

ETRA COMMITTEE EVIDENCE PAPER

The Office for Budget Responsibility has said 2022-23 will see the biggest fall in living standards in the UK since records began. Unfortunately, since this report was published the situation has not improved but worsened. Growth has stagnated and the Bank of England predicts a historic drop of 14% in the UK's Gross Domestic Product (GDP) this year.

Stagnant growth, combined with declining living standards and real incomes have a direct impact on businesses across the country.

In addition, the instability in UK Government has led to further uncertainty around any possible interventions that may be introduced to support families and businesses in Wales.

Despite this challenging economic and fiscal backdrop, this paper outlines a range of actions being taken by the Welsh Government to tackle the cost-of-living crisis, support our future economy through the skills of our young people, encourage growth through trade and investment and promote Wales to a global audience through the World Cup.

COST OF LIVING PRESSURES

We are doing everything we can to support people through this cost-of-living crisis by providing targeted help to those who need it most. In addition to direct support for businesses, helping struggling households has a knock-on effect by boosting incomes and providing more money to spend in the wider economy:

- We have **established a Cabinet sub-committee** specifically to discuss the latest issues and what support is required and we are also working with analysts across government on the collection, analysis and publication of data on the cost-of-living and ensuring this is used to shape government interventions.
- The **Development Bank of Wales** continues to help Welsh businesses get the finance they need to start up, strengthen and grow.
- Our **Flexible Skills Programme** supports employers to invest in workforce development projects capable of delivering greatest economic impact and return on public sector investment. The funding will assist the creation and sustainability of high-quality employment opportunities supporting national and regional economic priorities.
- We have committed to invest **£20.9m** per annum in the future **Business Wales service** from April 2023 until March 2025, demonstrating our commitment to ensuring that entrepreneurs, micro and SMEs have access to the information, support, advice and guidance they need.
- In terms of **non-domestic rates**, we have provided unprecedented financial support to businesses and other ratepayers over recent years, and particularly

since the onset of the coronavirus pandemic. Our permanent relief schemes mean that **44 per cent of the tax base do not pay any non-domestic rates at all.**

- In 2022-23, the Welsh Government has continued to support SMEs by providing **£116m of targeted non-domestic rates support** to businesses in the retail, leisure and hospitality sectors. We will continue to examine options for further support.
- A budget of **£30m has been allocated towards improving domestic energy** efficiency in low income-households, including off grid properties, through a range of Welsh Government programmes.

Outlook

The cost-of-living crisis is being fuelled by rising energy costs and food prices and exacerbated by decisions made by the UK Government. Unfortunately, these pressures far outstrip the capacity and fiscal firepower of the Welsh Government. Many of the levers to address the cost-of-living crisis – VAT, welfare payments, fuel duty, state pensions – sit with the UK Government.

We now have our third Prime Minister this year and the fifth in six years, as well as another Chancellor. This uncertainty and lack of clarity means we simply do not know our budget position and we have been unable to plan appropriately or know what further support systems we can introduce to support families and businesses here in Wales.

We shall continue to press the UK Government to use the levers at its disposal to take further urgent steps to target gaps in support, particularly to help lower income households and families and to boost businesses who are feeling the impacts of rising costs.

We are considering the measures outlined in the Chancellor's Budget on the 17 November, however, I want to be clear our priorities have and always have been to support people through this cost-of-living crisis by providing targeted help to those who need it the most and through programmes and schemes which put money back in people's pockets.

YOUNG PERSON'S GUARANTEE

November saw the first anniversary of the launch of our Programme for Government commitment to deliver the Young Person's Guarantee (YPG). The Guarantee provides under 25's in Wales with the offer of support to gain a place in education or training, find a job or become self-employed.

Even without including those who have secured places in Further and Higher Education, we have seen over 20,000 interventions delivered via our employability services alone, with over 11,000 young people starting on our employability programmes.

Where once there was a confusing range of options, opportunities, and advice systems available to young people, the Working Wales service now provides a single, simple route to support coupled with professional independent careers advice.

Previously young people had to look at different brochures and web sites to search for courses they were interested in, but a new user-friendly course search platform called “Courses in Wales” has been introduced containing information on thousands of courses across Wales.

In terms of finding the right employment opportunity, the Working Wales job matching service collects information on all employment vacancies across Wales and once the individual has signed up, they receive customised information on vacancies within their local area and chosen sector.

Since its launch, the Guarantee has also been enhanced in 2022 to include further support options such as:

- **Jobs Growth Wales+** - launched in April and already supporting over 2,000 young people, it is aiding the transition of 16–18-year-olds into the labour market and delivering catch up activities for learners as a result of Covid.
- **Communities for Work+** - Over 2,700 young people have been supported by it since the launch of the YPG, with over 5,500 young people receiving support via our collection of community employability programmes.
- **ReAct+** - launched in June to provide demand-led support for up to 5,400 young people each year, including vocational training grants and wage support as well as practical help with childcare and transport costs.
- **YPG barriers to start-up grant** – launched in July – along with a programme of business advice and mentoring for unemployed young people, with the aim to reach up to 400 young entrepreneurs per annum. In 3 months, 365 young people have expressed an interest and 120 participants are now working with business advisers to review business ideas and develop their business plans to apply for the grant. 56 young people have since been awarded a grant.
- **Enhanced employment and enterprise bureaus** - every further education college in Wales now has a dedicated bureau, providing a breadth of employment support and opportunities to streamline the transition from learners to workers.
- **Strengthened the [Youth Engagement and Progression Framework \(YEPF\)](#)** - which focuses on early identification of potential NEETs in school, to help young people fulfil their potential and prevent possible poverty and homelessness.

We are committed to investing in the lives of young people who need a helping hand to achieve their potential. The Bank of England has warned we are facing a long and deep recession that risks jobs, businesses, and public services.

Whatever the uncertainties we face, we can be sure of one thing - failing to step up to support young people today, guarantees economic failure tomorrow.

INTERNATIONAL TRADE

UK Government Free Trade Agreement Negotiation Programme

The UK government has undertaken a series of trade negotiations since the UK's exit from the European Union.

Having concluded agreements with Australia and New Zealand, the UK is currently in negotiations with several other countries including India, Canada, Mexico, Greenland, and Switzerland. The UK government is also in discussions to join the Comprehensive and Progressive Trans-pacific Partnership (CPTPP).

Engagement on trade negotiations is largely positive and officials have built a good working relationship with UKG officials.

India FTA

On 13 January 2022, the UK and Indian governments jointly announced the start of formal trade negotiations to secure a comprehensive Free Trade Agreement (FTA) between the two partners.

Securing an FTA with India will be viewed as an achievement as the UK looks to build on the Global Britain brand following the UK's exit from the EU.

Wales and India share a strong relationship with the value of goods trade between India and Wales valued at around £687m in the year ending June 2022. India is the 16th largest export market for Wales accounting for around 1.0% of Welsh goods exports and the 15th largest import market with around 2.5% of Wales's total goods imports coming from India. Latest data on Wales's services trade show that in 2020, the value of services imports and exports with India were £43m (1.4% of Wales's total services imports), and £72m (1.2% of Wales's total services exports) respectively.

The Welsh Government has welcomed the start of trade negotiations with India, given the potential benefits that it could bring to the Welsh Economy, particularly for exporters of goods such as machinery, automotive and food, as well as for services in sectors like insurance and accountancy.

However, as with all FTAs, there are potential risks in these negotiations, particularly around standards and competition.

Negotiations were expected to conclude by Diwali (24 October); however, agreement was not reached, and discussions are ongoing. The Welsh Government is supportive of this delay and believe that all trade negotiations should focus on outcomes and not pace. Engagement on the India negotiations with the UK Government has been good.

QATAR WORLD CUP

Wales's participation in the men's FIFA World Cup in Qatar, 64 years after the last World Cup appearance, is the most significant marketing and sports diplomacy opportunity ever presented to the Welsh Government.

The Welsh Government is looking to maximise the opportunities and benefits that come from participation, with a view to expand activities should Wales progress further.

Promotion of Wales

The enhanced marketing campaign will deliver global marketing activity across our brand channels to capitalise on the Cymru men's football team taking part in the FIFA World Cup 2022. Cymru Wales brand, tourism and business marketing campaigns will run across digital, social media and PR in the build up to, and during, the tournament. These campaigns will align to wider Welsh Government objectives and include partner collaboration to promote Wales to the world.

The Partner Support Fund was established with the aim of adding value and wider reach to our core objectives. The fund was launched on August 13th and closed on August 26th. We received a fantastic response to the fund with 97 applications received worth a total of more than £7m. The 19 projects selected will receive a total of £1.8m and are representative of Wales's diversity. They aim to reach as many people as possible in Wales and beyond as a part of our World Cup activities. Since late September the partner support fund projects have all begun their activities and activations.

The First Minister, and Minister for Economy, will undertake a programme of activities in-market in Qatar. The programme has been implemented by the in-market team in Dubai and Qatar with support from wider international relations and other Welsh Government colleagues. Engagements range from diplomatic events, promotional events, cultural activities, business meetings and diaspora engagement.

The marketing campaign also includes key touchpoints with partners, diaspora and World Cup Global Ambassadors who are being designated as 'Lleisiau Cymru' to act as advocates on Wales's behalf. The four 'Lleisiau' selected are former Welsh footballer Prof. Laura McAllister, Olympic silver medallist Colin Jackson CBE, London-based DJ and presenter, Katie Owen, and Celebrity Chef, Bryn Williams.

We are using our 20 Welsh Government offices overseas to deliver on WG objectives before, during and after the World Cup, through a range of sports diplomacy and other activities. We are also encouraging the promotion of Wales throughout the UK network overseas – working with the FCDO and British Council to provide assets and key messages.

There will be collaborative activity with the UK Government on opportunities to promote Wales in Qatar. We will have our own distinctly Welsh presence in the form of an installation in Doha, but also Welsh content in a UK Government GREAT Garden Pavilion and GREAT Festival.

Projecting Our Values

Projecting our values is a core objective of the Welsh Government's World Cup activities and is being included in all our activity pillars. There has been much publicization of issues surrounding workers' rights, LGBTQ+ rights, women's rights,

and other humanitarian causes related to Qatar's hosting of the World Cup. The Welsh Government will ensure that we promote and project our values to engage in healthy and constructive dialogue as a part of Wales's involvement in the World Cup.

The Welsh Government has met with a range of stakeholders around our objectives for the FIFA Men's World Cup in Qatar. We were involved in a workshop facilitated by the Welsh Centre for International Affairs and the Future Generations Office that discussed engagement with the World Cup in the context of the Well-being of Future Generations Act. The First Minister has welcomed the Values Statement published following that workshop.

Ensuring the Safety of Welsh Citizens

As a core objective of the Welsh Government's World Cup activities, close working relationships have been established with UK Government departments and security forces as well as utilising the knowledge and connections of our in-market staff in Dubai to ensure that Welsh citizens can travel and enjoy the World Cup safely.

The Welsh Government are attending regular briefings with FCDO, Police, MOD, FA, FAW, and UK Embassy in Qatar on matters of security and safety of Welsh citizens.

Securing a Positive and Lasting Legacy

In the longer term, we are considering how Wales secures a lasting and positive legacy from our participation at the tournament, in alignment with 'The Well-being of Future Generations (Wales) Act'.

There are a range of opportunities to ensure a positive legacy in sporting participation and wider health and cultural initiatives. These initiatives include investment in grassroots facilities, capital budget investment through Sports Wales, linking cultural activities and sport through the Partner Support Fund.

In addition, the World Cup legacy will help compliment the success of the creative industries in Wales. Since the establishment of Creative Wales in January 2020, £14.2 million of production funding has been successfully awarded to 22 projects generating over £155.6 million of production spend into the Welsh Economy.

In summary, Wales's World Cup legacy will provide us with a wealth of opportunities benefitting our Economy, education, arts, culture, and language.

CONCLUSION

Despite the challenges we face, we will continue to deliver on our vision of making Wales an attractive place to live, study, work and invest.

This paper has demonstrated four areas where we have been acting to support households and businesses, upskill our young people, promote international trade and utilise the opportunities presented by Wales's participation in the World Cup.

I look forward to discussing these matters in more detail with the committee in December.