

Senedd Cymru  
Pwyllgor yr Economi, Masnach a Materion Gwledig  
Cyllid datblygu rhanbarthol wedi'r UE  
RDF14  
Ymateb gan: Banc Datblygu Cymru

Welsh Parliament  
Economy, Trade, and Rural Affairs Committee  
Post-EU regional development funding  
  
Evidence from: Development Bank of Wales

Dear Sir/Madam,

Thank you for the opportunity to put forward my views. My name is Rob Hunter I am Strategy director at the Development Bank of Wales.

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

Both ERDF and ESF had a significant impact on Wales. There are too many examples to list but ERDF contributed to dualling of the A465 and many other road upgrades, Major rail enhancements – lengthening platforms for example in 2007-14 and more recently the South Wales Metro, supporting tourism through support for accommodation improvements and other facilities across Wales for example visitor attractions such as the Snowden summit visitor centre through to cycle tracks across Wales. This has built a foundation that the economy can build on. ESF also had a major economic impact through the many schemes from helping people from workless gain the skills and confidence to enter the workplace to graduate schemes which have helped talent from our Universities remain in Wales and contribute to its economy. Business support has helped create and support many thousands of jobs right across Wales. The list is far too long to set out here and I know the Committee will be well aware of the many benefits that have been delivered through structural funded programmes.

From the Development Bank of Wales perspective the initial EU investments back in the early 2000's have enabled the concept of a government owned development bank to be tested and capitalised. The ERDF invested through funds in the Development Bank (and its predecessor organisation Finance Wales) has created a legacy of over £200m to reinvest in Welsh businesses. This is because when the ERDF is initially invested with a business the returns generated by the business repaying the loan or sale of the equity stake goes back to the Development Bank where it can be invested again. Had structural funds continued for a further two programmes this alone would have made the Development Bank almost totally self-sustaining financially.

To answer the specific question – has it been successful in transforming the Welsh economy? – I think there needs to be some degree of perspective into whether £2 billion pounds invested over 7 years is enough, on its own, to transform an economy of a country with 3 million people and a land mass of over 2 million hectares. For

further context it equates almost exactly to the cost of just two type 45 destroyers being shared over 7 years or around £95 per person in Wales per year. In reality the structural funds on their own were never going to transform the economy but the sustained investment in people and infrastructure over many programmes with the co-investment and support of other key stakeholders have made major inroads into creating the conditions where the Welsh economy can grow. On that basis when you look at the cumulative EU investment I believe it has been a major success for Wales. Without doubt for many tens of thousands of people in Wales the interventions have transformed their lives and enabled them to fully participate in and contribute to our economy.

**Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.**

I will answer this purely from the Development Bank perspective. Our final investment using ERDF will be made in December 2023. From that point onwards there is no access to further funding. The replacement funding for EU financial instruments (the new money lent to businesses) will come from the UK Government direct and will be delivered by the UK British Business Bank (BBB). £130m of funds will be launched this year by the BBB in Wales. Whilst this is welcomed the funding is different in one major way. Instead of the returns on investments from EU funding being retained in Wales (as was the case with ERDF) and made available to reinvest, the BBB funding is a loan to them from HM Treasury and all returns go to the BBB to ultimately repay HM Treasury. The Development Bank will have over £200m of legacy funding (investment returns) from the ERDF programmes that it can reinvest in Welsh businesses – this cycle will then continue where further returns will then again be reinvested. In future the replacement funding from BBB will not create returns that can be reinvested in Wales, rather it will be used by them to pay down their loan to HM Treasury and approval for new funding sought by the BBB.

The Development Bank is now well capitalised and will continue to invest in Welsh businesses – largely due to ERDF.

I hope this aids the Committee and once again thank you for the opportunity to put forward my views.

Regards

Rob