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Dr Siân Phipps
Committee Clerk
Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

25 November 2011

Dear Dr Phipps

Inquiry into the draft legislative proposals EU Structural Funds for 2014-2020 – an initial submission from the Federation of Small Business in Wales

The Federation of Small Businesses is grateful to the Enterprise and Business Committee for the opportunity to submit evidence to the inquiry. The FSB represents the views of 10,000 small businesses and the self employed as well as the interests of all those individuals, partnerships and companies which together make up the largest section of the Welsh economy. I understand that we will be invited to give oral evidence as part of a Business Panel in the Committee meeting earmarked for the 11 January 2012. We will have by then, been able to collect wider evidence on this matter.

In assessing our response to the inquiry, at present, we can only provide an overview or the experience of our members in relation to the impact of the last two rounds of EU Structural Funds. In particular, we focus in this letter on the involvement of the business community in the strategic and local planning of investment and whether the approach in general benefited both the business

community and the Welsh economy as a whole or has acted to further entrench the concept of a 'resource drain', with people, product and manufacturing bases in particular seeking to move away from the areas most in need of assistance via structural funds.

Having spoken to a range of members who each have individual experience of the effectiveness, or otherwise, of EU structural funds, the overarching message is that investment had been largely successful in terms of physical regeneration, particularly in infrastructure but that this was not driven by local communities (including the private sector) in a balanced way.

EU Structural Funds have clearly delivered in making populations more mobile along regional spatial planning although this has had the effect of generating greater out-migration from communities rather than serving as a positive shift towards sustainable localised economies, for example in the Heads of the Valleys and along the A55 corridor. One particular response described these large infrastructure projects an *'escape route out and definitely not a route in'*.

Despite Structural Funds, for the period 200-2006 and 2007-2013, being accessible to the private sector, the bureaucratic process involved has made it difficult for small business' to make feasible applications, including working with partners on match funding objectives. Members are therefore likely to be aware of European Funded projects and indeed can often find themselves benefitting from the services, infrastructure and training they have provided, without having a direct stake in the early formation of the schemes or their application.

It is likely to be received wisdom within the small business community that strategic investment planning in the last 12 years has been driven by the public and voluntary sectors, with no lasting outcomes in terms of increased GDP per

capita and sustainable employment. However, it is also hard to point to real examples of any lasting and meaningful engagement with the sector to counteract this perception. Any future funds that will be made available will need to be more focused on improving the business environment, with intermediaries being facilitators rather than obstacles. They will also need to demonstrate that the business community is a real and meaningful collaborator in formation and delivery of funding programmes and not as one respondent commented, rely on plaques logos and road signs, to communicate what the funding programme is achieving.

The FSB is aware of the extent to which the lay person – businesses included – are not always familiar with the specific challenges facing the regulation and implementation of complex programmes such as the Structural Funds. Responses from members thus far appears to demonstrate that they are aware of effective areas of *'EU haves and Have nots'*. Areas characterised by new developments funded by EU resources sitting alongside areas or facilities that are clearly remnants of an early industrial era.

If initial soundings are correct, we would welcome the shift to focus on results and systematic conditionalities on investment, which included milestones and a shift from spend absorption towards production and outputs. This environment would suit the business community and it is an approach that they would understand. It would also lend itself to a holistic focus on areas rather than on the development of what one respondent termed 'set-piece' projects, particularly when in the eyes of business these projects and buildings were more likely to take place within the public or third sectors.

Other evidence evaluated by the FSB in the process of preparing this initial response would lead us to believe that other stakeholders within the various and

multileveled mechanism for managing structural funds would equally feel as dislocated from the process as those within the business community. The future structural funds will therefore in our opinion need to address these issues if they wish to overcome existing social divisions by developing more inclusive policymaking solutions and grant programmes and thereby leverage greater support for the principles of cohesion funds and ultimately better economic prospects for the regions concerned.

We very much look forward to participating in the ongoing inquiry and hope that the initial points we have raised in this letter are of interest to the committee.

Yours sincerely,



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