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The *Welsh Economic Review* is produced twice yearly, by the Welsh Economy Research Unit (WERU) at Cardiff Business School. The aim of the *Review* is to provide an authoritative and objective analysis of the Welsh economy in a manner that promotes understanding and informs decision-making. The 'core' section of the *Review* is written by members of WERU, with feature articles contributed by academics or practitioners within or outside Wales. The *Review* is circulated widely within Wales, to both private and public sector organisations, including the education sector and the National Assembly.

#### **Notes for Contributors**

Authors should send papers for potential publication in the *Welsh Economic Review* to the Editor at the address given below, preferably via e-mail in a Word for Windows format. Papers are welcome on any topic that would be of general interest to the readership, and should be written in a style suitable for non-specialist readers. Papers should be approximately 3,000-4,000 words and any graphs or figures should be accompanied by the underlying data to allow reproduction.

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# Political Economy

## *Stealing a March: The New English Regional Development Agencies & the Implications for Wales*

Following the Labour victory in 1997 there has been significant progress in the devolution agenda, not just in Wales and Scotland, but more recently in Northern Ireland, the English regions and London. Along with political self-determination for the regions, the rationales behind the policy have been the application of the 'subsidiarity' principle to policy determination regarding economic development, the promotion of competitiveness and the enhancement of employment skills. The prevailing wisdom sees the region as the most suitable geographic unit for policy development on such objectives, and 'New' Labour have chosen Regional Development Agencies (RDAs) as the appropriate vehicles to facilitate movement towards regional economic goals.

It has long been argued that Scotland, and particularly Wales, have enjoyed a substantial competitive advantage through the establishment of their strong and distinct RDAs. This has been notable in the field of inward investment, where Wales outperformed the rest of the UK throughout the 1980s and 1990s. Not only did Wales have a single, large agency with coordinating responsibility for attracting inward investment, but this agency also enjoyed a high political profile (via the Secretary of State in the Cabinet) matched only by Scottish Enterprise. The diminution of influence associated with the Secretary of State for Wales, along with the creation of RDAs for English regions may have engendered a permanent change in the competitive balance between Wales and the rest of the UK.

### The Current Position

The Welsh Development Agency and the Scottish Development Agency (now Scottish Enterprise Network) have been established for over two decades. Although both have shared a remit to further the economic and social development of their regions, in Scotland the agency has a wider training and skills development remit, which in Wales is the responsibility of the four sub-regional TECs.

Eight English regions gained their own RDAs in April 1999<sup>1</sup>. As in Wales, these bodies have pre-empted the devolved structure in which they might otherwise have been placed. The RDAs are instead

currently administered from the Department for the Environment, Transport & the Regions, which in April, appointed their Chairs and members of the board, and Chief Executives. As their first task English RDAs have developed regional economic strategies. The RDAs assume statutory responsibilities for Single Regeneration Budgets, rural development and regional regeneration (from English Partnerships), as well as being responsible for the attraction of inward investment. Regional strategies must cover economic development, business efficiency, investment and competitiveness, employment and the development of skills, and, in common with the National Assembly for Wales,

there is an explicit commitment to sustainable development.

### Resources

It is too early to judge the priorities for spending which will be adopted by the new RDAs. Overall spending allocations from the DETR vary widely but in general spending per capita reflects the deviation of a region from UK levels of economic well-being, as measured by GDP per head.

As Table 2 shows, there are several RDAs, with budgets which from next year will be comparable to that of the WDA (currently around £140m). Spending per capita by the WDA is,

**Table 2: Planned expenditure by RDAs for DETR programmes (£m)**

Region	1999-2000	2000-2001	2001-2002	£ per Capita	GDP per head (UK1996=100)
North West (inc. Mersey)	211.649	224.069	226.929	£31	90.9
North East	124.185	119.105	124.505	£48	84.3
Yorkshire/Humber	146.225	160.775	164.975	£29	89.5
East Midlands	55.861	59.871	57.081	£14	94.3
West Midlands	112.096	105.116	121.316	£21	93.5
Eastern	25.415	22.225	26.925	£5	108.8
South East	62.129	59.839	91.439	£8	114.5
South West	70.103	59.723	51.923	£14	94.7
London	246.0	264.5	274.5	£35	123.3
<b>Expenditure by WDA &amp; Scottish Enterprise Network, 1998-9 (£m)</b>					
Scotland		468.0		£91	98.0
Wales		140.0		£47	83.1

Note: Figures for Scotland & Wales not directly comparable due to differences in scope

Sources: Derived from DETR website, Scottish Enterprise Network Annual Accounts 1998-9, WDA Annual Financial Statement 1998-9

<sup>1</sup> Although many regions formerly had their own development companies



however, significantly higher than for any English RDA with the exception of the North East. In the latter case, this is to include a training responsibility, currently outside the remit of the WDA.

### The Political Context

The English RDAs were to be part of a political and economic devolutionary process which now appears to have stalled, at least temporarily, with the devolution bill yet to be tabled. Without regionally elected chambers, the RDAs lack a political context. The DETR appointed, business-led boards may be no more likely to reflect regional concerns and priorities than their predecessors in the Government Offices of the Regions, who will continue alongside the new agencies. Further, there will be no financial resources additional to those already planned for DETR regional spend. The RDAs also have few direct powers, but instead will act to integrate the actions of others into a coherent regional strategy. There is concern that these constraints mean RDAs will be unable to deliver on their wide ranging areas of responsibility.

### The Implications for Wales

Within the axiom of "competitive regions", developments in England may have a significant effect upon prospects for Wales. It remains to be seen whether competition will continue to take the form of the inward investment bidding wars of the past decades. Inward investment is only a component, albeit

an important one, in defining the development path taken by regions. "Winning" RDAs will be those which can maximise their region's competitiveness in terms of innovation and business development for all companies. These RDAs will also succeed in assisting in the provision of a flexible, well educated and trained workforce, whilst developing an enterprise culture. Replacing the fragmented situation of recent years with single agencies charged with all aspects of development should improve the position of the English regions, even allowing for their financial and other constraints.

The WDA has recently been expanded with the adoption within its structure of the Development Board for Rural Wales and the Land Authority for Wales. In this respect the Agency more closely mirrors those elsewhere in Britain. However, as with all mergers and acquisitions, it will take time before its success on an organisational level can be judged. The main strength of the WDA has been in its marketing of Wales as an industrial location. A new political context (for example with regard to EU enlargement), and a changing economic situation may require a significantly different approach, at a time when institutional effort may be spent on internal reorganisation and on defining its relationship with the National Assembly, and National Assembly Office. In this regard the new English RDAs may possess an advantage in terms of

employing fresh approaches and organisational structures tailored to the demands of the new millennium.

Uniquely amongst RDAs in Great Britain, the WDA does not have direct responsibility for training and skills development, an integral part of a region's competitive position. Whilst the WDA works closely with the TECs, they are subject to differing organisational contexts, have their own strategic planning processes and report separately to the National Assembly. For example, the TECs fall under the remit of the Post 16 Education and Training Committee, whilst the WDA reports to the Economic Development Committee. Such a position can only make strategic planning more problematic. The position appears ripe for rationalisation. However, the separation of the TECs and the WDA within the National Assembly structure raises questions over the future of the training infrastructure in Wales.

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