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ARTICLE

REGIONAL ECONOMIC DEVELOPMENT AND THE CASE OF WALES: THEORY AND PRACTICE AND PROBLEMS OF STRATEGY AND POLICY

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Abstract
The article assesses economic development strategy in Wales since devolution. It considers theoretical views on success or failure of devolution to realise economic benefit, and reviews existing explanations of Wales' lack of success in changing its position relative to other UK territories. The article develops a novel critique first of overall economic development strategy, suggesting problems of coherence, consistency and methods of implementation. It then critiques three policies that have had the potential to realise development strategy - transport, renewable energy and public procurement - again revealing problems of coherence, consistency, implementation and governance.

Keywords: Economy; Devolution; Wales; Strategy Policy

1. Introduction

Problems of regional economic development and regional inequality are increasingly stressed as a major UK policy challenge and concern of social science inquiry (see McCann, 2016; Pabst, 2021; Pike *et al.*, 2017). Wales is a key case for study. Among the late 1990s devolution reforms in Scotland, Wales and Northern Ireland it was in Wales that the economic purpose of reform was most clearly articulated. There was widespread condemnation of the Thatcher Governments' policies on Welsh de-industrialisation, notably on coal and steel, which were imposed despite Wales never granting the Conservative party a democratic mandate. Wales had one of the weakest regional economies in the UK, and with no prospect of a revival of the UK Government regional policy approaches of the 1960s and 1970s there was little faith in a new UK Labour Government alone to improve Wales' lot. Instead, in 1997 the Blair Government's White paper, *A Voice for Wales*, explicitly stated that one of the purposes of having a National Assembly for Wales was to enable Wales to have its own powers to boost its economy (Welsh Office, 1997). There has now been over 20 years' experience of trying to develop just such a beneficial economic outcome.

However, there is a consensus among analysts of the Welsh economy that devolution has not actually had a transformative impact. Bristow (2018, p. 13) concluded that 'the Welsh economy today is exactly where it was in 1998 in relative performance terms'. There has been little fundamental change in the relative underperformance of the Welsh economy, whether measured in terms of wealth, economic activity, productivity, employment or wage levels. There is still though a relatively limited debate on the causes of Welsh economic performance since devolution: comprising in the main analyses that stress the importance of long-term structural problems to explain much of contemporary performance (Bristow, 2018; Jones and Munday, 2020; Kapitsimis *et al.*, 2021; Price, 2016); critiques of the context of UK political economy which despite devolution has still remained fundamentally important and has failed to deliver redistributive public expenditure that could make a difference (Morgan, 2006); and constitutionalist-left critiques of the extent of devolved powers and inability of Welsh Government to break from the dominant influence of UK Government and neoliberalism (Evans *et al.*, 2021). These are all at root apologias for what Welsh devolution has been able to achieve. Insofar as devolved government decision-making has been criticised, the focus has been placed mainly on the specific decision to abolish the Welsh Development Agency in 2006 (Crawley *et al.*, 2020; Morgan, 2006).

The article reappraises this academic debate in the context of the contested theoretical literature on the economic benefits of devolution. It then pursues a different line of inquiry which suggests the need to more fully critically appraise how actors at the devolved level have approached development. We assess devolved government strategy and policies with an awareness of the efforts made to follow a distinct Welsh approach, whilst also seeking to review what has gone wrong. The article develops a critique of problems of strategy and policy which in part focuses on the implications of the continuous role of Welsh Labour in government since 1999 but more broadly suggests problems in Wales' general implementation of devolution.

The article is organised in three sections. Section 2 assesses current conventional wisdoms on Welsh approaches to economic development and raises the theoretical approach which underpins the approach in the article. Section 3 analyses Welsh economic development strategies since 1999. Section 4 then assesses policies on transport, renewable energy and public procurement as case studies of how strategic economic development objectives have been developed in more detail. The article is based on desk-based secondary research, primary documentary evaluation and reassessment of participant observation.[1] Overall, the article specifies Wales as largely a case of missed opportunities in realising the potential for devolution to achieve economic development, and the need for a re-evaluation of the assumptions, practices and implementation of devolved government and policy.

2. Conventional wisdoms and rethinking regional economic development

Under the 1998 Government of Wales Act, significant powers to influence economic development were devolved to Wales. These came in three forms: first, general powers over education, health, transport and infrastructure, which had the potential to enhance economic capacity; second, specific powers over business support which could be utilised to affect performance; and third, powers of public procurement which could contribute to domestic spending. The Welsh Development Agency, established in 1975, also came under devolved government control, with powers to promote the economy through land development, sites, facilities, property grants and loans. It worked through a regional office structure—North, Mid, South-East and South-West Wales—to support indigenous economic growth—as well as through an external arm to promote Foreign Direct Investment (FDI). In 2006, the Welsh Government abolished the Welsh Development Agency (WDA) following expenses scandals and alleged cronyism dating back to the 1990s and assumed its powers to promote the general economic well-being of Wales. Under the 2017 Government of Wales Act, the use of a reserved powers model meant that the Welsh Government could do anything to intervene in the Welsh economy that was not specifically reserved to Westminster. The balance of powers though, with UK control over macro-economic policy, was not significantly changed.

Despite these multiple levers, Welsh economic performance remains relatively weak, as evidenced for example by productivity levels. In 2020 Gross Value Added (GVA) per head was £21,010, 72.7 per cent of the UK average, meaning Wales was 11th out of 12 UK countries and regions (Welsh Government, 2022a). In reviewing why Welsh devolution has not had a transformative impact on the economy, we can identify four main approaches to analysis. First, apologias for Welsh performance have emphasised the simply overpowering legacy of Wales' economic past. Price (2016,p. 42) describes post-devolution Wales as 'a lagging region' but not one that has performed particularly badly in terms of innovation, growth of GVA per head or household incomes since 1999. It has simply not changed its relative position, due to

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'Wales' major structural features, particularly in respect of skills, economic mass and demography where there is a large body of evidence demonstrating strong causal relationships with key economic outcomes' (Price, 2016, p.48). The focus on inherited problems of low skills, relatively low urbanisation and weak infrastructure connectivity represent 'an argument for realism, not an expression of complacency' (Price, 2016, p. 48) which will take a long time to address. Kapitsimis *et al.* (2021) also highlight the low Small and Medium Sized Enterprise (SME) equity problem, rooted in both low demand and poor supply, particularly outside Cardiff, and Jones and Munday (2020) highlight the continuing lack of dynamic private sector leadership arising when capital ownership is outside Wales. Bristow (2018) stressed what she called the remanence of Wales' experience of late twentieth century de-industrialisation, dependent upon cost-sensitive external investment and lacking diverse strengths. Wales has also been buffeted by the effects of the 2008 global financial crisis and given these structural contexts 'the Welsh economy was remarkably resilient, particularly in terms of sustaining employment through the crisis'. She recognised though that such resilience was 'underpinned by short-term coping strategies rather than longer-term transformative adaptation' (Bristow, 2018, p. 14).

Second, analyses have suggested the continuing problems of UK political economy even after devolution to explain performance. Morgan (2006, p. 153) initially noted the widespread belief in the potential benefits of devolution from an implicitly social democratic perspective; that devolution creates the 'institutional capacity for collective action' and 'the potential to pursue more robust developmental strategies'. Devolution 'empowers local knowledge….it allows regions to design and deliver policies that are attuned to their own needs'. 'Innovative regions' focus on 'institutional networks for learning, innovation and development, networks which facilitate trust, reciprocity and knowledge transfer' (Morgan, 2006, p. 154). Nevertheless, the approach of UK central government remained key to realising greater regional equity, and while the first Blair Government asserted the apparently ambitious aim of 'levelling up, not levelling down' (HM Treasury, 2001), its regional policy, such as it was, in practice represented a limited focus on regional development to improve productivity. There was no policy to achieve regional equalisation through public expenditure. Morgan suggested that in this context the scope for Welsh regional political economy to have a beneficial impact was severely constrained. The unlikely result of economic benefit in practice was devolution's 'dirty little secret' (Morgan, 2006, p. 159).

Third, broader left and constitutional critiques emphasise the contemporary implications of historic exploitation of Wales by the UK Centre as an economic periphery, and what they consider still to be the limited devolution settlement which gave the Assembly, later the Senedd, insufficient powers to make a difference. Wales did not have primary legislative powers until 2011 and no fiscal powers until 2017. Revenue funding was through the central block grant, still allocated according to the Barnett formula which meant that the block grant was an expenditure-based grant rooted in UK spending in England. Borrowing powers since 1999 have consistently been limited by levels set at the Centre. There remains a presumption in constitutional debate that the Welsh Parliament should receive more extensive welfare state and tax powers, the block grant should be reformed to include a needs-based formula, and that borrowing power limits should be lifted. Evans *et al.* (2021) have also criticised Welsh Labour for continuing to reflect the pervasive influence of UK neo-liberalism in failing to take advantage of the potential to develop a political economy and social policy genuinely rooted in a socialist alternative vision. In this context, Plaid Cymru has argued that only with secession from the UK would Wales now achieve an economic dividend (Plaid Cymru, 2021).

Finally, in the sense that there was scope for devolution to make a difference, a number of researchers have focused on what they see as the negative effects of the specific decision in 2006 to abolish the Welsh Development Agency and take its powers and staff into a Welsh Government department. Crawley *et al.* (2020) concluded that the WDA had provided some arms-length risk taking capacity and rightly or wrongly the WDA's clear external mission to attract FDI had got actors working together and produced productivity gains in the late 1980s. Welsh Government-led multi-agency approaches to promote the Welsh economy externally after 2006 in contrast were marked by a series of problems. Morgan concluded that Welsh Labour's 'Bonfire of the Quangos' has rendered Wales 'the most state centric of all' the devolved territories in the UK'; the impact of devolution is not 'necessarily benign' (Morgan, 2006,

p. 158). The achievements of the WDA, nevertheless, remain the subject of debate. Gooberman and Boyns (2019) have reflected again on the many governance problems that the WDA raised and questioned the ability of the WDA to adapt to global economic changes in the 1990s.

While offering differing diagnoses of Wales' problems what all these views still have in common is that they all implicitly assume the potential benefits of devolution and small nation political economy. This is an assumption with strong roots in the theoretical literature. Rodriguez-Pose and Gill (2003, 2005) have argued that devolution can allow for policy that meets electoral preferences closer to the people, as well as realising innovation and welfare gain. This represents a key strand of thinking also examined in looking at the potential for independent small nations (Keating, 1998; Keating and Baldersheim, 2015; Keating and Harvey, 2014). There is also a substantial literature that addresses the potential for devolution to be the leading edge of regional regeneration innovation in the UK. Lloyd and Peel (2008) identified the opportunity for both Scotland and Wales to develop more holistic regional development policies, integrating land-use, economic, socio-cultural, sectoral and spatial strategies.

More recently, researchers have identified the emphasis in UK regional policy on city-region development as a way of developing the urban agglomeration mass variable as a focus for growth. This has been received critically within regions as it may benefit some areas and not others, and against it there has emerged a championing of place-based strategies, allowing the tailoring of a 'mix of policies to local conditions, improving opportunities for citizens and workers wherever they live through a combination of targeted development strategies and institutional and capability improvements' (Tomaney and Pike, 2018, p. 33). Such strategies need not always be looking for a magic bullet for growth, reflected in the recent emphasis on supporting local foundational economies, characterised by local retail, community and public capacities (see Froud *et al.*, 2018). Some of these concerns were echoed in the UK Government Industrial Strategy Council's final report (2021: 5) which highlighted the need to go beyond the 'traditional' drivers of productivity and look 'towards measures of social, human, and natural capital, as well as broader welfare impacts [which] better reflects the known drivers of productivity, earnings and prosperity'. Nevertheless, this report also re-emphasised how industrial policies need to benefit the economy through their engagement with, and promotion of, private sector activity. Historically, partnerships between the public and private sectors have been a key driver of innovation, productivity and wealth creation, and the Industrial Strategy Council emphasised the principle of co-creation to underpin public–private local industrial strategies and sector deals.

It is these theoretical assumptions of the presumed advantages of devolution which sustained the economic case for devolution in Wales in the late 1990s. To a large extent they still do, and they also make analysts of English regionalism look to places like Wales for lessons. Consequently, faced with the reality of relatively weak Welsh economic performance, the existing views in the literature focus to a considerable extent on blaming a range of external constraints or contingent factors for preventing devolution from having these positive economic effects. However, it is deeply questionable whether such explanations by themselves are plausible. It is true that Wales's relatively poor economic performance should be seen in the context of the UK having higher long-term levels of regional inequality than any other large wealthy country, but the principal inequality is the considerable gap between London and South East England and the rest. Wales has in fact experienced long-term problems very similar to many other parts of the UK outside London and the South-East. Consequently, other things being equal, one would expect Wales to gain advantage from the potential afforded by devolution, but in practice it has experienced little success in achieving relative improvement even against fellow regional strugglers.

This is reflected in an indifferent performance in productivity levels, GDP per capita, research and development, unemployment rates and poverty levels (Forth and Jones, 2020; Henley, 2021, p. 14; Joseph Rowntree Foundation, 2020). There are also similar substantial inequalities within Wales, reflected in the current wide variations in housing wealth that have grown since devolution, and the likely future location of wealth determined, for example, by the highly differentiated location of investment in the digital sector (Centre for Towns, 2018, 2020). The hotspots of productivity development are in Cardiff and South East and North East Wales, helped by the proximity of the growth zones of the Bristol-M4 corridor and Liverpool-Manchester area, respectively. Indeed, the significant differential experience of Greater

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Cardiff and the rest of Wales compounds some historians' scepticism about the development of a distinct Welsh economy. To adapt the rhetorical question of a leading Welsh historian, we may reasonably ask 'When was the Welsh Economy?' (Miskell, 2020; Williams, 1985*)*. Yet, despite these disparities there appears to be little appetite to discuss levelling up within Wales. In truth, Wales has experienced the same economic trends as the rest of the UK outside London and South East England. There are some indicators of improvement but very few of relative improvement. The question is why has elected devolved government in Wales not made more of a demonstrable difference to meeting similar challenges to those faced by large parts of England which have not enjoyed political devolution?

In seeking answers to this question, it is important to recognise that there are strong theoretical counter-arguments which highlight the potential disadvantages or limitations of devolution. Rodriguez-Pose and Gill (2003, 2005) caution scholars by suggesting simply that devolution may not realise its presumed advantages; that regional democracy and capacity may not in practice be sufficiently strong to underpin strong public debates over policy preferences or help bring forward innovative policies. In addition, devolution may involve three major disadvantages. First, devolution can lead to inefficient competition between different parts of a state, each devoting scarce resource in seeking similar economic gains. Second, devolution can lead to ineffective economic policy which reduces, rather than increases, confidence. This can be most damaging in the situation where devolved governments run up high levels of debt, necessitating bail outs by central states. Third, in complete contrast to the benevolent assumptions of expected democratic gains, Rodriguez-Pose and Gill (2003) suggest that devolution can lead to over-close relations between governors and the governed, creating situations characterised not by greater accountability and representation but by greater clientelism, even corruption, which in turn means there is little challenge to government policy. Rodriguez-Pose and Gill (2003, 2005) concluded that as a result comparative studies have revealed no consistent trend of devolution promoting economic benefits.

In this context, it is plausible to reframe analysis of economic performance in Wales to focus more on how actors at the devolved level have approached regional development rather than on external constraints and contingent factors. Our aim is to explore this approach to understand the continuing weaknesses in the Welsh economy and see to what extent it is problems in Welsh devolved government itself which are responsible. Section 3 addresses Welsh Government economic development strategy since 1999 and concludes that it has lacked a consistent, coherent long-term set of priorities, while insufficiently focusing on the means of implementing priorities. Latterly, it has also developed a dependence on regional governance structures, dominated by local government, which appear to be relatively closed and provide little challenge to Welsh government assumptions of what is best for Wales. Finally, Section 4 addresses specific policies central to progressing regional development strategy, looking at the examples of transport, renewable energy and public procurement. This reveals a similar lack of coherence and consistency in specific policies and programmes. It also reveals a systemic problem of Welsh Government focusing on policy and legislation rather than implementation, leading to a lack of delivery on original ambitions. Again, regional governance structures put in place to implement individual policies have been characterised by an overlapping, incoherent complexity, with a pervasive influence for local government. An apparent relative lack of accountability and representation in these structures has meant that there has been insufficient challenge and transparency to make devolved policy making and its implementation more effective.

3. Welsh Economic Development Strategy

Welsh Government has produced four overarching statements of economic development strategy since 1999: *A Winning Wales* (2002); *Wales: A Vibrant Economy* (2005); *Economic Renewal: A New Direction* (2010) and *Prosperity for All* (2017). This section appraises the contribution of each of these in turn.

The first post-devolution economic development strategy, *A Winning Wales* (Welsh Government, 2002), emphasised five drivers of economic growth—skills, investment, innovation, enterprise and competition. It also set an ambitious overarching goal. While acknowledging that GDP was a flawed

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and 'imperfect indicator', *A Winning Wales* stated that reaching parity with the UK average per capita GDP was the 'main goal of our economic policies', and 'success would mean Welsh GDP per capita rising from 80 to 90 per cent of the UK average over the next decade—with the ultimate aim of achieving parity' (Welsh Government, 2002). In hindsight we can see that this strategy was scripted very much in the shadow of the first Blair Government's political economy. First, it assumed a lack of an explicit UK regional policy to tackle the huge regional disparities in wealth and income through targeted regional public spending (Dalingwater, 2011, pp. 115–136). Second, in focusing on the five drivers of economic growth it mimicked the Blair Government's supply-side prescription for UK economic development. Perhaps this replication was unsurprising as it was led by the then Economic Development Minister and recently a Labour MP in the UK Parliament, Rhodri Morgan, and was constrained by the somewhat limited policy capacity within the Labour Party in Wales. At the time, it was also critiqued for its over-optimistic GDP goal. The aim of achieving 90 per cent of average per capita GDP, while laudable, assumed a greater autonomy and influence for Welsh Government's policy tools than in fact existed. It ignored the fact that this goal was a relative figure and while London and South East England continued to grow faster than the rest of the UK, it was effectively unattainable.

Wales: A Vibrant Economy (*WaVE*) in 2005 represented a clearer 'made in Wales' strategy which started from a comprehensive analysis of the distinctive needs of Wales and showed a greater realism in avoiding statements of unattainable targets. *WaVE* restated the focus on developing skills, investment, innovation, enterprise and competition but aimed now at a whole Government, long-term approach to economic development with an emphasis on skills, education and transport to broadly underpin development. *WaVE* (Welsh Government, 2005a, pp. 12–13) acknowledged that Wales lacked big cities as foci for economic growth and that 'there is no easy way to increase economic mass and gain more from agglomeration effects' but looked to investment in transport infrastructure as the way to help 'local areas across Wales form part of a wider regional economy'. Education and training also provided the potential route to a higher skill-based economy.

The strategy then laid out a sector-led focus, identifying a wide range of potential growth areas: high technology; automotive; aerospace; agri-food; tourism; financial services; creative industries; pharmaceuticals/biochemicals; construction; hospitality and leisure; social care; and renewable energy and environmental related sectors. In developing each of these, *WaVE* considered that 'private sector input is vital in the process and sector skills councils and sector fora, where they exist, have an important role to play' (Welsh Government, 2005a, p. 58). A key additional integrating policy tool was the *Wales Spatial Plan*, introduced in 2004. This sought to understand the significant spatial variation and relationships that existed both within Wales and externally and provided a framework for relating infrastructure and sector policies to differential local and regional needs. *WaVE* and the Spatial Plan were subsequently the policy framework for area-based regeneration programmes such as the one for the *Heads of the Valleys* (Welsh Government, 2006a).

WaVE of course was followed in 2006 by the abolition of the WDA. In large part, this was seen as part of the unfinished business of devolution to dismantle the quangocracy that had been built up in Wales by the Thatcher-Major Governments. There was also though a three-fold economic rationale. First, the WDA had become over-focused on its international promotion of FDI, though even in this role failed to help Wales adapt to competition from new low-cost international rivals, especially China but also new EU member states. Second, at home the WDA responded poorly to the need to restructure the Welsh economy from its manufacturing base to a largely service sector focus. Third, there was a pressing need to move away from the longstanding 'build and they will come' approach of the WDA to focus on skills development. In this regard, the relationship between the WDA and Education & Learning Wales was poor. Consequently, *WaVE* looked forward to a new integrated department of Welsh Government focused on enterprise, innovation and networks to drive a fresh approach. *WaVE* included a chapter on indicators of success and was accompanied by proposals for a transparent performance management system to sustain challenge for the new approach.

WaVE was very much the product of a Welsh Labour government but following the 2007 Assembly election and the formation of a Labour-Plaid Cymru coalition, the economic development, transport and regeneration portfolios were held by Plaid ministers. Led by Labour First Minister Rhodri Morgan, the Government reacted to the 2008 global financial crisis with economic summits with business, trade union and third sector representatives, and programmes to preserve jobs and vulnerable companies. The changed economic situation and real terms reduction in central block grant funding for Wales also though prompted reflection on general strategy, leading to the third major statement of Government strategy, *Economic Renewal: a new direction*, published in July 2010. In practice, this document represented much continuity with *WaVE* in terms of maintaining a focus on developing all-Wales programmes on such issues as transport and key economic sectors. This was followed by new programmes such as the Skills That Work for Wales strategy and a Healthy Working Wales. *Economic Renewal*'s distinctive theme though was to emphasise the need to develop a more responsive planning system and make more use of procurement policy to help Welsh businesses. The strategy was duly followed by the creation of the *Wales Strategic Infrastructure Plan* and the National Procurement Website. At the same time, *Economic Renewal* maintained the focus on new economic sectors, but the number of target growth sectors was narrowed down to six: life sciences; financial and professional services; energy and environment; creative industries; information communication technology; and advanced materials and manufacturing.

However, there were also inconsistencies in strategic direction. Major infrastructure developments such as the proposed extension of the M4 motorway south of Newport, previously announced in December 2004, and the *Heads of Valleys Programme*, intended to last for 15 years, were both cancelled by Plaid Cymru Ministers. Priority was given instead to what appeared to be more nation-building priorities in strengthening North-South transport links within Wales, in particular fast-tracking improvements to the A470 main north-south road and certain north-south train services within the Wales & Border rail franchise (Welsh Government, 2010). Debate on the role of higher education in Wales in developing a knowledge-based economy also proved to be inconsistent and patchy, with reform in the sector instead dominated by issues of institutional mergers, funding and associated issues of student support. In the years that followed the return of a Labour majority government after the 2011 election, there was some success in individual growth sectors, notably in advanced manufacturing through the innovation of semi-conductor technology, and in the creative industries. But otherwise, the assumptions of a sector focused strategy somewhat disappeared. The *Wales Spatial Plan* also ceased to be a point of strategic reference and the post-WDA Welsh Government economic development performance management system was not implemented. Whatever had been perceived as problematic about the WDA, there was no discernibly dynamic replacement model for how Welsh Government directly promoted change within the economy or promoted its interests externally. As the 2011-16 term wore on, there were growing criticisms that there was in fact little coherent explicit strategy guiding economic development policy.

Following the 2016 elections, Labour finally came forward with a fourth update of economic development strategy in *Prosperity for All* (Welsh Government, 2017). This strategy was immediately novel for being rooted in the goals and ways of working that followed from the Well-being of Future Generations (Wales) Act 2015. *Prosperity for All* focused on sustainable inclusive growth, informed by the ideal that 'we pursue growth because it can promote fairness' (Welsh Government, 2017, p. 1). *Prosperity for All* also proposed a new 'economic contract' as 'our commitment to continue to provide public investment to enable business alongside an expectation that business will make a contribution to our objectives' (Welsh Government, 2017, p. 10). Beyond this statement of broad ideals, the strategy did provide some continuities with previous ones by renewing the concentration on realising progress in education, skills and the transport infrastructure to underpin enhanced capacity. But otherwise, the strategy provided some key further detailed differences.

The strategy was novel first in making a distinction between seeking to develop what it called national and foundational economic sectors. National sectors comprised tradeable services such as financial technology and high value manufacturing and enablers, notably digital infrastructure and renewable energy. Foundational economic sectors comprised tourism, food, retail and care. It was acknowledged that the focus on the foundational economy sectors represented 'a new departure and significant shift in

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our approach' (Welsh Government, 2017, p. 15). The strategy was then novel, secondly, in moving to what it claimed was a 'new place-based approach to economic development' (Welsh Government, 2017, p. 22). This was to be achieved by developing a regionally focused model of economic development. Three chief regional officers were appointed to oversee this approach across four regions—North, Mid, South West and South East—aligning strategy with regional skills partnerships, city and growth deals and local government collaborative structures. Development would be supported by a development Bank of Wales and a £100 million targeted regional investment fund.

In the wake of *Prosperity for All* Welsh Government has developed a Wales Infrastructure Investment Plan, *Future Wales: The National Plan 2040*, and four regional economic frameworks (REFs). To a considerable extent, these documents in embracing a broader conception of development would be supported by the UK Government's Industrial Strategy Council. However, *Prosperity for All* and the REFs are perhaps most notable for moving away from a key focus on private sector input and towards a priority on the role of local government in the development of strategy. For example, while the South West Wales REF used the language of co-designing an inclusive place-based approach, the only partners to Welsh government specifically mentioned in the REF document are the four local authorities in the region (Welsh Government, 2021a). The REF is explicitly aligned with existing council local development strategies and it is the local authorities across the region who are charged with developing the regional economic delivery plans. The strategic focus on the role of the public sector to lead economic development without much explicit reference to private sector inputs was seen even more starkly in both the 2016 and 2021 Welsh Labour Senedd election manifestos, both of which barely mentioned the private sector or wealth generation.

In evaluating the development of Welsh strategy overall one might reflect on the significance of Labour's continuous presence in government after devolution. While there has been a constancy of centre-left rhetoric associated with political commitments to 'Clear Red Water' and progressive universalism, there has not been similar continuity in the substance of government strategy. This can be seen in a succession of economic development strategies, marked by changes in focus and emphasis. In hindsight, we can see that *WaVE* and the accompanying *Wales Spatial Plan* represented the holistic regional development planning approach that advocates of devolution had originally hoped for. It acknowledged the importance of broader infrastructure policies to developing some sort of agglomeration, the need for nuanced spatial distinctiveness in the application of strategy and it sought to embrace a fully inclusive approach, including engaging private sector input in invigorating growth sectors. However, subsequent strategies have altered priorities regarding the broader underpinning policies that might enhance economic capacity; changed growth sector priorities; waxed and ultimately waned over the degree of co-creation of strategy with the private sector; and abandoned the *Wales Spatial Plan* in favour of regional instruments for achieving fit between strategy and local needs. The holistic agglomeration and sector focused, public–private considerations lying behind both *WaVE* and *Economic Renewal* have ultimately given way to the regional planning, place based, public sector, foundational economy-based preoccupations lying behind *Prosperity for All*.

While in part following the changing fashions of development thinking, the consequence of change has been a failure to develop a coherent and consistent economic strategy. Lee Waters, the then junior Economy Minister, spoke revealingly in 2019 when he said that 'for 20 years we've pretended to know what we're doing on the economy—and the truth is we don't really know what we're doing on the economy. Everybody is making it up as we go along—and let's just be honest about that' (BBC, 2019). In the most recent phase, strategy has been strong in identifying an ideological narrative, though action plans with specific objectives and measurable outcomes have been slow to emerge. This has also been said of the Wellbeing of Future Generations (Wales) Act 2015 leading the Future Generations Commissioner to coin the phrase the 'implementation gap' in Wales (Welsh Government, 2020, p. 111). *Prosperity for All* is similarly light on identifying a performance indicator framework. Equally, strategic thinking in raising the importance of the public sector and local government relative to the private sector in guiding strategy appears to have privileged state actors, without ever having a debate on the role of the state in wealth generation, or by extension the role of the market and civil society. The current turn in development strategy still needs time for evaluation, and while that is the case Welsh Government continues to search for a long-term strategy for economic development.

In this context, we may also wonder how far Welsh economic development strategy has really moved on from pre-devolution approaches. The early attempts at holistic Wales-wide development planning, reflected in *WaVE* and the *Wales Spatial Plan*, appear to have slowly withered and ultimately been abandoned. In their place, the Wellbeing of Future Generations Act and *Prosperity for All* certainly provide a distinctive aspirational framework for strategy. But in practice, the focus of government action appears to have boiled down to a 'regionally focused model of development', with four regions being established for the purposes of business support and regional collaboration. In many ways, this represents a return to the old WDA regional structure, with regional officers and local government-based regional collaborations merely replacing the old WDA field capacity. However, whereas the WDA in providing an arms-length market-influenced capability represented some sort of internalisation of challenge to government in developing the economy, which nevertheless fell into disrepute, the local governance-based structure lets in the influence of neither the market nor the public and consequently contains little inbuilt challenge. The relationship between indigenous economic development and the role that inward investment can play is now completely unclear. In practice, it remains highly likely that beyond the aspirational policy rhetoric lies a reliance on discretionary everyday top-down managerialism which still is not tied in clear ways to actions and outcomes that might bring about transformative change.

4. Welsh regional development policies and governance

In focusing more explicitly on what Welsh Government has itself done, we also need to look at how specific policies have served the goals of regional economic development. In this section, we place a focus on transport, renewable energy and public procurement as examples of Welsh Government's power through infrastructure development, economic sector support and whole government approaches to shape the Welsh economy. Analysis reveals examples of key problems in approaches to policy and governance in each of these cases which have made achieving strategic goals even harder.

Welsh Government initially acquired limited road and transport grant powers in 1999. Nevertheless, in 2003 transport was brought under the remit of Welsh Government's economic development department with the ambition of creating an integrated transport plan to significantly enable businesses across Wales whilst also encouraging green growth. Subsequently, the Railways Act 2005 and the Transport (Wales) Act 2006 considerably expanded devolved powers and made the Welsh Government a general transport planning authority. In 2008, a *Welsh Transport Strategy* was published, followed by a *National Transport Plan* in 2010. The story of transport is not without some success; since 2006 Wales has seen significant expenditure on re-introducing branch line passenger rail services and road improvements, and the Wales & Borders rail franchise is now owned and run by the not-for-dividend company, *Transport for Wales*. Yet, the key East-West transport infrastructure is yet to undergo significant change, and there have been inconsistencies in supposedly pursuing a more environmentally friendly transport strategy and promoting integrated transport and green growth. In the South East, the Welsh Government has spent much time debating the issue of investing in an M4 relief road and ultimately rejected this on cost and environmental grounds. Environmentally sustainable alternative proposals based on local transport changes though have yet to progress and the abandonment of the M4 relief road is opposed by the UK government. Meanwhile, environmental and financial considerations have not prevented Welsh Government investing very substantially in upgrading and completing the dualling of the A465 Heads of the Valleys road. Equally, while there have been plans to create a Cardiff City Metro, to supplant car usage, these have been slow to get off the ground.

During this period commitments to environmental targets have increased. The Environment Wales Act 2016 committed Welsh Government to reducing carbon emissions, with a now enhanced ambition for Wales to be net zero by 2050. Yet transport still accounts for 17 per cent of emissions in Wales, a figure which has remained roughly constant in recent years. (Institute of Welsh Affairs, 2018; Welsh Government, 2021b). Of the three major Welsh cities Swansea has the second and Newport the third highest car use of any of the 63 cities in the UK and some of the worst air quality of any city in the UK (Centre for Cities, 2020a,b). Despite this, Swansea Bay City Deal plans have featured diverse local council sponsored projects yet have not included a regional integrated transport strategy. Indeed, the flagship Swansea Arena City Deal project is predicated on car use, not more sustainable forms of transport.

Problems in the implementation of transport policy have also been related to inconsistency in the structure of its governance on the ground. In the 2000s, this was based on four voluntary regional transport consortia composed of local authorities, transport providers and users, which drew up embryonic regional transport strategies. The 2006 Transport (Wales) Act included powers for Welsh Government to establish Joint Transport Authorities (JTAs) on a city region basis to replace them, thereby potentially enabling more policy direction from Welsh Government and partnership approaches not controlled by local authorities. It is noteworthy that the only body which lobbied against the JTA powers was the Welsh Local Government Association. In practice, the Welsh Government continued to fund the four regional transport consortia only to wind them up in 2014. Meanwhile, the powers to establish JTAs have never been used by Welsh Ministers. Therefore, since the abolition of the voluntary consortia there has been a profound sense of a dissipation of transport planning expertise. Very recently, Welsh Government has created four Corporate Joint Committees (CJCs) under the Local Government and Elections (Wales) Act 2021 to be responsible for regional transport, economic development and planning. These new bodies will be joint committees of the local authorities in the four regions, and in effect represent a new, second tier of local government (Welsh Government, 2022b). While transport planners may welcome the re-introduction of some level of regional capacity it is less powerful than the proposed JTA model and less inclusive than the former regional consortia.

The relative lack of achievement in transport strategy highlights the extent to which high level strategy in the wake of the Wellbeing of Future Generations Act has been silent on specific measures for addressing the issue of how transport could contribute to a prosperous Wales, improve air quality or reduce carbon emissions. Detailed plans for creating an integrated transport infrastructure and reducing transport carbon emissions remain elusive. Overall, transport policy is an area where we see inconsistent policy development, gaps between high policy and implementation to achieve goals, and inconsistent governance structures, leaning ultimately to a relatively unaccountable model of local government joint committee control.

If we turn now to look at how Welsh Government strategy has sought to support potential individual economic growth sectors, a key example has been renewable energy. From the advent of devolution Welsh Government had powers to consent to onshore wind farms and power stations up to 50 MW. This was raised to 350 MW under the 2017 Wales Act. In 2005, Welsh Government defined a renewable energy target of 2.5 GW, and Welsh Government's TAN (Technical Advice Note) 8 planning guidance sought to focus generation from onshore wind in seven Strategic Search Areas. Renewable energy targets have been highlighted in all economic strategy statements since *WaVE* and we may therefore reasonably ask how Welsh Government has honoured its commitments in practice. There has subsequently been development in renewable energy sources, notably onshore and offshore wind farms. There have also been debates about large-scale tidal power schemes, most notably the Swansea Bay Tidal Lagoon. However, Carwyn Jones, First Minister 2009–2018, was seen as lukewarm on wind energy policy in practice. In 2004, he opposed the Scarweather offshore wind farm off the coast from Porthcawl in his Bridgend constituency. In 2011, he expressed his concern at 'the proliferation of large-scale wind farms' and suggested that the TAN 8 'capacities should be regarded as the upper limits' (BBC, 2011). Onshore wind farms have often developed only in the face of local opposition.

The result is that despite Welsh government rhetoric about green growth, Wales' record is unexceptional in the low carbon and renewable energy sector (LCREE). In 2019, Wales met 51 per cent of its electricity demand from Welsh renewable energy sources (Welsh Government, 2019, p. 1). But while Wales has performed close to its population share, Scotland has performed consistently above its population share on most LCREE indicators, including employment and business turnover, and has become self-sufficient in renewable energy supply (Office for National Statistics, 2020). The comparison with the province of Navarra in Spain is perhaps even more invidious. Here currently 81 per cent of electricity is generated renewably and 40 per cent of electricity generated is exported (Navarra Regional Government, 2017). Royles and McEwen (2015) in comparing the Scottish and Welsh performance highlighted the much greater leadership within civil society in Scotland than in Wales on the need to do the things necessary to cut carbon emissions and promote renewable energy, meaning that the scale of policy ambition in practice was much greater in Scotland than in Wales. In practice, Welsh Government appears to have been ambivalent in just how committed it is to prioritising renewable energy.

Finally, we look at a long-term whole government instrument for helping the Welsh economy, namely public procurement. It has been estimated that roughly 30 per cent of the Welsh Government's annual budget is spent on buying or procuring goods and services across all public services. It is important to note of course that for nearly all the period since devolution, public procurement has been governed by EU Directives, focused on promoting competition and limiting state aid. All public bodies were required to publish notices of procurement in the European Commission's Official Journal of the European Union. Nevertheless, even during EU membership Welsh Ministers recognised the potential for public procurement to deliver significant economic and community benefit and established policies to open the procurement process to make it more accessible to Welsh companies and help grow the Welsh economy. The key challenge was to get public bodies to engage with delivering the policy, invest in training their staff with the requisite skills and collaborating with each other more effectively. Welsh Government's *Opening Doors: The Charter for SME Friendly Procurement* (Welsh Government, 2005b) was one example of policy innovation to achieve this.

However, there has been a gap between procurement policy and practice. The McClelland Review of procurement in Wales (Welsh Government, 2012) acknowledged that 'outstanding work has been done in developing policy, strategies and practices' and cited the 'leading-edge community benefits' policy. Nevertheless, it stated that 'the quality of deployment does not completely match the quality of the policies,' and noted that 'some organizations place a low value on procurement capability' and was disappointed that 'some organizations are at the extreme low end of policy adoption'. The problems in achieving positive outcomes for Welsh producers through public procurement were at least partly due to the widespread but erroneous belief of many public officials that EU Directives on public procurement were prescriptive and restricted the potential to help Welsh businesses.

An analysis of EU data reveals another key feature about procurement: namely the use of large framework contracts. An EU 2021 report stated, 'the concentration of procurement in large notices remains outstanding in the UK. The procurement of services in the UK alone accounts for 82% of the total value procured at the EU level in awards of more than 100 million euros, and in works, where the UK accounts for 68%' (European Commission, 2021). The use of large framework contracts derives from the primary policy objective of reducing costs. In Wales, framework contracts are often the norm, many on an all-Wales basis and they are usually too large for many Welsh companies to bid for. With over 50 per cent of the Welsh Government budget, the Welsh NHS is one of the biggest areas of procurement, and here management consultancies like PWC invariably cite procurement as one of the major ways in which the NHS can cut costs. Consequently, for reasons of poor understanding of how to benefit the local economy in Wales within EU rules, and a shared orthodoxy with UK practices of seeking cost-saving framework contracts that are often inaccessible to Welsh producers, public procurement policy on the ground has had a muted effect.

Overall, in evaluating this experience across a sample of specific policies our analysis suggests three kinds of problem in progressing regional development strategy. First, there has been a lack of coherence and consistency in individual policies and programmes. This is evident perhaps most clearly in approaches to transport policy. The attempt to marry transport's role in the infrastructure needs of the Welsh economy with green growth ideals since 2006 has been stymied by apparent indecisiveness on how to do it and where to place priorities. Second, there appears to be a substantial policy making-implementation gap in Wales, replicating a similar problem at the UK level. After reviewing the record of UK public service reform, Taylor (2014) suggested that governments have usually failed to achieve effective action because of what he termed the ‘Policy Presumption’. This is the belief that issuing policy statements and passing legislation is sufficient to bring about change and does not require extensive engagement with citizens in its formulation and implementation. In this discussion, we have seen a similar phenomenon in relation to policies on transport, renewable energy and public procurement. The consequence is that what are often leading-edge and laudable policy aspirations followed by disappointing outcomes. In the case of procurement, we can see that such inattentiveness to implementation can mean that activist government policies are also undermined by what are basically neo-liberal assumptions among public servants which see a limited role for public bodies and view procurement primarily as a cost-saving exercise with contracts that are often inaccessible to Welsh producers.

Third, there appear to be significant problems of coherence, accountability and inclusivity in governance structures, exemplified by regional transport governance. The CJCs which now oversee regional transport planning are but a part of a highly complex system of local and regional partnerships. In economic development, there are City and Growth Deals and four Regional Economic Partnerships; in education four Regional Education Consortia; and in health and social care seven Regional Partnership Boards. There are then 21 Public Service Boards, most based on individual local authority boundaries. Despite both the Beecham Report ‘Beyond Boundaries’ (Welsh Government, 2006b) and the Williams Commission on Public Service Governance and Delivery Report (Welsh Government, 2014) describing the complexity of partnership arrangements as a significant barrier to effective service delivery for a population of three million, Welsh Government policy has subsequently only added significantly to the number and complexity.

Whatever the regional partnership arrangements, they are all effectively under the predominant influence of the 22 Welsh local authorities. This is true even of the City and Growth Deals, pioneered by UK Government and which in England has considerable private sector leadership and influence. Welsh Government ensured that in Wales – while other partners such as business, health boards and higher and further education are associate partners – they are not formal members of the City Deal Joint Committees and decision-making is restricted to local authorities. Concerns about governance and transparency in City Deals have been raised in a Senedd committee report (Senedd Cymru, 2017).

Overall, Wales may simply be paralleling problems of regional policy and governance seen in England, despite having the apparent advantage of an elected devolved government and constitutional powers. Currently, the record on addressing such problems and improving government does not encourage optimism. While there has been a queue of commissions investigating the constitutional status and powers of what is now the Welsh Parliament since 1999, leading to four Government of Wales Acts, there have been correspondingly far fewer root and branch inquiries into major policy issues, or even concerted focus on sustaining a strong evidence base for policy improvement. For example, there has been no equivalent review into the levels of poverty that have plagued Wales for decades. On a more routine basis, Welsh Government declined to take part in the England & Wales National Surveys, on transport after 2011, and housing, after 2007, on the grounds of cost.

5. Conclusion

That some regional economies have been successful in improving their relative position was demonstrated by a 2018 review of European regional development from 1900 to 2010 (Roses and Wolf, 2018). The Basque Country, like Wales a former region of heavy industry, has seen GDP per head grow from 70 per cent of the EU15 average in 1985 to close to the average in 2019. It has recorded 118 per cent GDP per capita compared to the EU27 and unemployment below the Spanish average. This has been achieved by building a successful, industry-focused strategy over the course of several decades, based on ‘close co-operation among all levels of government and between the public and private sectors’ (Wolf, 2021). In contrast, Wales’ economic performance has not progressed with devolution and whatever the legacy of historic structural constraints and lack of proactive UK state regional strategy, Welsh government strategy and policy choices have played their part. This is not to decry that there have been some gains in terms of meeting electoral preferences and examples of developing albeit fleeting initiatives of novel regional political economy. But overall, Wales emerges as a case closer to Rodriguez-Pose and Gill's more pessimistic prognosis of what implications devolution might have for economic progress. By and large the continued hold on power of the Labour Party whether in majority, minority or coalition governments has reflected a relative weakness in public debates over public policy preferences that is paralleled in a lack of challenge over performance in policy making. The result has been much aspirational messaging undermined by weaknesses in strategy, policy and implementation. Lack of coherence and consistency in strategy and policy, and a tendency towards a policy presumption that has led to a neglect of tools of implementation and policy evaluation have all contributed to disappointment.

This conclusion echoes some of the critique made of Scottish Government economic policy by the Fraser of Allander Institute. When the Institute describes the need to rediscover a single unified vision for the economy and a 'clarity of purpose on which all policies are aligned behind what the government is trying to achieve' they could be talking about Welsh Government policy. As they could when they question the multiplicity and complexity of structures and strategies and the 'coherence of the government's economic approach beyond simply a recording of money spent'. The challenge made to Scottish Government also applies equally to Welsh Government when they ask to what extent is such Government activity 'underpinned by an evaluation, monitoring and understanding of what works…. and how is the evidence shaping up on whether or not such spending is delivering the desired outcomes?' (Fraser of Allander Institute, 2018). What is different though is that this level of challenge is more common in the Scottish case of devolution and therefore has a chance of effecting change. In Wales, it appears simply to be very rare.

The tendency towards lack of challenge in the Welsh case is most evident in the contemporary dominance of regional governance networks over the delivery of many aspects of Wales' economic development strategy, enabling control by local government working in relatively unaccountable spaces, far from the viewing public, lacking in the incentives to challenge Welsh government—to not bite the hand that feeds it—while sustaining holds over policy and power. It raises the prospect that the general implementation of devolution in Wales is characterised by a form of public sector clientelism, echoing 1970s corporatist forms of social partnership. While ostensibly inclusive, this points to a civil society in Wales which often lacks autonomy and independence. Indeed, many organisations in Wales are dependent on Welsh Government funding and patronage, and similarly have few incentives to critique their key source of maintenance. In the context of this proposed 'Client State' paradigm Welsh Government may develop strategy and policy in a relatively unaccountable way and subsequently get away with a lack of openness and transparency in decision-making and access to information.

The implications of pursuing the kind of approach mapped out in this article are potentially significant. It raises fundamental questions about Welsh political economy that are not answered either by historically based apologias or normatively charged prescriptions for more devolution or independence. Rather, it places the focus on the problems of Welsh political culture, summed up in the well-worn aphorism: 'Culture eats strategy for breakfast'. The culture in this case may simply be focused on maintaining existing power structures and the processes that sustain them, neglecting to develop robust approaches to implementation and delivery, as well as governance and accountability. This is a political culture that is likely to dominate whatever the constitutional position of Wales. In this context, it would strengthen our appreciation of the problems of the Welsh economy if future studies looked further into the problems of regional economic development strategy and related policies to reveal more of the nature of that political culture and what could be done to challenge it and overcome impediments to change.

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