



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

WRITTEN STATEMENT BY THE WELSH ASSEMBLY GOVERNMENT

Title: Economic Renewal Programme

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**By: Ieuan Wyn Jones, Deputy First Minister and Minister for the
Economy and Transport**

Last month, I stated publicly that I believe the time has come for a rethink in terms of how we approach economic development in Wales as we work to create a stronger, more sustainable business environment when we come out of recession.

I stated that the reasons for change are two-fold.

In the first instance I said that we needed more compelling propositions for business growth and new businesses in Wales. We can no longer rely on the traditional methods of support, centred around a generous grants regime, to make Wales an attractive place to do business. Businesses want more than that. They want to know that there is added value, such as the availability of a highly skilled and flexible workforce; the ability to respond to changing business requirements through the development and implementation of new ideas; and a strong track record in terms of commercialising high end research and development.

Secondly, we cannot simply look at what other countries are doing as we prepare to position Wales post recession – we need to look at what we are doing ourselves and question whether we are as prepared as we can be to deliver the new post-recession economy in Wales that we want.

Earlier this year I instigated a realignment exercise of my Department's activities. This exercise sought to better align the Department's budget and staff resources to develop and deliver the more sophisticated propositions and

solutions required to attract, retain and grow businesses in Wales. Its terms of reference cover not only the work of International Business Wales but other activities across the Economic Development Group including Relationship Management, Technology and Innovation and Property. Also the exercise sought to identify more effective working with other Assembly Government Departments and with partner organisations such as Local Authorities and the Universities who are key contributors to promoting these propositions in both international and domestic markets.

This work is well underway, with some of the early findings shown in the current draft budget for my Department.

Today, however, I am announcing my intention to broaden this exercise, in light of the changing international economic outlook, and following the publication of the independent benchmarking exercise on International Business Wales by Glenn Massey which is enclosed with this statement..

A related report on the use of expenses within IBW is subject to a separate press statement from the Permanent Secretary.

I would like to put on record my gratitude to Mr Massey for his quick and robust analysis. His report has highlighted a number of weaknesses in how we seek to attract and retain international business. The report clearly shows that fundamental changes are needed if we are going to fully realise our vision of creating a more prosperous Wales where companies can invest and grow. It is clear that we need to change to keep abreast with the fast changing world of inward investment.

One of the fundamental issues is the role of IBW within the Department – and the need for greater continuity between securing inward investment and bringing about expansions and reinvestment – an issue that has wider implications for all areas of my Department.

The report does point to some key recent successes including securing the Amazon investment for Swansea Bay and Sword IT in Cwmbran. But of themselves these investments alone will not meet our ambitions for the Welsh economy. The report also notes that we have met the targets set for securing new jobs, but that this is overshadowed by the fall-off in reinvestment.

It concludes that our performance over the last 10 years has been mixed. I agree and I also conclude that this is not good enough and must change. The Welsh Assembly Government deploys considerable resources into attracting and retaining investment and we must improve our success rate.

While the work of helping business during the recession continues, it is time for a new programme for economic renewal post the recession. The aim will be to refocus my Department's policies and priorities and then to realign the structures accordingly.

I am beginning this process today.

I can therefore confirm that as part of the wider realignment of my Department, I will seek external advice and expertise in order to refocus our activities. As part of the Economic Renewal Programme I will engage with businesses in Wales, their representative organisations and our research institutions in formulating my recommendations.

I will be announcing further details of this process shortly.

The world of business support, attracting inward investment, research and development and the commercialisation of our nation's best ideas is moving at a rapid pace. I am determined that my Department and the Government will be equally nimble and flexible to react as quickly and radically.

21st Century Wales is about high tech, high quality, and highly skilled job opportunities, with government acting as broker to get businesses working with our acclaimed academic institutions and developing clever, successful and sustainable businesses.

Nor can we rely on service industry expansion such as financial services. Not only have such services been ravaged by the recession but the necessary regulation on finance and banking following the credit crunch will make their rapid expansion less likely.

The Economic Renewal Programme I am announcing today will enable us to:

- strengthen how we use our key sector priorities so that our aspirations become reality, including signature projects to demonstrate our commitment to the priorities. This must include putting Wales at the forefront of developing the technologies to meet global challenges such as climate change. I also believe that we need to be in a stronger position to actively identify, seek out and create new opportunities which give Wales greater prominence in a very competitive market place.
- provide a more seamless service – based on our Flexible Support for Business model – for all business development and support in Wales. This includes ridding the Government of any “silo” ways of working and thinking.
- change our culture from a grant giving one to one that encourages investment. This means end to end working with companies and investors on Intellectual Property; product development and getting the workforce and management skills right. Such a transformation must recognise the imperfections of the market in different parts of the nation.
- make better use of our Technium network in the commercialisation of the best and brightest ideas of our businesses and Universities working together. We have already commenced this work with my

announcement of a new injection of EU funding to better integrate this network.

- More closely align our universities and our key sector priorities and the research and development that will underpin them. To this end, I welcome the recent Enterprise and Learning Committee's report on the economic contribution of higher education which has much to commend it. I am working closely on this with the Minister for Children, Education, Lifelong Learning and Skills as part of her strategic review of the HE sector in Wales.
- ensure that EU funding continues to be applied in the most appropriate context as the economy emerges from the recession, and preparing for the end of the current Structural Fund programmes.
- make the most of new opportunities such as Jeremie to ensure a sustainable source of funding for investment in business.
- ensure that any relevant lessons from the Rowlands' review of capital for SMEs are applied in Wales.
- work harder and across all parts of the Government to support and grow indigenous businesses.
- ensure that all businesses, particularly SMEs, have access to the right advice and support to maintain competitiveness.

A number of the problems identified in the Massey report pre-date the mergers. The benefits of the mergers have been significant in terms of achieving changes in the way that government delivers. However, this report and my own experiences indicate that there is still work to be done. What is required to best serve the needs of a 21st century Welsh economy is a radical change in culture and approach, not major upheaval.

In addition, it is clear to me that the Department's role within government has been crucial and effective in dealing with the impact of the recession on Wales. It has led to a better co-ordination between business support and skills, and has enabled us to work quickly and inclusively through our Economic Summits to respond to the recession. The ProAct scheme, run by the DCELLS department, has emerged from the Social Partnership developed in the Economic Summits. It is the principle and culture behind this way of working – the dialogue with business, trades unions and other partners – that I want to see underpinning economic development activity going forward.

I am under no illusion that piloting the way ahead at a time of international uncertainty and a shaky worldwide economy will be easy. It will be hard – but I believe that there is strong support for this new approach across the board in Government and in the business community in Wales.

There has to be a new momentum to deliver the reform and renewal our economy needs. I will not tolerate drift when the challenges facing the Welsh economy are so sharp and immediate.

The Welsh Assembly Government and its economic development function must be fit for purpose to reflect the new requirements of a post recession global economy and the challenges of climate change. The economic world has been shocked to the core by the credit crunch and recession – and we need to be ready to ensure that Wales benefits from the opportunities that will arise over the next few years. Whilst there are significant challenges ahead, I believe the opportunities and potential benefits to Wales demand that we take action now.

I am determined to act on this and to do all that is necessary to secure a more prosperous and sustainable future economy for Wales.