some non-SME tourism attractions will also be required to help maintain the tourism base on which many jobs remain dependent.

All these environmental infrastructure improvements have associated economic and social benefits in terms of creating a better environment in Wales able to attract high quality industry and to sustain a high potential for tourism. Currently in parts of the area a poor urban environment provides a disincentive for investment.

9.6.4.2 Aims and Objectives

- To reclaim derelict land for employment use & remediation of coal and slate mines to limit pollution.
- To reduce the risk of river flooding risk for the most vulnerable and deprived communities
- 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 more efficient collection and use of water for industry, agriculture and householders.

9.6.4.3 Possible activities; remediation of derelict mines; the restoration of derelict land to support new development, the remediation of polluting discharges from abandoned coal and metal mines where there is no identifiable liability. The reduction of flood risk to deprived and vulnerable communities by schemes not included in current work programmes. Development of waste reclamation facilities, energy-from-waste plants, large scale composting facilities, and recycling industry parks. Implementation of the results of audits and benchmarking of water use for different use sectors.

9.6.4.4 Final Beneficiaries; National Assembly, WDA, local authorities, private sector, (including social enterprises) Environment Agency, voluntary sector

This Measure will receive 25-30% of resources allocated to the Priority.

Measures in Priority 7

9.7.1 Measure 1 Promoting Effective Programme Management (ERDF)

9.7.1.1 Rationale

While overall programme management will be conducted by the Welsh European Funding Office (WEFO), delegated management actions co-ordinated by partnerships convened either locally or around a theme, will require financial support. This will allow strategic decision making to take place at an appropriate level of expertise and promote more integrated project planning than has taken place previously. The processes involved will also facilitate the development of more substantial partnerships for both development of appropriate strategies and their delivery.

Such partnerships will require TA to ensure they are able to provide a sufficient facilitator and secretariat resource to serve the entire partnership . Without such resource delegated funds will not be open to the full range of eligible partners but could be limited to a small amount of well informed groups, normally in the public sector.

The need for reliable, accurate and speedy exchange of information in a common format will be essential for the effective implementation of the programme. Modern computer systems are able to transmit information electronically facilitating delegated management actions co-ordinated by partnerships convened either locally or around a theme. The installation, operation and interconnection of computerised systems will allow the management of both themed packages and action plans at a number of locations within the Objective 1 area whilst maintaining a flow of information to WEFO.

9.7.1.2 Aims and Objectives

- Ensure proper resourcing of delegated management functions.
- Deliver efficient management information systems
- Support the development of integrated "packages" of projects in a strategic manner.
- Assist in the preparation of quality eligible bids, especially from those with limited track records in using the funds.

9.7.1.3 Possible actions include; funding for local management teams; support for the administration of regional action plans; support for preparation of project bids; scoping and feasibility studies; monitoring and evaluation of funded actions; development of applications and information systems; initiatives to increase access of social partners to the porrgamme.

9.7.1.4 Final Beneficiaries may include; local authorities, voluntary sector, social partners and national public bodies

Resources allocated to this measure are subject to the limits of section 2.4 of the General Regulation, and shall not exceed 0.5% of resources allocated to the programme.

This measure will receive around 70-75% of resources allocated to this priority.

2. **Measure 2 Raising Awareness of the Programme. (ERDF)**

Rationale

1. The success of the programme depends to a large degree on a wide understanding among the partnership of its contents, governing regulations, aims and objectives. Without this understanding implementation will be a slow and inefficient process. Actions must be taken to ensure that potential sponsors, administrators of the programme at all levels and inhabitants of the region at large are aware of how it works. It is also important that the benefits and achievements of the prorgamme are widely publicised beyond the responsibility incumbent upon individual sponsors if its global impact is to be appreciated. The development of a communications strategy will be an early priority for the Programme Monitoring Committee.

9.7.2.2. Aims and Objectives

- Raise awareness about the workings of the prorgamme across the region.
- Provide information about the workings of the programme to the wider partnership.
- Provide clear guidance and information about the workings of the programme to administrators.

9.7.2.3 Final Beneficiaries will include national public sector bodies, local authorities and the voluntary sector and social partners.

9.7.2.4 Possible actions will include; seminars and workshops, guidance and publicity materials and wider publicity materials; targeted initiatives to raise the profile of the programme among different elements of the partnership

This measure will receive around 15-20% of resources allocated to this priority.

3. **Measure 3 Research (ESF)**

1. **Rationale**

Beyond the regulation's requirements for evaluations it will be important for the development of the programme to be able to conduct research into specific areas of the programme. This will be especially true for innovative actions - including new methods of implementation - or to evaluate the effectiveness of delivery of the cross cutting strategies or the programme's impact on different areas. Such research will be an important tool for the Monitoring Committee to use when considering any re-shaping of the programme

9.7.3.2 Aims and Objectives

- Ensure the Monitring Committee is as well informed as possible about the success of different elements of the programme.
- Try to ensure that changes in the programme are re-enforced by clear evidence.
- Allow lessons learned from success and failures in the delivery of the programme to influence the future direction of the programme.

3. **Possible Actions** include; bespoke research projects, limited evaluations of areas of the prorgamme; analysis of delivery methods; review of delivery of cross cutting strategies.

9.7.3.4 Final Beneficiaries **may include; HE and FE bodies, private sector, public sector, voluntary sector.**

This measure will receive around 7% of resources allocated to this priority

Chapter 10 - Monitoring and Implementation [to be inserted]

Chapter 11 - Financial Plans 2000-2006

The financial allocations relating to expenditure co-financed by the Structural Funds are shown below in the following tables

11.1 Overall Financial Table

11.2 Financial Table by Priority

The tables assume that grant rates will be, on average over the priority as follows:

Priority 1 Developing and expanding the SME Base 50%

Priority 2 Developing Innovation and the Knowledge Based Economy 50%

Priority 3 Community Economic Regeneration 69%

Priority 4 Promoting Employability and the Development of a Learning Society 55%

Priority 5 Rural Development and the Sustainable use of Natural Resources 50%

Priority 6 Strategic Infrastructure Development 37%

Priority 7 Technical Assistance 50%

11.3 Match Funding

Match funding will continue to be the responsibility of the grant applicant. This ensures local ownership and commitment to the projects. There are numerous possible sources for match funding including local authorities, Training and Enterprise Companies, government schemes, the voluntary sector and also the private sector.

The latter can be expected to make key contributions in infrastructure development, specific vocational training and development of business premises.

It is anticipated that for 2000, there will be sufficient match funding from initiating sponsors to cope with the projects expected to require payment in that year. The likely match funding position for 2001 and beyond is being revised and will form part of the wider considerations in the context of the next Comprehensive Spending Review.

Organisations such as the European Investment Bank can make loans to local authorities for use as match funding. In some areas innovative loan and equity funds such as the Merseyside Special Investment Fund have been set up to draw in resources from commercial banks.

Chapter 12 ADDITIONALITY

The attached tables A and B illustrate past and future national and EU public or equivalent structural expenditure programmes for the UK and West Wales and the Valleys respectively. Since expenditure is functionally rather than geographically attributed the figures are based on per capita estimates. In accordance with Article 11 of regulation 1260/1999, the verification of additionality will be for the sum of the UK Objective 1 areas.

Sheet 1

12.1 TABLE A

Financial table summarising public or other equivalent structural expenditure in Objective 1 regions

Total United Kingdom Objective 1 (including transitional regions)

million euro, 1999 prices

	Annual average 1994-99						Annual average 2000-06					
	Total eligible public exp	of which: public enter-prises	CSF EU	National	Not EU co-financed	Total exc EU Col 2 less Col 4	Total eligible public exp	of which: public enter-prises	CSF EU	National	Not EU co-financed	Total exc EU Col 8 less Col 10
	Nat + EU	Nat + EU	EU	Nat	Nat	Nat	Nat + EU	Nat + EU	EU	Nat	Nat	Nat
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Basic infrastructure	**1964.7**	**0.0**	**151.4**	**138.3**	**0.0**	**1813.3**	**1990.9**	**0.0**	**200.5**	**177.2**	**0.0**	**1790.4**
Transport	962.3	0.0	72.2	95.5	0.0	890.1	847.1	0.0	127.8	113.1	0.0	719.3
Telecommunications (capital)	13.1	0.0	6.1	7.0	0.0	7.0	3.2	0.0	1.4	1.6	0.0	1.8
Energy (capital)	132.0	0.0	31.8	2.3	0.0	100.2	187.4	0.0	4.3	4.4	0.0	183.1
Environment & water (capital)	440.0	0.0	41.3	33.5	0.0	398.7	527.2	0.0	66.9	58.2	0.0	460.3
Health (capital)	417.3	0.0	0.0	0.0	0.0	417.3	426.0	0.0	0.0	0.0	0.0	426.0
2. Human Resources	**2577.7**	**0.0**	**256.2**	**229.7**	**0.0**	**2321.5**	**2705.2**	**0.0**	**283.7**	**226.0**	**0.0**	**2421.5**
Education	1738.1	0.0	5.7	1.9	0.0	1732.4	1857.2	0.0	12.5	7.3	0.0	1844.7
Training	764.6	0.0	219.8	206.6	0.0	544.8	781.1	0.0	259.7	215.2	0.0	521.4
RTD (R&D)	75.1	0.0	30.7	21.3	0.0	44.3	66.8	0.0	11.4	3.5	0.0	55.4
3. Productive Investment	**1251.9**	**0.0**	**271.0**	**268.1**	**0.0**	**981.0**	**1707.7**	**0.0**	**360.1**	**283.2**	**0.0**	**1347.6**
Agriculture/rural dev/fisheries	246.2	0.0	64.3	61.9	0.0	181.9	212.9	0.0	45.2	28.8	0.0	167.8
Industry	722.8	0.0	158.4	161.0	0.0	564.4	913.9	0.0	299.8	246.6	0.0	614.2
Services	1.4	0.0	0.0	0.0	0.0	1.4	1.9	0.0	0.0	0.0	0.0	1.9
Tourism	281.7	0.0	48.3	45.2	0.0	233.3	579.0	0.0	15.2	7.8	0.0	563.8

4. Other	**199.9**	**0.0**	**55.2**	**24.0**	**0.0**	**144.7**	**166.7**	**0.0**	**15.5**	**5.4**	**0.0**	**151.2**
TOTAL	**5994.3**	**0.0**	**733.8**	**660.2**	**0.0**	**5260.5**	**6570.5**	**0.0**	**859.9**	**691.8**	**0.0**	**5710.7**

12.2 TABLE B

The following table illustrates past and estimated future national and EU public of equivalent structural expenditure for the transitional Objective 1 region of West Wales and the Valleys. Since expenditure in England is functionally rather than geographically attributed, the figures are based on per capita estimates. In accordance with Article 11 of Regulation 1260/99, additionality will be verified for the sum of the United Kingdom's Objective 1 areas.

Financial table summarising public or other equivalent structural expenditure in Objective 1 regions

West Wales and the Valleys Objective 1 SPD million euro, 1999 prices

	Annual average 1994-99						**Annual average 2000-06**					
	Total eligible public exp	of which: public enter-prises	CSF EU	National	Not EU co-financed	Total exc EU Col 2 less Col 4	Total eligible public exp	of which: public enter-prises	CSF EU	National	Not EU co-financed	Total exc EU Col 8 less Col 10
	Nat + EU	Nat + EU	EU	Nat	Nat	Nat	Nat + EU	Nat + EU	EU	Nat	Nat	Nat
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Basic infrastructure	**167.7**		**5.7**	**12.9**		**161.9**	**91.1**		**49.4**	**37.7**		**41.6**
Transport	160.0		3.3	9.8		156.8	83.3		49.4	37.7		33.8
Telecommunications (capital)												
Energy (capital)	7.7		2.5	3.0		5.2	7.8					7.8
Environment & water (capital)												
Health (capital)												
2. Human Resources	**1211.4**		**47.4**	**57.9**		**1164.0**	**1309.9**		**87.7**	**64.4**		**1222.2**
Education	1065.2		47.4	57.9		1065.2	1162.6		87.7	64.4		1162.6
Training	146.2					98.8	147.3					59.6
RTD (R&D)												
3. Productive Investment	**226.0**		**56.4**	**74.0**		**169.6**	**380.3**		**108.1**	**75.3**		**272.2**
Agriculture/rural dev/fisheries	6.3		6.7	6.7		-0.4	17.7		15.7	9.9		2.0
Industry	157.6		37.8	52.8		119.7	219.4		92.4	65.5		127.0
Services	1.4		11.9	14.5		1.4	1.9					1.9
Tourism	60.8					48.9	141.3					141.3
4. Other	**12.9**					**12.9**	**11.5**					**11.5**
TOTAL	**1618.0**		**109.5**	**144.8**		**1508.5**	**1792.8**		**245.3**	**177.6**		**1547.6**

12.3 UK GDP DEFLATORS

1994-95	**89.344**
1995-96	**91.925**
1996-97	**94.886**
1997-98	**97.526**

1998-99	**100.000**
1999-2000	**102.500**
2000-01	**105.063**
2001-02	**107.689**