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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

## Objective One: Progress on Approved Projects

The Objective One programme in Wales has attracted criticism regarding the speed with which projects are approved, and the level of bureaucracy involved in the application process. However, up until April 2001, some 200 projects, totalling £150m had been approved.

As of April, resources approved for Objective One projects were divided evenly between those allocated via the European Social Fund (ESF, £70.8m) and European Regional Development Fund (ERDF, £74.5m), with the remaining £3.5m allocated via the European Agricultural Guidance and Guarantee Fund (EAGGF) for agricultural and forestry related projects. The ESF supports projects in education, training, employment research and childcare, whilst the ERDF aims to encourage productive investment, support SMEs, improve infrastructure and further local development.

### European Social Fund

An analysis of ESF approved projects (Table 2) reveals a wide variety of (largely public sector) applicants. Whilst the further and higher education sector shares the largest portion, projects are, on average smaller than for other public sectors.

The largest ESF grant was for the creation of the North-West Wales Employment Zone (£6.3m), whilst the Môn Shared Apprentice Scheme on Anglesey was the smallest, with £9,000 of funding.

Unsurprisingly, the bulk of ESF projects (70%) are implemented under the Single Programming Document Objective One Priority 4, *Developing People*. This Priority accounts for £45m of total ESF allocated spend. Other Priorities represented within ESF projects are Priority 1, *Developing and Expanding the SME Base* (23% of projects) and Priority 2, *Developing Innovation and the Knowledge Based Economy* (7%).

### European Regional Development Fund

ERDF monies are allocated to a wider range of organisations, and across a wider range of Priorities than is the case for the ESF. On average, ERDF projects lever EU resources of over £1m, twice as large as for ESF projects (Table 3).

Although local authorities have by far the largest share of projects, these are on average much smaller than those managed by, for example, the WDA and WTb. Thus, although local authority led projects comprise 55% of the total, this accounts for only 30% of resource. In fact, almost half of all ERDF resources

**Table 2: Approved ESF Funded Projects: Type of Applicant**

Applicant Type	No. of Projects	Actual ESF Funding (£m)	Average resource per project (£k)
University, HE & FE College	41	17.4	424
Educ./Training Related Public Sector etc.(except TEC)	20	14.9	745
Community/Outreach etc.	17	5.4	318
TEC & TEC related	9	11.4	1267
Local Authority	9	8.2	911
Private Sector	9	1.8	200
Other	16	11.8	738
<b>Total</b>	<b>121</b>	<b>70.9</b>	<b>586</b>

Source: Derived from [www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk).

Note: Column totals may not add due to rounding.

so far approved have been for projects managed by National Assembly agencies.

Involvement in ERDF by the private sector, as applicants at least, has so far been limited. Of the £14m allocated to date in this sector, the majority, some £10.7m consists of a grant to Better Business Wales.

ERDF funding has been allocated under six of the seven Priorities, (as yet, no

funding allocated under Priority 7, *Technical Assistance*). However, the new EU focus on "bottom up" SME and skills development is reflected in the fact that over half of projects fall under Priority 1, *Expanding and Developing the SME Base* whereas only two projects are implemented under Priority 6, *Strategic Infrastructure Development*. A further 12 projects are implemented under Priority 2, *Developing Innovation and the Knowledge Based Economy* (Table 4).

**Table 3: Approved ERDF Funded Projects: Type of Applicant**

Applicant Type	No. of Projects	Actual ERDF Funding (£m)	Average resource Per project (£k)
Local Authority	40	22	550
Community/Outreach etc.	9	3	333
WDA	6	16.9	2817
University, HE & FE College	5	3.3	660
Other	5	3.0	600
Private Sector	4	14.0	3500
Education/Training Related Public Sector etc.	2	6.5	3250
WTB	1	6.3	6300
<b>Total</b>	<b>72</b>	<b>74.5</b>	<b>1034</b>

Source: Derived from [www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk).

Note: Column totals may not add due to rounding.

**Table 4 Approved ERDF Funded Projects by Priority**

<b>Priority</b>		<b>No. of Projects</b>	<b>Actual ERDF Funding (£m)</b>	<b>Average resource per project (£k)</b>
1	Expanding and Developing the SME Base	39	37.5	962
2	Developing Innovation and the Knowledge Based Economy	12	26.0	2167
3	Community Economic Regeneration	5	2.7	540
4	Developing People	4	4.2	1050
5	Rural Development and the Sustainable Use of Natural Resources	9	3.0	333
6	Strategic Infrastructure Development	3	1.5	500
<b>Total</b>		<b>72</b>	<b>74.5</b>	<b>1034</b>

Source: Derived from [www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk).  
Note: Column totals may not add due to rounding.

### European Agricultural Guidance and Guarantee Fund

So far some eight EAGGF projects have been approved; totalling £3.5m, all under Priority five, *Rural Development and the Sustainable Use of Natural Resources* (See Table 5.)

There is no doubt that the implementation of Objective One in Wales was slow to start. Currently and fifteen months into the programme, around 11% of the originally estimated £1.3bn has been approved. However, it is encouraging that a large portion of already allocated funding is targeted

towards skill development, and support for entrepreneurship and indigenous business. Whilst, the lack of significant input from the private sector remains a concern, it is heartening that the implementation of Objective One funding now seems substantially under way.

**Table 5: EAGGF Approved Projects**

<b>Organisation Name</b>	<b>Project Name</b>	<b>EAGGF Funding (£)</b>
The National Trust	Nantgwynant (Phase 1) Integrated Land Management Project	160,335
Denbighshire County Council	Denbighshire Countryside Grants Scheme	59,435
Forestry Commission	Cyd Coed-Woods for All	1,714,500
Menter Môn	Moncynefin	383,750
RSPB Cymru	RSPB Reserves Restoration and Recovery Project	90,730
RSPB Cymru	Chough Habitat Restoration Project	118,718
Menter Mon	MONWLEDIG	699,996
Forestry Commission	Shelterwoods	344,500
<b>Total</b>		<b>3,571,964</b>

Source: Derived from [www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk).