

FIN(4)FW017
Finance Wales Inquiry
Response from Hywel Evans

Access to Finance Review – Response Hywel Evans Llanbrynmair

With over 35 years' experience of economic development – in the public, private and third sectors – I was conscious of some issues arising from the Access to Finance Review.

In this context, 'economic development' is used as a term to encompass the development and implementation of interventions, using public funding, that seek to improve economic performance, as much as it is possible to do so. (Obviously many aspects related to the economic performance of regions and countries are beyond the direct influence of such interventions.)

Maximising the real potential value of economic development to improving the performance of the Welsh economy needs long term policy commitments and appropriate mechanisms for implementation.

Wales has considerable experience of economic development and indeed of innovating within the sector

- The original 'Treforest Trading Estate' initiated in 1936, was one of the first developments, internationally, of proactively providing pre-built space for industrial development.
- Following the publication of the Bolton Report in 1971 on the role of small firms in economic development, some of the first activities to support the development of new and established businesses were created in Wales.
- Some of the most significant aspects of the process of linking education and economic development were shaped in Wales from the late 1970s onwards.
- The Wales Entrepreneurship Action Plan was a first across Europe in terms of a meaningfully holistic framework for stimulating entrepreneurship – one that was imitated in several regions within the UK and elsewhere.
- As well as dimensions of economic development activities, some new kinds of mechanisms have also been shaped in Wales – in the public and third sectors, including for example what is regarded as one of the most significant organisations in the UK for stimulating and supporting co-operative and social enterprise development – the Wales Co-operative Centre.

Unfortunately, the effectiveness of economic development interventions have been considerably hampered because of short term horizons and constant changes in priorities. Changing economic conditions and major shifts in technology and other dimensions naturally mean that approaches to economic development need to be adjusted at times. But significant positive changes in economic performance cannot be delivered when policies and strategies are totally revised or ended before it is possible for beneficial outcomes to emerge. For example, the implementation of the Wales Entrepreneurship Action Plan was limited in effect to a few years – whereas it was designed for delivery over a minimum time-frame of 20 years. Conversely, one aspect of entrepreneurship – linked to raising awareness and instigating a taste for enterprise within education and amongst young people – shows how long term commitments can generate positive shifts that can potentially lead to significant changes. Several aspects related to this agenda have been embedded within education mainstream structures in Wales (like the relevant curricula and Estyn inspection frameworks) and have been supported over many years by projects within the Youth Entrepreneurship Strategy. Consequently, significant changes have occurred over time in the higher levels of increases of early stage entrepreneurship amongst younger people in Wales as compared with other nations and regions within the UK. These changes have considerable potential for the Welsh economy.

One of the first areas of economic development interest within the newly formed National Assembly for Wales was around creating a Development Bank for Wales that – as the practical realities of establishing such an entity were understood – led to the creation of Finance Wales. After the initial settling in period (inevitable with any new kinds of developments) it grew into a pioneering and practically effective function – much envied in other regions of the UK.

As the current European Funding Programmes were shaped, so a new European Commission emphasis emerged on using financial instruments (initially JEREMIE and JESSICA) as delivery mechanisms. Luckily in Wales there was already a function in place to utilise the potential of JEREMIE from the outset – Finance Wales – that was in fact one of the first such developments using European Investment Bank resources across the whole of Europe. Interestingly, the process for implementing JESSICA – a vehicle for infrastructure investment – was considerably hampered in Wales because an implementing mechanism was not in place.

The European Commission is currently placing even greater emphasis on financial instruments as the new phase of European Funding Programmes 2014 – 2020 are being shaped – and underlining that such instruments

(especially related to funding for businesses) need to be at arms length from political institutions.

The proposals within the Access to Finance Review 2nd Report related to Finance Wales will totally undo this highly effective implementation model and again be an example of changing implementation mechanisms getting in the way of maximising the value of economic development interventions for the Welsh economy. There would inevitably be a three to five year lead in time to any effective delivery of newly-shaped interventions – by which time the next European Funding Programmes in Wales will be coming to an end.

The wider issues related to business support within the proposed 'Development Bank for Wales' will again cut across the implementation of one of the main outcomes of the work of the Micro Business Task and Finish Group – the establishment of Business Wales that was launched less than a year ago and that is still at an early stage of implementation.