

OECD Multi-level Governance Studies



# Regional Governance and Public Investment in Wales, United Kingdom

MOVING FORWARD TOGETHER





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# Foreword

Wales, a devolved nation of the United Kingdom (UK), has placed great emphasis on delivering inclusive growth to enhance the well-being of its citizens across all four of its regions. However, it faces a number of challenges in doing so. A key challenge is boosting productivity growth, which is below the UK average, with wide and persistent disparities across its regions. Compounding this are major governance and funding changes that continue to unfold. The end of the UK's Shared Prosperity Fund in March 2025 – designed to replace European Union funding post-Brexit – coupled with relatively high inflation, create uncertainties around future public investment for regional and local development. The addition of the Corporate Joint Committees (CJCs) to the regional governance landscape creates further uncertainty as stakeholders adapt to the changes these structures bring.

The OECD has a long-standing collaboration with the Welsh Government in delivering on its goals for inclusive growth. Indeed, this report supports the implementation of key recommendations on national and subnational implementation capacities and multi-level institutional relationships from the 2020 OECD report *The Future of Regional Development in Wales, United Kingdom*. It brings together findings from a number of activities undertaken between 2021-2023, including: a vision-setting exercise for Welsh regional development with the Welsh Government and other stakeholders; a series of focus groups and workshops to develop tailored roadmaps for the Welsh Government and CJCs; and a multi-stakeholder workshop to establish shared principles for collaborative working among regional development actors.

The experience of Wales articulated in those fora and in this report echoes the messages in the *OECD Recommendation of the Council on Regional Development Policy*, in particular the importance of effective co-ordination methods and instruments, strong administrative, strategic, and technical capacities, and robust performance management mechanisms.

This report was undertaken as part of the programme of work of the OECD's Regional Development Policy Committee (RDPC), a leading international forum in the fields of regional, urban, and rural development policy and multi-level governance, and delivered by the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE). The RDPC has long advocated for multi-level governance and place-based approaches tailored to local and regional needs. Indeed, the *OECD Regional Outlook 2023* re-emphasised that importance by stressing the shared responsibility of all levels of government to address regional inequality. To further advance the RDPC's leadership in this area, the OECD created the Multi-Level Governance Studies series in 2016. As part of this series, this report contributes to the body of knowledge relating to the multi-level governance of public investment. The final report [CFE/RDPC(2024)2] was approved by the RDPC via written procedure on 3 April 2024.

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The report was led and co-ordinated by Alexis Durand, under the supervision of Maria Varinia Michalun, Head of the Governance and Strategic Planning Unit in the Regional Development and Multi-level Governance Division of the CFE, led by Dorothee Allain-Dupré. The report was drafted by Alexis Durand, Maria Varinia Michalun, and Yingyin Wu, with inputs from Meg Hennessy (CFE). Davide Donati (Piedmont Region) provided valuable insights on strategy in Piedmont, Italy, and Hank Kune (Educore B.V.) designed and facilitated the vision-setting workshops and analysed the workshop outcomes. The report also benefits from the efforts of Helen Creighton, Luca Tacconi, Geoff Upton and Stephan Visser (CFE).

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Pilar Philip and Jack Waters (both CFE) led the process of preparing the manuscript for publication, and Eleonore Morena edited and formatted the report.

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# Abbreviations and acronyms

|                |  |
|----------------|--|
| <b>ANC</b>     | Action for Neighbourhood Change (Canada)   |
| <b>CCR</b>     | Cardiff Capital Region   |
| <b>CJC</b>     | Corporate Joint Committee  |
| <b>COSLA</b>   | Convention of Scottish Local Authorities   |
| <b>DSU</b>     | <i>Documento Strategico Unitario</i> (Unitary Strategic Document, Piedmont region of Italy)  |
| <b>ERDF</b>    | European Regional Development Fund   |
| <b>ESF</b>     | European Social Fund   |
| <b>ETC</b>     | Economy, Treasury and Constitution group of the Welsh Government   |
| <b>EU</b>      | European Union   |
| <b>GRW</b>     | <i>Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur"</i> (Joint Task for the Improvement of the Regional Economic Structure, Germany) |
| <b>GVA</b>     | Gross Value Added  |
| <b>LTIB</b>    | Long-term insights briefing  |
| <b>NUTS</b>    | Nomenclature of Territorial Units for Statistics   |
| <b>OECD</b>    | Organisation for Economic Co-operation and Development   |
| <b>OPS</b>     | Our Public Service (Ireland)   |
| <b>R&amp;D</b> | Research and development   |
| <b>REF</b>     | Regional Economic Framework  |
| <b>RSP</b>     | Regional Skills Partnership  |
| <b>RTP</b>     | Regional Transport Plan  |
| <b>SDP</b>     | Strategic Development Plan   |
| <b>SPF</b>     | Shared Prosperity Fund   |
| <b>TIA</b>     | Territorial impact assessment  |
| <b>TL</b>      | Territorial level  |
| <b>UDAs</b>    | Urban Development Agreements (Canadian cities)   |
| <b>UK</b>      | United Kingdom   |
| <b>USP</b>     | Unique selling proposition   |
| <b>WEFO</b>    | Welsh European Funding Office  |

# Executive summary

The aftermath of Brexit, the global upheaval caused by the COVID-19 pandemic, and inflationary and budgetary pressures have compelled Wales to re-evaluate its approach to regional development. Wales is increasingly taking a regional perspective – considering how government policy and actions affect its four economic regions – to help confront regional inequalities and foster well-being across its territory. The Welsh economy faces a sizeable productivity gap with the UK average and substantial, persistent differences across Welsh regions. Between 2011 and 2021, the productivity level of the South East region of Wales has consistently been more than 30% higher than that of the Mid Wales region (measured in gross value added per hour worked). The 2020 OECD report *The Future of Regional Development and Public Investment in Wales, United Kingdom* provides recommendations to help boost productivity across Welsh territories, focusing on enhancing transport performance, building workforce skills and investing in research and development.

This 2024 OECD report follows up on key recommendations from the 2020 report for enhancing regional development efforts and governance. It summarises progress and ongoing efforts towards a more cohesive and co-ordinated approach to regional development – a central focus of the 2020 report – drawing on insights gathered during a number of activities in the project, including vision-setting and capacity-building workshops, focus groups, a multi-stakeholder dialogue, and a toolkit for the Corporate Joint Committees. It supports the Welsh Government by providing further recommendations to boost strategy design and implementation on the national and subnational levels.

## Key findings and recommendations

**The Welsh Government should establish a coherent strategic thread for regional development activities across the national government.** Currently, the Welsh Government does not have a comprehensive long-term regional development strategy, one of the recommendations of the 2020 OECD report. Policy and decision makers look to sector strategies and other higher-level documents to guide activities related to regional development, like the Well-being of Future Generations (Wales) Act 2015, the Programme for Government and Regional Economic Frameworks. Notwithstanding the recommendation for a single regional development strategy, which requires strong and cross-cutting support to establish, the Welsh Government can better connect high-level legislative goals with policy and activities related to regional development across the government.

- As an alternative to a comprehensive long-term regional development strategy, the Welsh Government can define clear high-level objectives for regional development in existing strategic documents to ensure a regional lens is applied in sector policies and to help align different activities towards common goals.

**A co-ordination gap for regional development could undercut the Welsh Government's goal to take an integrated approach to regional development.** Creating an office for regional development co-ordination in the Welsh Government – a key recommendation of the 2020 report – becomes more critical

with the recent dissolution of the Welsh European Funding Office within Welsh Government which served as the *de facto* regional development co-ordinator given its EU funding role. In addition to a co-ordinator, the Welsh Government can explore other ways to adjust existing processes to strengthen co-ordination for regional development.

- Strengthening and diversifying co-ordination mechanisms across the Welsh Government can further bolster co-operation across government departments. This starts with designating a dedicated team for the co-ordination of the Welsh Government's regional development efforts.
- Ways of working must support collaboration across different teams and departments within the Welsh Government. Clear expectations – formalised in a Ways of Working Charter – can help overcome bureaucratic obstacles that impede collaboration.

**Four regional structures - Corporate Joint Committees (CJCs) - support collaboration among Welsh local authorities in transport planning, spatial planning, and economic well-being.** Some local authorities have expressed reservations about the CJCs, including a wariness of an unvoiced agenda from the Welsh Government, resource limitations, and a crowded field for regional co-operation. To gain the support of local authorities and citizens, the CJCs must demonstrate their unique value with support from the Welsh Government. This involves:

- Defining, articulating and sharing the unique value proposition of the CJCs through a collaborative process with stakeholders to establish their distinct regional development contributions and increase their visibility to a broader audience.
- Fostering strong lines of accountability alongside effective performance monitoring and evaluation to help build and maintain the confidence of constituent local authorities and residents.
- Empowering the CJCs to best serve their regions by setting clear expectations from the Welsh Government while demonstrating receptiveness to new ideas beyond legal requirements.
- Creating a data dashboard that presents key economic and well-being indicators by region to set the stage for evidence-based regional planning and implementation, helping the Welsh Government, the CJCs and local authorities make decisions and understand impact.

**Despite a shared desire for better relationships, friction between the Welsh Government and local authorities poses a challenge to the vertical collaboration required for regional development.** Common local authority concerns about the Welsh Government-local authority relationship include administrative burdens, lack of empowerment for local authority decision making, limited opportunities for constructive dialogue and excessive scrutiny. Existing initiatives to improve relationships, including the high-level dialogue between local authorities and the Welsh Government through the statutory Partnership Council, have not fully addressed these concerns. In early 2024, the Welsh Government introduced new platforms for dialogue between the CJCs and the Welsh Government at the political and operational levels with the aim of addressing concerns about the quality of exchange.

- New dialogue platforms should favour active engagement by local authorities by shaping agendas collaboratively and providing ample time for open discussion. The Welsh Government can convey respect by holding face-to-face meetings in CJC regions. Finally, the Welsh Government can provide transparent explanations to participants of the reasoning behind decisions. These adjustments will help to ensure that participants view engagement as fair and constructive.
- The Welsh Government should carefully weigh its use of prescriptive directives and guidance, and promote experimentation to help the transition towards a more collaborative approach among the Welsh Government, local authorities and CJCs. This could, for example, start with listening-and-action sessions focused on how local authorities envision implementing new policy.
- The Welsh Government, local authorities and the CJCs can create a bedrock of shared values by formalising the principles for joint working established in an OECD workshop and making provisions to monitor their implementation.

# 1 Updating the regional lens in Wales

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This chapter describes how Wales, United Kingdom, adopted a regional lens to help the Welsh Government, local governments and the regional Corporate Joint Committees (CJCs) better assess and address regional development needs. As Wales navigates a turbulent landscape for regional development and public investment, the regional lens promises to help national and local governments do more with less: optimising scarce resources, taking advantage of economies of scale and reducing transaction costs. This chapter uses labour productivity, labour market, environmental and cultural data to illustrate how larger-scale regional insights can guide effective policy and investment, highlighting the importance of evidence-based planning in achieving targeted and impactful public investment and regional development initiatives.

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## Introduction

Welsh regional development and public investment are in turbulent waters. The consequences of Brexit, large-scale shifts including those arising from the COVID-19 pandemic, geopolitical crises, natural disasters and inflationary and budgetary pressures have all affected Wales, United Kingdom, and its communities. Brexit disrupted the foundations of Welsh regional development and public investment and involved a shift in the governance and sources of public investment for regional development. At the same time, increasingly stretched fiscal conditions at the national and local levels make it harder to drive regional development in Wales. The Welsh Government, local authorities and other regional development actors have had to develop and implement new solutions to continue delivering on objectives despite the turbulence, uncertainty and constraints that have characterised public investment and service provision in Wales in recent years.

In response to these challenges, the Welsh Government has been refining the regional lens it applies to planning, policies and investments. Effectively applying the regional lens, both to and alongside national and local approaches, can help different government sectors and levels allocate their resources with greater impact. On the one hand, considering the regional perspective in policy making helps the Welsh Government understand and consider regional and local needs, priorities and capacities as part of national planning, policy and investment. On the other, it can help local authorities meet regional and local demands, including seeking advantages from regional co-operation. To deliver on the promise of the regional lens, however, actors will need a clear-sighted and evidence-based assessment of needs, opportunities and priorities.

This chapter explores the governance and funding challenges facing regional development in Wales today and considers how the Welsh Government is applying a regional lens as it moves to overcome these challenges. It looks at the value of a regional perspective, presenting regional labour productivity, labour market, environmental and cultural indicators to show how they might provide actionable insights for effective regional-level planning and action. Adopting a regional lens is just the first step. To deliver on the promise of the regional lens, regional data and analysis must translate into co-ordinated actions at all levels: i) among Welsh Government departments; ii) between local authorities through the Corporate Joint Committees (CJCs); and iii) among the Welsh Government, local authorities and the CJCs. The chapters that follow highlight the opportunities for all levels of government in Wales, as well as the CJCs and other stakeholders, to hone this lens and embed its use in regional development planning and delivery.

## A note on this report

In 2020, the OECD published the report *The Future of Regional Development and Public Investment in Wales, United Kingdom*, summarising the OECD-Welsh Government project that aimed to enhance regional development efforts and governance in Wales post-Brexit. Among its recommendations, the 2020 report stressed that the Welsh Government's ability to co-ordinate regional development policy and associated public investment is a determining factor in meeting growth and well-being objectives. It recommended that the Welsh Government strive for a more coherent and co-ordinated approach to regional development policy design and delivery (Box 1.1) (OECD, 2020<sup>[1]</sup>).

Following the 2020 report, the Welsh Government asked the OECD for assistance in implementing specific recommendations. This request became the impetus behind the *Regional Governance and Public Investment in Wales, United Kingdom: Moving Forward Together* project that is summarised in this report. The report brings together insights gathered during different project activities (presented in Annex A). Together, these insights show how the Welsh Government, local authorities and other actors have already begun to make progress towards more coherent and co-ordinated approaches to driving regional development and where additional effort is required.

### Box 1.1. Key findings and recommendations from the 2020 OECD report

The 2020 OECD report, *The Future of Regional Development and Public Investment in Wales, United Kingdom*, provided recommendations to the Welsh Government focused on reinforcing its governance practices for more resilient regional development and public investment. It made a case for Wales to introduce an integrated regional development policy on the national level to help align priorities, optimise limited resources and promote a cohesive and coherent approach to regional development by regional and local bodies. It also suggested that Wales diversify its policy co-ordination and implementation mechanisms in order to increase policy effectiveness and build and generate trust-based partnerships. Key recommendations to enhance Welsh governance for regional development and public investment included:

- Reinforcing the strategic role of the Welsh Government in regional development and public investment, focusing less on implementation and more on setting objectives and co-ordinating policy, measuring performance and guiding local authorities in meeting their policy and service responsibilities.
- Adopting a national framework to guide public investment for regional development that could support integrated investment and take advantage of solid investment management experience while building greater clarity and simplicity in investment processes.
- Reinforcing the devolution of regional development and public investment responsibilities through greater trust, more collaborative governance, asymmetric devolution, formal partnership arrangements and a learning-by-doing approach.
- Boosting local-level policy and investment implementation capacity by introducing tools that help local authorities and other local actors meet the demands of regional development policy and navigate public investment opportunities. Examples of such tools included monitoring and evaluation systems for regional plans and a stakeholder engagement strategy for the Welsh Government.

Source: OECD (2020<sup>[1]</sup>), *The Future of Regional Development and Public Investment in Wales, United Kingdom*, <https://doi.org/10.1787/e6f5201d-en>.

## Overcoming challenges to regional development in Wales

Governance and funding constraints threaten Wales' regional development and public investment capacities. Brexit and the eventual loss of European Union (EU) funding and regional development powers introduced a fundamental shift in Wales' governance and public investment mechanisms supporting regional development. To navigate this shift, the Welsh Government advanced a regional lens to help both levels of government plan and direct resources based on the unique needs and opportunities in different territories, and support local government co-operation to do so. This section examines these governance and investment challenges and presents the actions taken by the Welsh Government to address them.

### ***With Brexit, Wales sought a new model to drive regional development***

Brexit led to a significant and fundamental shift in the governance arrangements supporting regional development in Wales. From 2000 until 2024, the Welsh Government's Welsh European Funding Office (WEFO) was responsible for the management of the European Regional Development Fund (ERDF) and European Social Fund (ESF), including promoting their use, selecting projects and monitoring and

evaluating outcomes and impact. Given its role and responsibility for managing a substantial sum of regional investment (GBP 2.1 billion during the 2014-20 ERDF and ESF programming period, driving a total investment of GBP 3.2 billion (Welsh Government, forthcoming<sup>[2]</sup>)), WEFO was able to help advance national and subnational development and sector policy objectives through investments at the regional and local levels. It provided a *de facto* source of governance for regional development, serving as a cross-sector and multi-level co-ordinating body. It also maintained relationships with non-government regional development beneficiaries and stakeholders, including the private and third sectors, and academia. The administrative closing down of WEFO marks the end of this set of governance arrangements.

Following the 2016 Brexit vote, the Welsh Government acted to soften the blow that exiting from the European Union could represent to its territorial development and investment capacities. It set out to develop governance mechanisms and tools that would provide continuity for regional development and the regional-level allocation of investment funding. It introduced the four economic regions – North, Mid, South West and South East Wales – to develop Regional Economic Frameworks that would help guide regional, place-based economic development interventions in the future (Welsh Government, 2021<sup>[3]</sup>). It also finalised the national *Framework for Regional Investment in Wales*. The framework was developed as the replacement model for EU funds. It identified four main axes for public investment to advance development: i) more productive and competitive businesses; ii) reducing factors leading to economic inequality; iii) supporting the transition to a net-zero economy; and iv) healthier, fairer, more sustainable communities (Welsh Government, 2020<sup>[4]</sup>); a mix of national, regional and local delivery approaches would contribute to implementation. Further movement on applying the regional lens came in the form of the new national spatial plan *Future Wales: The National Plan 2040* (2021<sup>[5]</sup>), with programmes in the economic regions. Wales has also sought other opportunities to promote economic development, like the Freeport programme in collaboration with the United Kingdom (UK) Government, aiming to establish freeports as national hubs for global trade and investment and, along the way, create jobs and promote innovation (Welsh Government, 2023<sup>[6]</sup>).

To support and operationalise the framework and spatial plan, the Welsh Government passed legislation establishing regional-level structures in the four economic regions for regional planning and investment (CJCs). The CJCs (discussed in Chapter 3) promised to represent a “more coherent, consistent, simplified and democratically controlled mechanism” for regional working and to encourage local authorities to “tackle local issues on a regional basis” (Senedd Research, 2022<sup>[7]</sup>). Together, the reforms were intended as tools to transition from EU funds.

Furthermore, the Welsh Government set up a Regional Investment Steering Group to contribute to developing the framework. The steering group, renamed the Strategic Forum for Regional Investment, as of 2021, gathers government and non-government stakeholders at all levels regularly to work together to maximise the impact of regional investment. Chaired by a member of the Senedd (Welsh Parliament), members of the forum include leaders of the four regional partnerships (Cardiff Capital Region City Deal, North Wales Economic Ambition Board, Growing Mid Wales partnership, South West Wales partnership) as well as senior representatives from the Welsh Local Government Association, the Higher Education Funding Council for Wales, Universities Wales, Wales Trades Union Council Cymru, the Wales Rural Network, the Federation of Small Businesses, the Development Bank of Wales and the Wales Council for Voluntary Action, among others (Welsh Government, 2021<sup>[8]</sup>).

### *There are constraints to applying the new model fully*

The Welsh Government and local authorities face constrained financial conditions for operations and investment. The Welsh Government budget is under significant pressure due to the impact of inflation. According to Welsh Government calculations, its settlement<sup>1</sup> in 2024-25 will be up to GBP 1.2 billion less in real terms than expected at the time of the 2021 UK spending review (Welsh Government, 2023<sup>[9]</sup>; forthcoming<sup>[2]</sup>). Furthermore, Wales had the lowest level of public investment spending per capita –



GBP 1 244 – among the United Kingdom’s nations (UK Parliament, 2024<sup>[10]</sup>). It has had to make hard decisions to respond to an increasingly constrained fiscal and financial environment, including a “radical redesign [of] our spending plans” to protect the most important public services in the most recent budget (Welsh Government, 2023<sup>[9]</sup>). Welsh local authorities are also under financial strain. Welsh Government allocations to the 2024-25 local authority budgets increased by 3.3% to protect the provision of core services (i.e. schools, social services, social care, etc.). Yet, despite the increases, other factors – inflation, increased costs and cuts in the Welsh Government settlement in other areas of the budget – have prompted experts to warn of a funding gap for Welsh local authorities of nearly GBP 750 million by 2027 (Deans, Williams and Palmer, 2023<sup>[11]</sup>; Senedd Research, 2023<sup>[12]</sup>; Browne, 2023<sup>[13]</sup>). This gap has left some local authorities struggling to provide public services to meet local needs; ultimately, it could negatively affect regional and local development due to insufficient funding and financing capacity.

Even as inflation strains national and local budgets, Wales lost significant investment funding for regional development from the European Union as a result of Brexit. In the 2014-20 EU programming period, the Welsh Government invested around GBP 4 billion, a total comprising both EU and national co-financing (GBP 3.2 billion from ERDF and ESF programmes and GBP 846 million in rural development through the European Agriculture Fund for Regional Development (European Commission, 2024<sup>[14]</sup>; Welsh Government, 2023<sup>[15]</sup>; Business Wales, n.d.<sup>[16]</sup>). Based on need, Wales was the largest recipient of ERDF and ESF in the United Kingdom per capita (OECD, 2020<sup>[1]</sup>).

The UK Government’s response to the loss of EU funds for regional development was the Shared Prosperity Fund (SPF) (Box 1.2), launched in April 2022 and continuing until March 2025. The SPF followed the passage of the UK Internal Market Act 2020, which empowered UK ministers to provide financial assistance throughout the United Kingdom for certain activities, including in devolved policy areas (Institute for Government, 2021<sup>[17]</sup>). From its introduction, it was clear that the SPF would not fully replace EU funds. While the UK Government committed that Wales would be “not a penny” worse off after Brexit, it remains uncertain whether it has fully honoured its promise: for example, the Welsh Government and some academics have pointed to a potential shortfall of GBP 1.1 billion compared to EU funding (Welsh Government, 2022<sup>[18]</sup>; Senedd Research, 2023<sup>[19]</sup>), which the Welsh Government claims has now increased to nearly GBP 1.3 billion due to inflation, on top of the financial pressures on the 2024-25 Welsh settlement (Welsh Government, forthcoming<sup>[2]</sup>). Furthermore, with new UK Government financial powers in devolved nations granted by the United Kingdom Internal Market Act 2020 (UK Government, 2020<sup>[20]</sup>), the SPF distribution mechanism limits the Welsh Government’s role in steering and co-ordinating regional development funds. While the Welsh Government managed and delivered EU funds, the UK Government directly delivers the SPF through local authorities with the rationale of empowering local-level decision making (Bachtler and Downes, 2023<sup>[21]</sup>). This has effectively limited the Welsh Government’s role in setting strategy and managing public investment for regional development, weakening its ability to influence and then support regional and cross-border projects (between Wales and England [United Kingdom], Ireland as well as with other EU regions) (Senedd Wales, 2023<sup>[22]</sup>).

SPF expenditure must cease by 31 March 2025, in line with UK Government timelines, meaning project activities will need to be completed before this date. With no immediate promise of a replacement from the UK Government beyond March 2025, this leaves the Welsh Government and Wales’ local authorities to question access to public investment funds for regional and local development in the future. The next UK general election, which must be scheduled no later than January 2025, will have implications for the future of regional development policy and funding in Wales. However, the exact impact remains unclear at the time of this report.

In the face of a constrained and uncertain fiscal environment and the changing nature of UK funding for regional development following the UK Internal Market Act 2020, the Welsh Government is steadily pursuing a regional lens to help it do more with what it has. For example, planning on the regional level can help create a shared direction of travel that aligns limited resources towards the areas of greatest impact. Acting on the regional scale, then, can allow actors to take advantage of economies of scale,

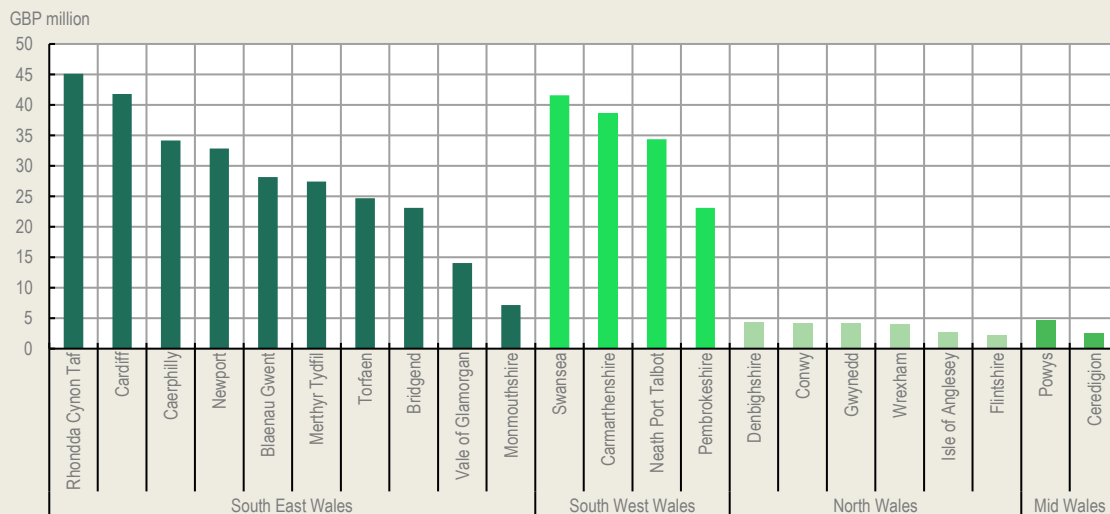
optimise scarce human resources and reduce transaction costs: for example, three separate but similar economic development interventions in three different local authorities could perhaps be managed more efficiently within one intervention covering all three.

### Box 1.2. The UK Government's Shared Prosperity Fund

In April 2022, the UK Government set up the SPF as a core pillar of its Levelling-up Agenda, totalling GBP 2.6 billion of funds for distribution over 3 years (April 2022 to March 2025); GBP 585 million is allocated to Wales, which includes GBP 484 million for core SPF and a further GBP 101 million for Multiply, a UK-wide initiative to improve adult numeracy skills through free personal tutoring, digital training and flexible courses.

The funding allocation methodology, which is based on population and development needs of local authorities, has created a somewhat lopsided picture at the regional level (Figure 1.1). Wales' most developed and populated region – the South East – receives most of the SPF funding.

Figure 1.1. UK SPF allocation by Welsh local authority in each CJC region



Note: Data include both SPF core funding and funding from the Multiply programme.

Source: UK Government (2022<sup>[23]</sup>), *Guidance UKSPF Allocations*, <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/ukspf-allocations>.

The SPF is directly distributed to local authorities. Although Wales' local authorities within the City and Growth Deal regions (geographically equivalent to economic regions) need to jointly submit a regional investment plan to the UK Government to unlock the funds, there is no mandatory mechanism or incentive to ensure that the funds will be used to pursue regional-level interests or invest in regional-level projects. In addition, timescales for spending local-level disbursements are tight. Within the spending window, local authorities face pressures to deliver while managing external risks like inflation and skills shortages. In addition, some local authorities have limited capacity and capability to execute projects (National Audit Office, 2023, p. 30<sup>[24]</sup>). These limitations restrict the potential for local authorities to use the SPF to pursue strategic projects and regional collaboration.

The UK Government indicated that a “lead local authority” for the region will receive the region’s allocation and has overall accountability for the funding and how the fund operates. In practice, local authorities in each region have adopted different approaches with respect to using the funds. South East Wales appears to have the most institutionalised mechanism for regional investment, using the Cardiff Capital Region (CCR) City Deal (and its Regional Cabinet) as the lead body deploying the SPF, including approving the regional investment plan. The CCR’s SPF investment plan also sets out a regional delivery dimension, with a proposed allocation of GBP 3.3 million for the Clusters and Regional Tourism projects, for example. North Wales focuses on administrative co-ordination, putting together an SPF North Wales team under the Ambition North Wales structure to manage projects seeking to deliver in more than one local authority area. Mid Wales and South West Wales, while mentioning the possibility of supporting regional projects, emphasise that investment will be decided locally. These two regions do not have explicit mechanisms to ensure investment at a regional level, such as the degree to which a project proposal advances regional-scale interests.

Source: UK Government (2022<sup>[25]</sup>), *Guidance: Multiply in Scotland, Wales and Northern Ireland*, <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/multiply-in-scotland-wales-and-northern-ireland>. Cardiff Capital Region (2023<sup>[26]</sup>), *UK Shared Prosperity Fund - Cardiff Capital Region*, <https://www.cardiffcapitalregion.wales/wp-content/uploads/2023/02/ukspf-regional-investment-plan.pdf>. UK Government (n.d.<sup>[27]</sup>), *UK Shared Prosperity Fund - Investment Plan for South West Wales*, <https://www.carmarthenshire.gov.wales/media/1231295/regional-investment-plan.pdf>. Powys (n.d.<sup>[28]</sup>), *Mid Wales Regional Investment Plan*, <https://en.powys.gov.uk/article/13431/Mid-Wales-Regional-Investment-Plan>. Ambition North Wales (n.d.<sup>[29]</sup>), *Shared Prosperity Fund: North Wales*, <https://ambitionnorth.wales/opportunities/sharedprosperityfund/>. National Audit Office (2023<sup>[24]</sup>), *Levelling Up Funding to Local Government*, <https://www.nao.org.uk/wp-content/uploads/2023/11/levelling-up-funding-to-local-government.pdf>.

## Moving the regional lens forward with the four economic regions

The Welsh Government is increasingly centring its regional development and investment model on four economic regions, focusing on support for more balanced development. By doing so, it hopes to better address the governance and financial challenges presented in the previous section. To optimise the perspective that this regional lens can offer, it needs to be supported by cross-sector consideration of regional-level activities (discussed further in Chapter 3) and by well-reasoned, evidence-based analysis of needs and opportunities throughout the territory and at the regional level. To this latter point, the OECD Recommendation of the Council on Regional Development Policy suggests that countries should “improve the availability, accessibility and granularity of subnational indicators on demographic, socio-economic, environmental and financial conditions, and well-being in different territorial scales ... to inform regional development policy and produce evidence for decision-making.” (OECD, 2023<sup>[30]</sup>). The Welsh Government and the four economic regions have taken steps to build evidence bases to support their regional-level initiatives, with key statistics for the regions presented in the four Regional Economic Frameworks and *Future Wales: The National Plan 2040*. Yet, Wales still lacks a comprehensive picture of its four economic regions to support decision making. A data dashboard bringing together a wide range of existing local authority data – such as economic performance, education and employment, well-being, infrastructure, public services and more – can provide this type of regional picture.

### **Actionable regional evidence is crucial to advancing the regional lens**

The four economic regions complement Wales’ existing statistical regions, providing a more targeted and actionable regional view. Prior to Brexit, two large NUTS 2 regions (East Wales and West Wales and the Valleys) were used for EU fund programming and implementation. Twelve small NUTS 3 (or TL3) regions are also used for other statistical reporting (Table 1.1). Today’s four economic regions, established to more precisely target regional development investment post-Brexit, better capture the socio-economic and

demographic nuances among territories in Wales, as well as some of their historical ties, cultural affinities and economic interdependencies.<sup>2</sup> Defining regions is, of course, an imperfect exercise: the characteristics and relationships that give regions shape are complex and dynamic. The four economic regions, nevertheless, represent a more useful scale than the existing statistical regions. When anchored to mechanisms for planning and action like the CJsCs, the economic regions become tools to define common objectives, make appropriate trade-offs and align action.

**Table 1.1. Statistical regions, economic regions and local authorities in Wales**

| Local authorities (22) | Economic regions (4) | NUTS 3 (or TL3) regions (12)   | NUTS 2 regions (2)         |
|------------------------|----------------------|--------------------------------|----------------------------|
| Anglesey               | North Wales          | Isle of Anglesey               | West Wales and The Valleys |
| Conwy                  |                      | Conwy and Denbighshire         | West Wales and The Valleys |
| Denbighshire           |                      |                                | West Wales and The Valleys |
| Gwynedd                |                      | Gwynedd                        | West Wales and The Valleys |
| Flintshire             |                      | Flintshire and Wrexham         | East Wales                 |
| Wrexham                |                      |                                | East Wales                 |
| Powys                  | Mid Wales            | Powys                          | East Wales                 |
| Ceredigion             | South West Wales     | South West Wales               | West Wales and The Valleys |
| Pembrokeshire          |                      |                                | West Wales and The Valleys |
| Carmarthenshire        |                      |                                | West Wales and The Valleys |
| Swansea                |                      | Swansea                        | West Wales and The Valleys |
| Neath Port Talbot      |                      | Bridgend and Neath Port Talbot | West Wales and The Valleys |
| Bridgend               | South East Wales     |                                | West Wales and The Valleys |
| Merthyr Tydfil         |                      | Central Valleys                | West Wales and The Valleys |
| Rhondda Cynon Taf      |                      |                                | West Wales and The Valleys |
| Blaenau Gwent          |                      | Gwent Valleys                  | West Wales and The Valleys |
| Caerphilly             |                      |                                | West Wales and The Valleys |
| Torfaen                |                      |                                | East Wales                 |
| Cardiff                |                      | Cardiff and Vale of Glamorgan  | East Wales                 |
| Vale of Glamorgan      |                      |                                | East Wales                 |
| Monmouthshire          |                      | Monmouthshire and Newport      | East Wales                 |
| Newport                |                      |                                | East Wales                 |

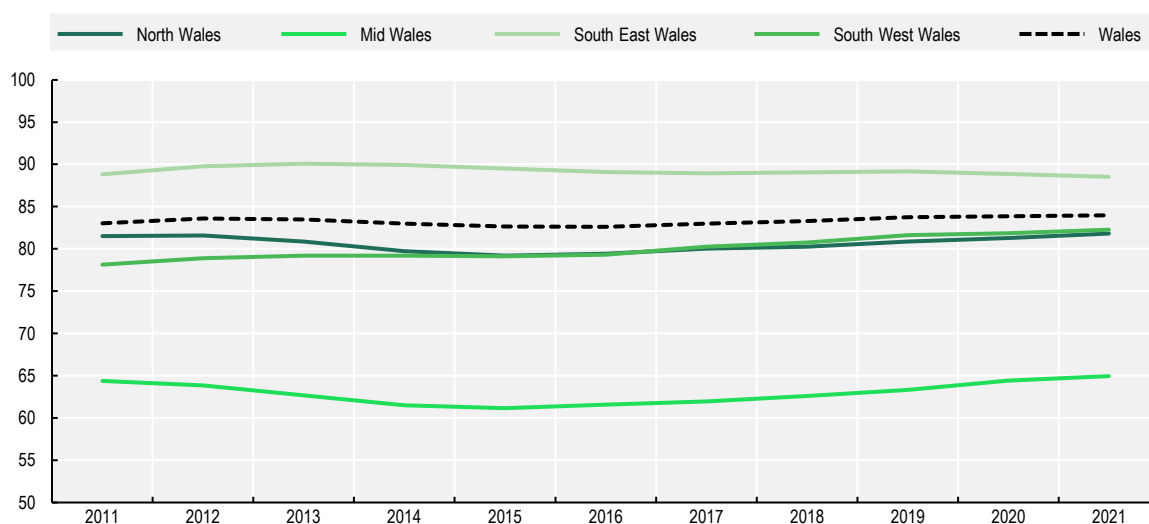
Note: The OECD classifies regions on two territorial levels (TL): TL2 and TL3. This classification for European countries is largely consistent with the Eurostat Nomenclature of Territorial Units for Statistics (NUTS). The United Kingdom, however, is an exception, where TL2 regions correspond to the NUTS 1 regions. In other words, Wales is a TL2 region and a NUTS 1 region. It is further divided into two NUTS 2 regions: East Wales, and West Wales and the Valleys.

While the impetus for the four regions came from the Welsh Government, the regions can also benefit local authorities. The regions show that the Welsh Government recognises that local authorities may be best placed to understand and manage the implementation of plans and services at a smaller level, within the four regions. The potential advantages of regional co-operation for local authorities (Chapter 3) are numerous, from co-ordinated planning that makes resource allocation more efficient to cost savings by pooling back-office functions. These regions allow the Welsh Government to zoom in on regional needs, priorities and capacities and the local authorities to zoom out to think beyond their administrative boundaries, in both instances at a scale where action may be most efficient and effective.

Why should the Welsh Government zoom in to address some of its persistent regional challenges? There are cases when a territorial challenge is more realistically addressed using a territorially specific solution. One example is productivity. The Welsh economy has a sizeable productivity gap (measured in gross value added [GVA] per hour worked) with the UK average that has persisted over time (Figure 1.2) (Office for National Statistics, 2023<sup>[31]</sup>). Behind this national productivity gap are to-date enduring differences across the four economic regions. Between 2011 and 2021, the productivity level of the South East region (Cardiff Capital Region) has consistently been more than 30% higher than that of the Mid Wales region (Office for National Statistics, 2023<sup>[32]</sup>). The South West region saw the largest increase of productivity over the years (0.5% average annual growth rate, compared to 0.1% or below in other regions), narrowing the gap between the South West and Welsh average, while Mid Wales' average growth over this period was mild, maintaining its discrepancy with the other regions (Figure 1.2) (Office for National Statistics, 2023<sup>[32]</sup>). Welsh regions differ in terms of their demographic profiles, infrastructure access and quality, and other factors (Henley, 2021<sup>[33]</sup>; OECD, 2020<sup>[1]</sup>). These different profiles and different productivity outcomes suggest that the regions of Wales could benefit from a mix of targeted measures to unlock their growth potential. As highlighted in the OECD's 2020 report, such measures could combine improving transport networks, investing in research and development (R&D) and innovation, and boosting the skills of the Welsh workforce (OECD, 2020, p. 13<sup>[1]</sup>)

**Figure 1.2. Gross value-added per hour worked indices, 2011-21**

Current price; UK average = 100



Note: Data are smoothed using a weighted five-year moving average.

Source: Office for National Statistics (2023<sup>[32]</sup>), *Subregional Productivity: Labour Productivity Indices by Economic Enterprise Region*, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbylocalenterprisepartnership>; Office for National Statistics (2023<sup>[31]</sup>), *Subregional Productivity: Labour Productivity Indices by UK ITL2 and ITL3 Subregions*, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbyuknuts2andnuts3subregions>.

Unemployment and labour market challenges provide another example of regional differences that should inform national-level policy implementation. The economic inactivity rate (excluding students)<sup>3</sup> has dropped slightly in Wales, from 21.4% in 2013 to 20.0% in 2023, but it remains higher than the UK average (17.5% in 2023)<sup>4</sup> (StatsWales, 2024<sup>[34]</sup>). The Welsh Plan for Employability and Skills outlines many measures to address this gap but regional data suggest that regions need to apply them differently based on their unique contexts to maximise the policy outcomes (Welsh Government, 2022<sup>[35]</sup>). For example, data show

a high share of self-employment in Mid and South West Wales, suggesting that these regions could target policies and activities that support and promote a culture of entrepreneurship and individuals wishing to start their own businesses (StatsWales, 2024<sup>[36]</sup>). In particular, South West Wales could provide targeted support to women to start businesses since this region has a relatively high female economic inactivity rate (excluding students) (25.2% versus the Wales average of 23.7% in 2023) (StatsWales, 2024<sup>[34]</sup>). The South East region, while having a similar economic inactivity rate as Mid and South West Wales (all between 20% and 21%), accommodates almost half of Wales' workforce population in 2023 (StatsWales, 2024<sup>[34]</sup>). The high workforce level in the South East may provide conditions that are conducive to regional co-working and local work hubs, another measure outlined in the Welsh Plan for Employability and Skills (Welsh Government, 2022<sup>[35]</sup>).

Why should local authorities zoom out and think beyond their administrative borders? In some cases, a policy issue has high spillover effects, going beyond the administrative boundaries of local authorities, such as reducing air pollution, decarbonisation, environmental and biodiversity protection. In 2021, greenhouse gas (GHG) emissions in South West Wales as a region accounted for 40% of the nation's total GHG emissions and 3% of UK GHG emissions (UK Government, 2023<sup>[37]</sup>). Addressing this requires a collective effort to enable the transition of the region's industrial base and to decarbonise the transport, housing and manufacturing systems across all local authorities (Swansea Council, 2022<sup>[38]</sup>). In other cases, local authorities in a region face similar challenges or share the same interests or development opportunities. Zooming out can help generate the exchange of ideas or identify opportunities to jointly develop or implement policy solutions. For example, in 2022, Anglesey, Conwy and Gwynedd in North Wales have among the largest proportions of employment in tourism across Wales (20.8%, 20.0% and 18.3% respectively) (Ambition North Wales, 2021<sup>[39]</sup>; Welsh Government, 2022<sup>[40]</sup>; n.d.<sup>[41]</sup>). In addition, they are home to a relatively high share of Welsh speakers (Welsh Government, 2022<sup>[42]</sup>). These local authorities have a strong shared interest in developing joint initiatives to strengthen industry and tourism opportunities across the region, which could include innovative opportunities for the Welsh language and culture to thrive even more.

### ***Building a comprehensive regional development picture to inform policy making***

The value of applying a regional lens to all levels of government activity is the perspective it offers national and local policy makers on the impact that their intended policies or activities may have on a territory. It helps ensure that all sector policies consider the regional level and its ambitions when developing and implementing policy. Doing so can help them decide what to prioritise in terms of policy activity to meet regional-level objectives. It can help policy makers better design and select policy levers, tools and interventions. It can help governments decide where to direct public investment. Finally, regional-level data will be an essential component of monitoring and evaluation for the Welsh Government and for the CJs. However, applying such a lens effectively requires data at the relevant territorial level.

Painting a comprehensive picture of the impact policies or specific actions can have on regional development is often complex. In Wales, the footprints for regional-level action currently in place make it even more so. In addition to the statistical regions and four economic regions, Wales is divided into a multiplicity of regional footprints, each with different purposes and geographic coverage: these include Regional Skills Partnerships (RSPs), community safety partnerships, regional partnership boards, health boards and regional rescue services, among others. This makes it difficult to generate a consolidated view to support policy making, efficient policy and service delivery, and precise monitoring and evaluation.

Today, a national or local policy maker trying to understand patterns across Wales' regions would have to make sense of a patchwork of data from different sources presented on different scales. Statistics Wales presents some indicators at the level of the four economic regions (e.g. average household earnings, qualification level of working-age adults, GVA and volume of road traffic). Some datasets present three regions, with one that combines Mid and South West Wales (like population estimates, data on illegal

dumping, grassland fires, low-carbon energy generation and dental services). Those two configurations are the most common but other datasets are presented with different regional groupings of local authorities.<sup>5</sup> However, most subnational level data are presented by local authorities, leaving it to the policy maker to piece together and then calculate a regional picture for many indicators.

A policy maker cannot find consolidated economic and well-being data based on the four economic regions in a single place. In 2020, Statistics for Wales published a single edition of demographic and economic data presented by the four economic regions (Welsh Government, 2020<sup>[43]</sup>). This regional data spotlight is accompanied by a dashboard of eight economic indicators<sup>6</sup> (Welsh Government, 2024<sup>[44]</sup>). Data beyond economic development are sometimes available on the scale of the four regions, like the RSP regional data observatories that present indicators relevant to education and skills or Natural Resources Wales data platforms presenting biodiversity data. Taking a regional perspective becomes more complicated as the footprint differs from the four economic regions. Take, for example, data on children’s health collected and presented by the seven health boards (Public Health Wales, 2022<sup>[45]</sup>).

Gathering and presenting data for the four regions are fundamental to support stronger evidence bases for regional planning, evaluation and investment by all levels of government and for all policy sectors to apply a clear regional lens. One method to do so is through a regional-level data dashboard that aggregates local-level data to make integrated analyses – those that cut across policy areas – possible. This means presenting data on economic performance, education and employment, infrastructure, public services, well-being indicators, etc. The Welsh Government could start by identifying existing regional-level data, such as labour productivity, employment, business demography and structure, patterns of transport-modality use (e.g. walking, cycling, public transport, private car, rail), people not in education, employment and training, etc. Eventually, it may decide to develop a short set of new indicators and to undertake analysis at the regional level (e.g. commute patterns within the region), especially in line with the well-being indicators that support the implementation of the Well-being of Future Generations (Wales) Act 2015 (Welsh Government, 2022<sup>[46]</sup>). Data presented for the four economic regions easily nourish their planning and investment activities: Regional Economic Frameworks, Regional Transport Plans, Strategic Development Plans (i.e. spatial planning) and Regional Skills Partnerships. Ultimately, these data can feed into the monitoring, evaluation and learning conducted by the Welsh Government, the CJsCs and local authorities.

## Key messages and recommendations

**Wales is adapting its governance structure for regional development to accommodate change post-Brexit, including a constrained and uncertain fiscal environment.** Regional development and public investment actors in Wales have been adjusting to the loss of the *de facto* governance arrangements supporting a cross-sector and place-based approach to regional development provided by the administration of EU funding. The loss of the funding source itself is a strongly felt blow, as Wales was the majority recipient of European Structural and Investment Funds in the United Kingdom and current austerity measures are further straining already tight public budgets.

**The Welsh Government is refining its regional lens to help it do more with what it has.** It established four regions and anchored new tools for regional development planning to these footprints: *Future Wales – The National Plan 2040*, the Regional Economic Frameworks, the *Framework for Regional Investment in Wales* and CJsCs. Taking this regional perspective holds the promise of aligning limited resources for maximum impact, capitalising on economies of scale and lowering transaction costs.

**Planning and acting at this adjusted regional level require evidence that makes sense of local, regional and national needs.** A look at indicators on the regional level related to labour productivity, job markets, environmental factors and cultural aspects illustrates how they might provide actionable insights for effective regional-level planning and action. Regional data can help policy makers plan and act more

accurately when considering regional needs, allocate resources more effectively and monitor and evaluate regional initiatives. To set the stage for regional analysis, the Welsh Government and regions should make data available systematically for the four regions.

- **Recommendation: Maintain a regional dashboard of key economic and well-being indicators**
  - The dashboard should present national, regional and local data and integrate analysis from these perspectives.
  - Indicators should reflect the diverse aspects of regional development, such as economic performance, education and employment, infrastructure, public service and well-being. It can start with key indicators aligned to the Well-Being for Future Generations (Wales) Act, like the national indicators for the act established by the Welsh Government (2021<sup>[47]</sup>).
  - This regional dashboard can provide data to support policy and service monitoring, evaluation and learning by the Welsh Government and local authorities at the regional scale through the CJsCs. The CJsCs can use these data to shape the substance of their plans, helping them understand regional trends and gauge the performance of regional initiatives.
  - Maintaining the dashboard on the Welsh Government website and making it publicly available allows a broader public to have easy access to regional data, especially if data are presented in easy-to-understand language and formats.

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## Notes

<sup>1</sup> The annual block grant provided from the UK Government to the Welsh government, Scottish government and Northern Ireland executive (Independent Commission on Funding & Finance for Wales, 2009<sup>[48]</sup>)

<sup>2</sup> The 2020 report examines the decision to create Mid Wales and South West Wales economic regions, grappling with some the complexity of the characteristics that regions give shape to (OECD, 2020<sup>[11]</sup>).

<sup>3</sup> Economic inactivity captures people not in employment who have not been seeking work within the last four weeks and/or are unable to start work within the next two weeks.

<sup>4</sup> All years in this paragraph ending in September.

<sup>5</sup> At least three datasets present four *different* regions, combining Mid and South Wales, while separating Central South Wales from South East Wales (like data on student expulsions and information on school type) or presenting a Mid and West Wales region and separating Cardiff into its own region (National Health Service patients treated). Information on out-of-work benefit claimants is presented in two regions: West Wales and the Valleys and East Wales.

<sup>6</sup> Disposable income per head, primary income per head, economic output per head (GVA), economic output per hours worked (GVA), employment rate, full-time weekly earnings, poverty rate and average household wealth.

## **2** Pulling the pieces together for regional development

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Successfully embedding a regional lens in policy making entails articulating the long-term needs and ambitions of Welsh regions and collaborating across different policy areas within the Welsh Government to achieve the desired change. This chapter explores avenues for the Welsh Government to drive these two aspects. The first section discusses how the Welsh Government can build on its existing foresight and futures-thinking knowledge and activities to develop a long-term view of regional development and, from that, weave a strategic thread to guide policies impacting this area. The second section discusses how the Welsh Government can fill a co-ordination gap, adopt a mix of co-ordination mechanisms and foster cross-departmental working to build a truly integrated, cross-sectoral working environment to advance regional development.

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## Introduction

Advancing the regional lens, introduced in Chapter 1 to complement and guide national and local action, requires a strategic and co-ordinated regional perspective. Regional development policy calls for a long-term and integrated approach due to the complex interplay and evolving nature of the economic, social and environmental factors that affect regional development outcomes. By adopting a forward-looking approach and integrating activities across policy domains, strategies can be more effectively aligned with the Welsh Government's ambitions and overarching policy goals, such as the well-being goals set out in the Well-being of Future Generations (Wales) Act 2015. In Wales, the Welsh Government can benefit from charting a course for regional development in collaboration with other regional development actors and unifying the efforts of different parts of the Welsh Government in the chosen direction.

This chapter explores how Wales can “pull the pieces together” for regional development, understanding and expressing long-term needs and ambitions for Welsh regions and working across Welsh Government policy areas to bring about desired change. This chapter discusses the foundations necessary to apply a forward-looking strategic perspective to regional development in Wales. It explores how the Welsh Government can build upon existing groundwork in futures thinking and vision setting to develop a strategic thread for regional development that can guide Welsh Government activities. Finally, it considers how different parts of the Welsh Government can work together in a more integrated way to advance regional development objectives.

## Charting a course for regional development in Wales

A long-term perspective for regional development can help the Welsh Government, local authorities and the Corporate Joint Committees (CJCs) make the most of the regional lens. The Welsh Government already has building blocks in place for setting a long-term regional view, including some inhouse capacity for futures thinking (including foresight and vision setting) and the seeds of a vision from an exercise conducted with the OECD in 2022-23. Legislation, such as the Well-being of Future Generations (Wales) Act and key statements of Government policy aims and objectives such as the Programme for Government, the Regional Economic Frameworks and Framework for Regional Investment in Wales, provides a basis to look ahead towards the medium and long terms. The Welsh Government's challenge is to continue strengthening its long-term perspective, translating it into a strategic thread that can guide cross-sector coherence and policy action. A strategic thread refers to a set of long-term, integrated regional development objectives distilled from existing sectoral strategies and plans that guide sectoral policies to contribute to regional development. This section presents those building blocks for a long-term perspective – foresight and vision setting – and considers how the Welsh Government can build upon them to strengthen its strategic planning.

### ***Futures thinking, foresight and seeds of a vision provide foundations for a long-term view of regional development in Wales***

Being forward-thinking in regional development starts with a clear idea of what a region's future may hold and what stakeholders at all levels would like it to hold. The OECD identifies futures thinking and foresight activities as a tool in the strategic planning cycle for governments to develop policies, address complex policy problems, prepare for long-term changes and deal with unexpected developments, shocks and uncertainty (OECD, 2021<sup>[1]</sup>). The OECD Recommendation of the Council on Regional Development Policy also acknowledges the importance of anticipating change and preparing regions for the future as a step toward building their resilience (OECD, 2023<sup>[2]</sup>). Setting a vision helps stakeholders understand what futures they would like to work towards. Setting such a vision through a collaborative and participatory process – bringing together experts, stakeholders, government and non-government participants – helps

reflect a broader group's unique perspectives and needs. A shared vision-setting process also generates shared understanding and buy-in to the vision and subsequent objectives and policies, increasing the possibility that objectives are achieved. The Welsh Government has already been engaging in foresight and future-thinking activities, supported by the Sustainable Futures Division that oversees the Well-being of Future Generations (Wales) Act and the vision-setting exercise conducted with the OECD.

A common reflection heard among regional development stakeholders in Wales is the need for a long-term vision (ten or more years) that can help guide strategy and objective setting, priority setting and policy design. Regional development stakeholders and actors from the public, private and third sectors participating in interviews for the 2020 OECD report *The Future of Regional Development and Public Investment in Wales* and this OECD project consistently identify the lack of a clearly communicated vision for where Wales wants to go as a nation in the regional development space, what it wants to look like as a territory and what it will take to get there as an obstacle to regional development in Wales (OECD, 2020<sup>[3]</sup>; OECD, 2023<sup>[4]</sup>)

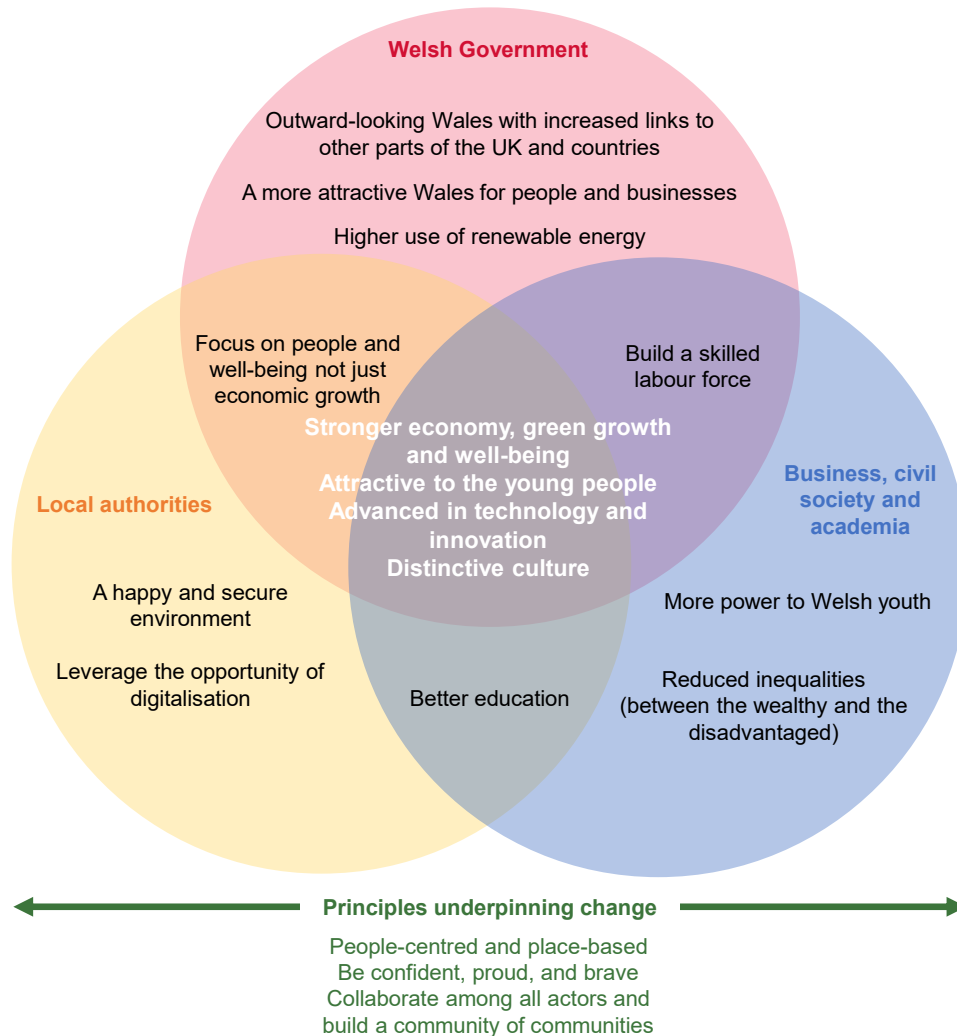
Through an online survey and a series of workshops in 2022-23, the Welsh Government and the OECD began to establish the seeds for a vision for Wales in 2037 (further details in Annex A). The work involved a broad group of representatives from the Welsh Government, local authorities and public, private and third sector stakeholders. Together, these participants began to express how they saw Wales evolving in 15 years and where they would like the nation to arrive – economically, socially and culturally – at the end of that period. The result was the seeds for a vision for development centring on maximising people's well-being while also ensuring economic growth: a nation with a “stronger economy, green growth, that generates greater wellbeing, has a territory that is attractive to young people, and that is advanced in technology and innovation, while also maintaining its distinctive culture” (Figure 2.1) (OECD, 2023<sup>[5]</sup>). These elements align strongly with the aspirations that underpin the Well-being of Future Generations (Wales) Act 2015, which focuses on well-being.

Equipped with the seeds of a vision for regional development, the next step would be for the Welsh Government to work together across sectors and with different government levels to further refine the vision and translate it into a regional development strategy, identifying priority areas for growth that are supported by realistic, short-, medium- and long-term actions.

There is an appetite in Wales, and within the Welsh Government, to reinforce futures thinking and foresight activities and to improve their application in regional development policy making. Efforts to do so can build upon existing capacity. The Sustainable Futures Division, which has responsibility for the sustainable development agenda and associated Well-being of Future Generations (Wales) Act and the statutory Future Trends Report, has led the charge to improve the use of foresight tools across the Welsh Government, most recently piloting the application of foresight exercises on policy projects in several areas of the Welsh Government. Other pockets of Welsh Government staff, like the Strategic Evidence Unit within the Climate Change and Rural Affairs Group, already apply foresight skills in their work (Welsh Government, 2024<sup>[6]</sup>).

Despite the use of futures foresight practices within the Welsh Government and among other public and third sector organisations, advancing such activities faces organisational and capacity challenges (Welsh Government, 2024<sup>[7]</sup>). A Welsh Government review of its use of futures thinking and foresight identified a set of barriers that include limited cross-sector working, limited resources, futures literacy gaps and limited “buy-in” by the political level (Welsh Government, 2024<sup>[7]</sup>). Futures work is extremely valuable for strategy setting and building resilience by helping policy makers prepare for and manage risks and opportunities. However, it is a difficult process, requiring human resources with the necessary skills and time to generate and apply insights from such activities. Simply using foresight tools is insufficient to deliver a long-term vision or strategy and relevant actions for regional development (Welsh Government, 2024<sup>[7]</sup>).

Figure 2.1. Seeds of a vision for “Wales in 2037”



Source: OECD (2023<sup>[5]</sup>), *Envisioning Wales in 2037: Findings from multi-stakeholder workshops and a citizen survey*, [https://www.oecd.org/regional/governance/Wales\\_vision\\_brochure.pdf](https://www.oecd.org/regional/governance/Wales_vision_brochure.pdf); OECD elaboration based on citizen survey and stakeholder workshop inputs.

Moving forward, the Welsh Government could mobilise existing inhouse capacity to build and apply futures thinking practices to regional development throughout the organisation. To do so, it can enlist the help of the current Sustainable Futures Unit and tap into the existing knowledge in the Strategic Evidence Unit in the Climate change and Rural Affairs Group within the government. International experience covering broader areas also provides different models for embedding futures thinking, foresight and vision setting in government practices, which can help drive regional development. As the most advanced example, Finland has institutionalised strategic foresight through departments, committees and government networks with specific mandates and responsibilities related to strategic foresight. Ireland is undertaking a project to develop a model and tools for the whole public administration to build foresight capacity. For its part, New Zealand created a simple instrument – a long-term insights briefing – to encourage line ministries to look at future challenges (Box 2.1).

Ultimately, the Welsh Government can more actively apply its futures thinking, foresight and vision-setting work to regional development, helping it identify and prioritise regional development objectives. By



systematically exploring possible future scenarios and their implications, governments can identify long-term objectives and prioritise actions in a way that is adaptive and resilient to change. Governments can make more informed decisions by anticipating emerging trends, challenges and opportunities. A desired future, expressed through a regional development vision developed with stakeholders, provides direction to policy making and is a beacon towards which the government can orient its activities in this area. Building on its existing foundations in place for futures thinking, foresight and vision setting, the Welsh Government can translate these into a single strategic thread for regional development across Welsh Government departments, the focus of the next section.

### **Box 2.1. Examples of building long-term thinking in public administration: Finland, Ireland and New Zealand**

#### **Finland: Anticipatory innovation governance**

Finland has one of the world's most advanced governance and strategic foresight systems. The government has established various institutions with formal and informal roles fostering "anticipatory innovation governance", i.e. to build the capacity of the public administration to actively explore possibilities, experiment and continuously learn as part of a broader governance system. Sitra, an innovation fund which reports to the Finnish parliament, has been conducting foresight studies of Finland and spearheading the use of foresight and futures tools in the Finnish public sector for decades. The Committee for the Future, established in 1993 by the parliament, is a key forum for raising awareness and discussing long-term challenges related to futures, science and technology policies in Finland. The Prime Minister's Office houses the Strategic Department, which includes the co-ordinating function for national strategic foresight. The National Foresight Network and community events like Foresight Fridays, led once a month by the Prime Minister's Office, promote knowledge-sharing across public entities. In addition to the national-level foresight work, regions and municipal associations have their own foresight practices and agencies (like Business Finland, Tekes) that conduct their own technology assessment and strategic foresight exercises.

#### **Ireland: Developing strategic foresight capacity**

Building on Our Public Service 2020 (OPS2020), the Irish government is embarking on OPS2030, a new framework for development and innovation in Ireland's public service. The goal for OPS2030 is to ensure that Ireland's public service is fit-for-purpose to 2030 and beyond. In this context, the government of Ireland is upgrading policy development and strategic foresight, spanning the whole public service. This upgrade aims to increase the ability of the public service to address policy in complex areas, such as climate change, digitalisation, demographic change and long-term healthcare and to contribute to future-proofing such policies. Moreover, it aims to develop a model of strategic foresight and anticipation to steward public policies in the future.

#### **New Zealand: Long-term insights briefings**

New Zealand's Public Service Act 2020 requires chief executives of government departments, independently from ministers, to produce a long-term insights briefing (LTIB) at least once every three years. The LTIB should explore future trends, risks and opportunities and is expected to provide information and impartial analysis, as well as policy options for responding to risks and seizing opportunities. LTIB development is an eight-step process that engages citizens on the topic at hand and the draft briefing through public consultation. The first LTIB was presented to a parliamentary select committee in mid-2022 and subsequently published.

Prior to the Public Service Act 2020, New Zealand's senior policy community had discussed the challenges of building long-term issues into policy formulation, including the relative dearth of foresight

capacity across the public service. It held workshops on a future policy heatmap and policy stewardship. While there is no associated programme to build capability in strategic foresight, the LTIB requirement process may catalyse demand for increasing strategic foresight capabilities.

Source: OECD (2022<sup>[8]</sup>), *Anticipatory Innovation Governance Model in Finland: Towards a New Way of Governing*, <https://doi.org/10.1787/a31e7a9a-en>; OECD (2021<sup>[9]</sup>), *Towards a Strategic Foresight System in Ireland*, <https://oecd-opsi.org/wp-content/uploads/2021/05/Strategic-Foresight-in-Ireland.pdf>; OECD (2023<sup>[10]</sup>), *OECD Public Governance Reviews: Czech Republic: Towards a More Modern and Effective Public Administration*, <https://doi.org/10.1787/41fd9e5c-en>. Government of New Zealand (2023<sup>[11]</sup>), *Long-term Insights Briefings*, <https://www.publicservice.govt.nz/publications/long-term-insights-briefings/>.

### ***A strategic thread can unify regional development efforts towards shared objectives***

The OECD 2020 report highlighted the fragmented strategic and policy backdrop for regional development in Wales. It drew attention to the fact that a fragmented policy approach to regional development – one that depends on individual sector policies and their implementation at the regional level – can produce limited results (OECD, 2020<sup>[3]</sup>). Fragmented policy making has been a recognised problem since the earliest days of devolved government in Wales and it remains a challenge (Wales Centre for Public Policy, 2021<sup>[12]</sup>). A fragmented and siloed approach to policy making and implementation makes it difficult for governments to define and agree on clear, long-term regional development objectives. In Wales, the challenge is not restricted to regional development policy, however, but spans a range of policy areas, such as poverty (Auditor General for Wales, 2022<sup>[13]</sup>) and the well-being of young people (Wales Audit Office, 2019<sup>[14]</sup>). Fragmentation and silos were also identified by the Future Generations Commissioner for Wales as an obstacle to implementing the cross-cutting Well-being of Future Generations (Wales) Act (Future Generations Commissioner for Wales, 2020<sup>[15]</sup>).

While a single, integrated (i.e. cross-sector) national-level strategy for regional development is ultimately a political decision, ensuring high-level strategic guidance remains of fundamental importance. The 2020 OECD report noted the significant value of having a single national-level, long-term regional development strategy to guide national and subnational actors in their regional development activities. Such an approach – driven by broad and strong political support – may be ideal to meet regional development objectives in a place like Wales, where there are multiple (generally sector-driven) strategic documents and multiple sectoral policies to support them. While it may be the best option, a single regional development strategy backed by strong political support is not the only way to promote strategic coherence for regional development across the Welsh Government. Even without it, strategic direction can still take shape by assembling relevant high-level objectives in other government strategies. This strategic thread can provide some of the same benefits as a single strategy, helping regional development actors optimise their use of resources, co-ordinate efforts towards objectives and ultimately produce better policy outcomes (OECD, 2020<sup>[3]</sup>).

Within a fragmented strategic landscape, Welsh Government staff turn to three main sources for strategic guidance for regional development: the Well-being of Future Generations (Wales) Act, the Programme for Government and the Framework for Regional Investment in Wales. None of these, however, aim to provide what a single integrated strategic thread for regional development would contribute: a fixed and apolitical beacon that serves to translate ambitions into action, guiding planning and delivery related to regional development across the Welsh Government.

- The **Well-being of Future Generations (Wales) Act 2015**. This act provides the statutory foundation for all policy action in Wales, including regional development. It aims to help Wales better address critical challenges (e.g. climate change, poverty, health inequalities, jobs and growth) and promote long-term thinking when making policy decisions. It established the legal requirement for 48 public bodies to contribute to the act's seven well-being goals.<sup>1</sup> It also created 13 Public Service Boards that produce well-being plans for their localities, describing how they will

comply with the act's goals, and a national-level Future Generations Commissioner for Wales to support, monitor and review implementation of the act (Future Generations Commissioner for Wales, 2015, p. Parts 3 and 4<sup>[16]</sup>; OECD, 2020<sup>[3]</sup>).

With well-being goals to guide objective setting throughout the public sector, it is understandable that Welsh Government staff would see the act as a potential source of strategic guidance for regional development (OECD, 2023<sup>[4]</sup>). As its name highlights, however, the act is a written law, not a strategy. The challenge faced by the act – one recognised by the previous Future Generations Commissioner for Wales (2020<sup>[15]</sup>) – is how to operationalise its aspirational goals. A strategic framework for regional development can help bridge this gap, translating the aspirations into action.

- The **Programme for Government**. In Wales, the Programme for Government sets out the political priorities for a fixed term of government (currently 2021-26). It consists of 115 commitments, falling under 10 overarching well-being objectives<sup>2</sup> selected by the Welsh Government to make the greatest contribution to the 7 national well-being goals enshrined in the Well-being of Future Generations (Wales) Act (Welsh Government, 2021<sup>[17]</sup>).

Some Welsh Government staff participating in this project noted that they sometimes turned to the priorities in the Programme for Government as a potential source of strategic direction for regional development, even though its aim is very different. Their comments suggest that Welsh Government staff may be – perhaps unrealistically – expecting what is essentially an expression of a political manifesto to have the characteristics of a strategy (OECD, 2023<sup>[4]</sup>). For example, when discussing the Welsh Government's objectives and priorities during OECD interviews, some Welsh Government staff perceived a mismatch between the Programme for Government's commitments and the resources available for its delivery – including the time of staff and others who would contribute to its realisation, like local authorities.

- The **2020 Framework for Regional Investment in Wales**. Sitting below the Well-being of Future Generations (Wales) Act and the Programme for Government, it is currently the most comprehensive framework document to support regional development in Wales. With its four overarching investment priorities – i) more productive and competitive businesses; ii) reducing economic inequality; iii) transitioning to a zero-carbon economy; iv) ensuring healthier, fairer, more sustainable communities – the Welsh Government has taken a significant step, following consultation with local authorities, other regional development actors and the public, to guide public investment initiatives at the national, regional and local levels. The advantage of the four priorities in the framework is their relevance to most, if not all, sector policies. They are also sufficiently broad to resonate with the objectives of different Welsh Government departments and limit dissonance between higher-level aims and on-the-ground policy design and implementation.

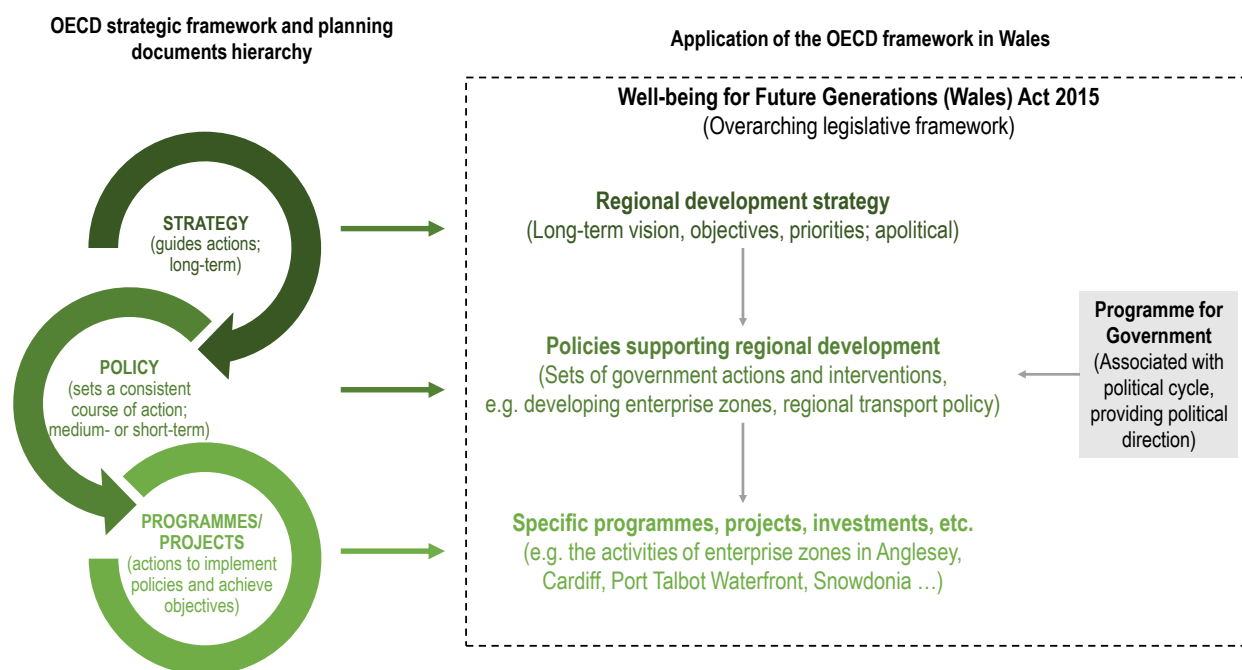
Conceived as a model for replacement European Union (EU) funds, the framework, while supporting regional development, is not a long-term regional development strategy. First, it explicitly focuses on public investment, which is an important driver of regional development but only part of the regional development picture. Second, the framework does not fully apply the regional lens (Chapter 1). While the framework synthesises national-level sectoral objectives and priorities relevant to regional development (e.g. supporting job creation, workforce upskilling, mobility, research and development, housing, transport), the regional perspective could be strengthened by specifying how nationwide priorities and development needs manifest within regions. The framework and its supporting socio-economic analysis look at national sectoral development needs and data (e.g. it analyses the disruption of trade for business, the need to enhance mobility). It could take the application of the regional lens one step further and consider how sector policies and activities advance both national and regional-level development objectives, taking advantage of synergies between them.

One good practice is that the Framework for Regional Investment is supplemented by the Regional Economic Frameworks (REFs), which further detail the needs and opportunities of individual

regions. However, the REFs are not a substitute for an overall strategic thread for regional development in national-level policy making. In addition, as analysed in the OECD (OECD, 2020<sup>[3]</sup>) report, there are some shortcomings in developing these REFs (e.g. strict focus on economy and productivity, limited consideration of the links with existing regional plans such as the City and Growth Deals, questions regarding its necessity).

Figure 2.2 shows how these three *de facto* sources of strategic direction for regional development map onto the OECD hierarchy of strategic framework and planning documents. The hierarchy shows how strategy cascades throughout government activities: first informing policy, which then gives rise to specific (sector or cross-sector) programmes and projects. In Wales, the Well-being for Future Generations (Wales) Act sits above the other levels of the hierarchy, providing an overarching framework for government strategies, policies, programmes and projects. However, there is still a role for regional development strategy – one single strategy or a strategic thread weaving together other sectoral strategies – to connect the high-level act to the Welsh Government’s regional development activities. Regional development strategy in Wales can serve as a tool to operationalise this act. Regardless of changing political priorities, the strategy becomes a long-term and stable beacon. This strategy can guide policies that support regional development. While Wales has no single regional development policy (OECD, 2020<sup>[3]</sup>), it has many policies that are of great relevance to regional development, such as developing enterprise zones in Wales and transport policies that involve interventions at the regional level. The Programme for Government also feeds into the policy that supports regional development in Wales, linking political priorities with policy objectives. Finally, specific programmes, projects and investments are developed to deliver the policies, such as the operations of specific enterprise zones or projects to construct and upgrade regional transport infrastructure. Clearly defining its own strategic hierarchy, understanding the purpose of each part of the hierarchy and using each as intended form a critical step for the Welsh Government to build the strategic thread for regional development.

**Figure 2.2. Applying the OECD strategic framework and planning documents hierarchy in Wales**



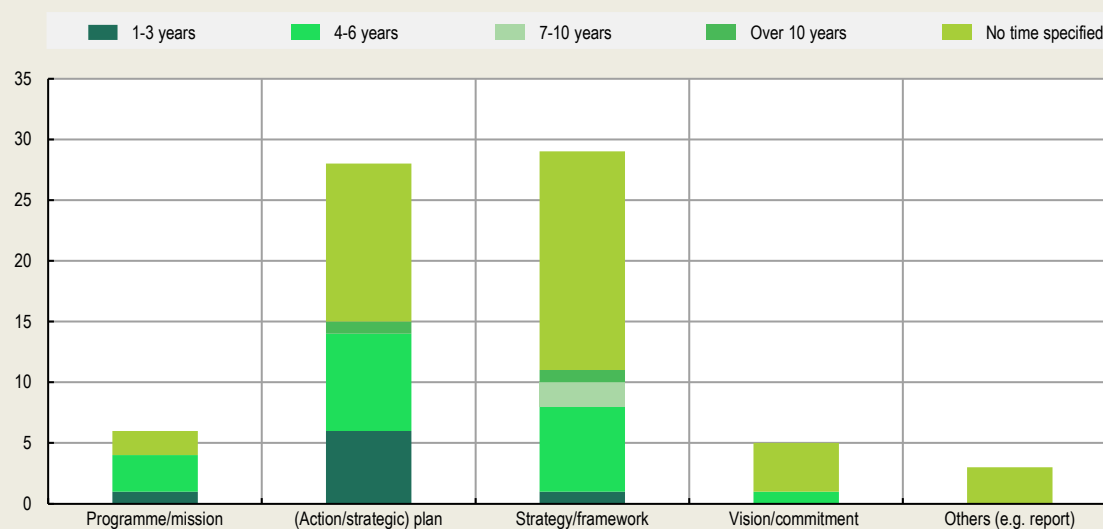
Note: Long-term generally is defined as ten years or more; medium-term five to seven years; short-term zero to five years.

In the absence of a more complete and integrated strategy for regional development and because of policy fragmentation, cross-government strategic documents that are relevant to regional development have proliferated across the Welsh Government. In 2022, the OECD identified over 70 Welsh Government strategic documents in force, ranging from general Welsh Government planning documents to those that only focused on a specific region or sector. Many lacked ties to other relevant strategic documents and to the Programme for Government and Well-being of Future Generations (Wales) Act (Box 2.2). When not co-ordinated in their design and implementation, numerous strategies create complexity and potential for misalignment. At best, it means that the government is not taking full advantage of complementarities among policies, which can affect optimising resources; at worst, it can result in policies working at cross-purposes.

### Box 2.2. A profusion of strategic documents across the Welsh Government

A challenge confronting the Welsh Government and staff responsible for regional development policy and programme implementation is the proliferation of strategic documents and planning instruments that vary significantly in scope, focus and form (Figure 2.3). They include strategic plans, vision statements, mission documents and frameworks. However, each of them sets out, at a minimum, the broad contours of an ambition for Wales and a pathway towards this ambition. In brief, the strategic landscape for regional development in Wales compounds the challenges arising from fragmentation in Wales, including the thread of a lack of policy coherence (OECD, 2020<sup>[31]</sup>).

Figure 2.3. Number and type of national strategic documents in Wales and their time horizons



Note: National strategic document refers to documents developed at the Welsh Government level, regardless of whether the content applies to the whole nation or only certain regions or territories. Progress reports are not included. The seven strategic plans for seven different enterprise zones in Wales are counted as one document; the four REFs for the region are counted as one document.

Source: Calculation based on strategy documents provided by the Welsh Government in 2022. More information on the methodology can be found in Annex A.

Welsh Government staff have also observed that the coherence among strategies and between strategies and the Programme for Government or the Well-being of Future Generations (Wales) Act could be clearer. In some cases, multiple strategic documents in a single policy area threaten to overlap and do not always draw strong connections between them. For example, five strategic documents in

the area of transport planning were released between 2016 and 2021: the Active Travel Action Plan for Wales (Welsh Government, 2016<sup>[18]</sup>), the Electric Vehicle Charging Strategy for Wales (Welsh Government, 2021<sup>[19]</sup>), North East Wales Metro: Moving North Wales Forward (Welsh Government, 2017<sup>[20]</sup>), the 5-point Plan to Support Welsh Ferry Ports (Welsh Government, 2021<sup>[21]</sup>) and, finally, Llwybr Newydd: The Wales Transport Strategy 2021 (Welsh Government, 2021<sup>[22]</sup>). Approximately a quarter of the planning instruments analysed by the OECD were linked<sup>3</sup> to the Programme for Government, an expression of the political ambitions of the Welsh Government. A smaller number of planning instruments (15) explicitly outlined how they contribute to specific objectives of the Programme for Government. For example, the Diversity and Inclusion Strategy for Public Appointments in Wales (2020-23) sets forth two core work streams<sup>4</sup> through which it aligns with the Programme for Government's diversity and inclusion objective. Only 25 of the documents explicitly indicated which Well-being for Future Generations (Wales) Act goals they contribute.

Creating a unified strategic document for regional development - an alternative to a single regional development strategy, presented below – could identify opportunities to simplify, rationalise and/or improve the connections with other parts of the Welsh Government's strategic landscape. In general, however, strategies could follow certain good practices to better support effective implementation. These include detailing delivery time scales and specifying if and how stakeholder consultation on the strategy and its implementation would be carried out. To ensure that strategies benefit from the most constructive and pertinent stakeholder feedback, it would be beneficial to specify who to consult, at what stage and with which mechanisms. Also, focusing on realistic outcome indicators, more than monitoring indicators, could provide a clearer picture of the broader changes resulting from policy interventions supporting regional development. Moreover, defining measurable and realistic targets in more planning instruments would help in measuring progress and gauging impact (currently, under a quarter of the planning instruments featured targets that matched the indicators and an even smaller number systematically included targets for all indicators).

A good practice example of monitoring and evaluation in Wales is outlined in the Strategic Equality Plan 2020 to 2024. It combines process indicators (e.g. “using the Commercial and Procurement Skills Capability Programme to address the gender imbalance within procurement”) with outcome indicators (e.g. “an increase in the number of women being trained as procurement professionals in Wales, with the long-term aim of gender equalisation”). Each indicator also includes achievement deadlines and yardsticks for measuring progress (e.g. “monitor the gender balance through the uptake of qualifications and measure against the baseline”).

Source: Analysis of Welsh Government strategic documents.

The proliferation of strategic documents – coupled with the lack of a strategic thread for regional development to ensure coherence – makes it difficult to direct financial and human resources to areas of first concern, like the just transition to net zero or opportunities for youth. Without ensuring that a few key strategic priorities for regional development permeate throughout the Welsh Government and frame decision-making governmentwide, the Welsh Government is *de facto* delegating priority setting for regional development to individual teams. With different parts of the Welsh Government prioritising independently, the result is a proliferation of priorities. Stakeholders perceived that the Welsh Government would benefit from a clearer and cross-government view of regional development priorities, which would help it to make more effective trade-offs in budget and investment-funding allocation (OECD, 2023<sup>[4]</sup>) and support staff to focus their work on areas of highest priority.

A single strategic thread for regional development – presented in a unified strategic document – can help the different parts of the Welsh Government and different regional development actors work together more effectively. The guidance provided by this strategic thread can help all actors – different government

sectors, regional-level institutions, local authorities, institutions of higher and further education, private and third sectors, civil society, etc. – know in which direction their policies and activities should go in order to: support achieving a national or regional vision; help meet large societal goals and manage societal challenges such as climate and demographic change; or even guide fundamental objectives in healthcare, education or social services. Barring an integrated regional development policy for Wales, ensuring that this strategic guidance exists can help coalesce individual sector strategies and policies to build greater coherence and take advantage of complementarities.

Views shared by Welsh Government staff and stakeholders suggest that addressing the issue of fragmentation and silos would help make the Welsh Government more effective. The government is aware of the obstacles that fragmentation and silos represent, and several practical activities could help it begin to overcome these, starting with mapping and streamlining strategies supporting regional development and better defining and focusing on priorities. These activities are discussed in the subsections that follow.

### *Weaving a strategic thread for regional development across the Welsh Government*

A unified strategic document for regional development can create a “strategic perimeter” that would help policy teams prioritise and help the Welsh Government allocate resources for regional development. Mapping diverse strategies relevant to regional development is the first step to finding a strategic thread that weaves them together.

The mapping can aim to identify overlaps, synergies and trade-offs among strategies. The OECD analysis provides a foundation, having already identified strategic documents for regional development across the Welsh Government. With a birds-eye view of the current strategic landscape for regional development, the Welsh Government can consider how to manage the overlaps, synergies and trade-offs identified during the mapping. It can take inspiration from experience in Piedmont, Italy (Box 2.3) when it considers how to weave the different strategic threads together, creating a unified strategic document to help teams prioritise and help the Welsh Government allocate resources for regional development. Such a document makes explicit the links, synergies and even trade-offs between relevant Welsh Government strategies. Instead of sifting through multiple strategic documents for direction, Welsh Government teams can refer to a single integrated document for regional policy that clearly illustrates the thread from the high-level transversal documents (which set the legislative requirements and express the government’s overarching political priorities) and a vision for regional development.

#### **Box 2.3. Weaving together strategic threads in Piedmont, Italy**

The Northern Italian region of Piedmont uses a Unitary Strategy Document (*Documento Strategico Unitario*, DSU) to link multiple EU, national and regional strategic initiatives. The DSU defines the priority lines of intervention for the development of Piedmont and creates a “strategic perimeter” to ensure the best use of resources. It serves as a “bible” for regional development decision making, guiding policy makers in each strategic programming sector. While European policy is a strong anchor in the DSU, the document can still serve as an inspiration for non-EU governments. Its relevance comes from the fact that it weaves together strategic threads across the regional administration and from different levels. The current DSU, aligned with the 2021-27 EU programming period, outlines the region’s development ambitions, the different strategic threads and how different tools can help achieve the five Cohesion Policy priority objectives. The document weaves in different regional strategies – such as the Regional Sustainable Development Strategy, the regional Smart Specialisation Strategy (RIS3) and the regional Smart Mobility Plan – describing how regional objectives are aligned with and embedded in national, European and international policy and development visions.

Piedmont's goal is to create a true unitary document that takes advantage of synergies and allows for prioritisation. In tying together these different strategies, the DSU seeks to make the best use of the resources available to the region, maximising efficiencies and minimising the trade-offs between policy objectives and instruments. To this end, the DSU maps objectives across different strategic documents, identifying areas of alignment. In this way, the DSU helps to drive coherence and consistency across the actions underway to deliver strategic objectives.

The region of Piedmont consulted broadly with stakeholders to develop the current edition of the DSU. It started with a month-long "Piedmont Heart of Europe – Let's shape the future" roadshow, involving over 2 500 stakeholders. Piedmont paid particular attention to youth, organising a special event with them that included a digital brainstorming marathon. Piedmont also used more basic engagement techniques, such as collecting written comments on the DSU via a dedicated website (OECD, 2021<sup>[23]</sup>).

Critical to the success of the DSU was leadership and a strong political mandate. A small committee became the plan's main architect; it included Piedmont's three managing authorities. While representatives from the political level were primary drafters of the most recent DSU, they provided a strong political mandate for the work of the plan's architects. A technical group was then charged with the delivery of the DSU.

Source: OECD (2023<sup>[24]</sup>), "Master class with the Welsh Government and Piedmont, Italy", Unpublished, OECD, Paris; Regione Piemonte (2020<sup>[25]</sup>), *Documento Strategico Unitario*, <https://www.regione.piemonte.it/web/sites/default/files/media/documenti/2021-09/DSU%20STRADEF%209%20luglio%202021.pdf>; OECD (2021<sup>[23]</sup>), *Regional Innovation in Piedmont, Italy: From Innovation Environment to Innovation Ecosystem*, <https://doi.org/10.1787/7df50d82-en>.

Where conflicts or overlaps exist, the Welsh Government can also consider streamlining the different strategic threads by encouraging owners of strategies with significant overlap to collaborate on a single shared framework strategy instead of maintaining separate ones. Such a strategy could then be supported with more tailored policies. This streamlining step may also be a good time to ensure that strategies are coherent and consistent with foundational legislation, such as the Well-being of Future Generations (Wales) Act.

Going forward, providing additional structure can keep strategies that have an impact on regional development from proliferating in an uncoordinated way. The Welsh Government could begin to optimise its strategic planning system for regional development by defining different types of documents (i.e. strategies, policies, policy plans, action plans, programmes), when they should be developed, which type should be developed, a development methodology (planning procedure), structures (basic elements to be included in different types of documents) and the hierarchy or relationship among the different types of documents. A well-defined relationship among these strategic documents is particularly important for ensuring that regional development priorities can be established, policies are well-targeted to objectives, plans are coherent and aims are deliverable. Ultimately, this hierarchy can form the basis of guidance for the creation of strategic documents that Welsh Government staff can consult before creating a new strategic document to make sure that documents show good practice – they are the appropriate type of document, they have clear ties to overarching strategic documents and they are actionable.

The strategic thread must extend to the regions themselves. Piedmont created its Unitary Strategy Document for a single region but Wales must consider its four economic/CJC regions. Therefore, creating a unified strategic thread for regional development in Wales entails uncovering overarching goals and relating these to the unique needs and opportunities of each region. Examples from Austria, Germany and Norway (Box 2.4) underscore the importance of working closely with regions to understand and make explicit the connections between umbrella objectives and regional ambitions.



## Box 2.4. Regional development strategy design in Austria, Germany and Norway

In Austria, Germany and Norway, stakeholder engagement, foresight and futures thinking set the stage for a regional development strategy that is responsive to regional needs. In Austria, the new regional strategy was developed based on stakeholder dialogue focusing on how to respond to multiple crises and strengthen resilience through enhancing the quality of life and service provision in regions. In Germany, the recent reform recognises that structurally weak regions face significant challenges in adapting to climate transition and the goals of climate neutrality, energy crisis and demographic trends. In Norway, the white paper on regional policy reflects the role of regions and the challenges they face (especially structurally weaker ones) in a time of major global pressures.

### Austria: A new strategy for regions with a stronger focus on rural areas and soft measures

In 2021-22, the Austrian Federal Ministry of Agriculture, Forestry, Regions and Water Management launched the My Region initiative using policy analyses and a series of regional and local dialogues to design its regional strategy. Specific topics discussed included regional innovation capacity, regional food industry and local supply chains, and regional co-operation. These analyses and discussions led to a new government strategy for regions: My Region, Our Way: Home, Future, Living Space. The strategy targets four key areas:

1. **Designing living spaces sustainably:** reducing land use and protecting soil, and promoting lively town centres.
2. **Making living spaces attractive:** ensuring that essential goods and public services (e.g. food and drinking water, childcare, education, cultural programmes, healthcare, climate-friendly mobility) are available and accessible.
3. **Making living spaces efficient:** strengthening regional economic and innovation capacity.
4. **A cross-sectional topic:** strengthening regional co-operation.

Many “soft measures” were designed to support these four areas. For example, to reduce land use and protect soil, the focus was on creating awareness and generating knowledge, including design, education and training measures for soil protection, as well as supporting relevant innovation and research. One initiative to secure regional public services is to strengthen and promote voluntary work for social services in rural areas. To strengthen regional innovation capacity, action is undertaken to support employment opportunities for highly qualified women in rural areas.

### Germany: A paradigm shift in regional policy

In 2023, the Joint Task for the Improvement of the Regional Economic Structure (GRW) reformed its regional policy framework and identified a new objective for regional development: to accelerate the transition towards a climate-neutral and sustainable economy, in addition to equalising locational disadvantages, creating and securing employment and increasing growth and prosperity. Following these objectives, the GRW interventions strengthened the focus on endogenous regional development. It has historically supported business with “inter-regional exports” and now support is also provided to firms that are primarily active within the region in order to strengthen regional value-added chains in structurally weak regions. It also targets investments in activities and projects that can lower carbon dioxide emissions by at least 20% or those that achieve a higher-than-national-average standard in terms of environmental protection or energy efficiency.

### Norway: Regional policy in a time of global pressures

In June 2023, Norway launched a white paper titled “A good life in all parts of Norway – District policy for the future”, which links the role of regional (district) policy to building trust, security and cohesion in a time of major global pressures (migration technological change, Russia’s large-scale aggression in Ukraine). The key objectives include:

- Ensuring that people have access to work, housing and good services close to where they live.
- Increased roles and responsibilities at the local level.
- Increasing population in specific district municipalities.

A “centrality index” is used to measure geographical disadvantages in the country. Other new initiatives include co-creation of welfare service solutions, greater co-operation among regional actors in service delivery, access to housing, improved transport accessibility (especially for northern and coastal communities), the distribution of public employment across the country and adapting land use policy to local conditions.

Source: Bachtler, J. and R. Downes (2023<sup>[26]</sup>), *Rethinking Regional Transformation: The State of Regional Policy in Europe*, [https://eprc-strath.org/wp-content/uploads/2023/12/Rethinking-Regional-Transformation-EoRPA-report-23\\_1-ISBN.pdf](https://eprc-strath.org/wp-content/uploads/2023/12/Rethinking-Regional-Transformation-EoRPA-report-23_1-ISBN.pdf).

With a unified strategic document for regional development in place, the Welsh Government can shift to policy delivery. Cross-cutting strategic objectives will be almost impossible to achieve without strong co-ordination across policy areas. In Wales, this may include the formation of a dedicated team tasked with overseeing and co-ordinating the delivery of strategic objectives. Co-ordination – and the formation of such a team – are discussed in the next section.

## Making sure everyone moves in the same direction

Addressing fragmentation and silos requires not only an agreed-upon vision and a set of common high-level objectives – discussed in the previous section – but also multi-level governance arrangements that ensure the various actors across the administration and at different levels of government advance in unison. This section explores three avenues to promote a more co-ordinated approach for designing and implementing regional development policy in Wales. This includes having a team with a clear mandate to co-ordinate regional development activities, strengthening and diversifying co-ordination mechanisms for regional development and fostering co-ordination and collaboration across teams and departments in the Welsh Government, as well as with other relevant actors, like local authorities. Together, these avenues create an enabling environment for integrated regional development policy making and delivery.

### ***Filling a co-ordination gap for regional development***

No single entity in the Welsh Government has a clear mandate to co-ordinate strategy, policies or programming relevant to regional development. As highlighted in Chapter 1, the Welsh Government’s Welsh European Funding Office (WEFO) was responsible for overseeing European Regional Development Fund (ERDF) and European Social Fund (ESF) programming and funds management, serving as the fund co-ordinator and also as the implicit regional development co-ordinator. It was not aligned to any sector policy or specific ministerial agenda. With the advent of Brexit, the UK Government’s introduction of the Shared Prosperity Fund (SPF) and the closing of the 2014-20 EU programming period at the end of 2023, this co-ordination structure has dissipated. This leaves Wales without the built-in common, strategic regional development thread and resources that the European funds created across policy areas, as well as the processes that provided rigour to planning, implementation and monitoring and evaluation for

regional development. Currently, many regional development activities are conducted by multiple teams (e.g. Economic Policy, Strategy and Regulation, Regional Officers, Operational Delivery, Business and Entrepreneurship, Innovation, Foundational Economy and Industrial Transformation, Borders) in the Economy, Treasury and Constitution (ETC) Group. At the same time, most policy sectors have some regional-level activity associated with their mandate. In addition to national-level line ministries (departments), there are a series of regional-level entities (CJCs, regional skills partnerships, Public Service Boards, etc.) as well as local authorities whose activities affect regional development. However, no single actor is charged with the co-ordination of all these activities. There is also no mechanism to identify and create an overview of sectoral policy interventions in regions. In other words, there is currently a co-ordination gap for regional development.

The absence of a common regional development thread and overall co-ordinator presents two risks: i) unclear roles and responsibilities; and ii) a focus on economic development at the expense of a more integrated approach. First, in the Welsh Government, “who does what” for regional development is not always clear. Stakeholders have noted a lack of clarity in the roles and responsibilities for regional development (OECD, 2023<sup>[4]</sup>). Furthermore, Welsh Government teams involved in regional development do not have the mandate, incentive or appropriate forum to initiate a systematic discussion about roles and responsibilities for regional development.

The second risk is a predominant focus on economic growth in the regional development policy agenda. On the Welsh Government website, regional development initiatives are largely featured in “Regional and city economies”, as a sub-topic under “Business, economy and innovation”. Most of this web page content focuses on growth zones, the REFs, the City and Growth Deals, enterprise zones and freeports (Welsh Government, 2023<sup>[27]</sup>). This may simply reflect the emphasis placed by the Welsh Government on a regional development approach focused primarily on economic factors. While a focus on economic development is more than reasonable, attention should be paid to avoid reducing regional development to regional *economic* development (OECD, 2020<sup>[3]</sup>). Without a regional development strategy, a unified strategic thread or a designated co-ordinator who could also promote and oversee cross-sector collaboration, regional development will continue to be realised through sector-specific policies, programmes and investments, which risks further compounding fragmentation in the regional development space. In the long run, it could lead to a narrow and/or unclear focus of regional development and the strategies or policies that support it, as well as a suboptimal use of already scarce resources (OECD, 2020<sup>[3]</sup>).

The present co-ordination gap will need to be addressed to advance regional development more successfully. The ideal approach – and the one highlighted in the 2020 report – is to establish a team with a clear mandate to co-ordinate regional development activities (OECD, 2020<sup>[3]</sup>). This team may be ideally placed within the Office of the First Minister to boost its sector-neutrality. Doing so may require strong political consensus and could also take some time to set up. Alternatively, in the short term, the Welsh Government could either appoint one team as the regional development co-ordinator or a taskforce consisting of staff across several teams responsible for activities with regional development impact. This regional development co-ordination team, or taskforce, could undertake three main activities in the short and medium terms:

1. **Conduct a comprehensive review on “who does what” and establish a new “norm” for sharing regional development responsibilities.** If the Welsh Government wants to reinforce a more vision-oriented, objective-based approach to regional development, a comprehensive review of how regional development is connected among policy areas and teams could be the first step. Such a review could map current roles and responsibilities, potential synergies and the decision-making processes. The government could then use this as a basis to establish a new “norm” regarding the division of responsibility in regional development work, clearly identifying who is expected to do what and the expected outcomes. This includes, for example, how Welsh Government departments can work with regional bodies in areas related to regional

development. A precondition for a new norm is agreement at the ministerial level followed by senior civil service leadership with staff. Clarifying roles and responsibilities is particularly critical if the regional development policy objectives intend to address broad and cross-cutting societal issues (e.g. sustainability, demographic change, green energy, enhancing the quality of public services) and cover a wide range of policy areas (e.g. transport, education, health) (Box 2.5). The mapping exercise should be done collaboratively with policy makers in different sectors, including the Future Generations Commissioner to ensure coherence with the Well-being for Future Generations (Wales) Act.

2. **Better define the links among objectives, resources, actors and policy interventions in regional development and evaluate the policy impact.** In the Welsh Government, it is currently difficult to get an overview of the scope and financing of initiatives related to regional development or how different initiatives are interrelated, a difficulty also faced by other countries, including Sweden (Box 2.5). For example, in the absence of EU funds, there is no Welsh budget category/expenditure area dedicated to regional development (Welsh Government, 2022<sup>[28]</sup>). Stronger links between objectives, resources, actors and policy interventions could help the Welsh Government gauge how effective different regional development activities are in advancing policy objectives and assess whether resources allocated to these activities are being optimised. This evidence can support the Welsh Government's improvement of regional development policy design and implementation.
3. **Actively co-ordinate with sectoral policy makers to ensure the regional perspective in relevant sectoral policies.** This team could be responsible for streamlining the regional development issues discussed in different inter-ministerial dialogue platforms and systematically help sectoral policy makers adopt the regional lens when they design strategies and policy interventions that strongly impact the regions (see further analysis in the section below). To this end, it would be important for this team to have regional development data and analyses that can support sectoral policy making. This team can also lead the development of the regional development dashboard, as recommended in Chapter 1.

### Box 2.5. Key issues arising in a strategy review by the Swedish National Audit Office

In 2022, the Swedish National Audit Office published its evaluation of whether the government managed the state's efforts in regional development policy in such a way that policy objectives could be achieved. The report identified weak conditions for effective collective government actions for regional development in Sweden and highlighted that these could be detrimental to implementing the new National Strategy for Sustainable Regional Development 2021-2030. Compared to the previous strategy, this has broadened the policy focus on sustainability, broad societal challenges and the 2030 Agenda for Sustainable Development, which involves an even greater range of policy areas and actors.

The key issues identified in the audit report include:

- **Lack of clarify over roles and responsibilities:** While the roles and responsibilities of state authorities and subnational entities are set out in the Act on Regional Development Responsibility and the Ordinance on Regional Growth Work, there is still considerable room for interpretation. The national government's role is unclear and this is keenly felt at the regional level. It makes co-operation between regions and the central level difficult and has become an issue concerning different areas related to regional development work (e.g. broadband, rural development, energy, labour market).

- **Need for a clear and long-term perspective for collaboration:** While regional development work is long-term by nature and there is a long-term strategy in place, the assignments to the relevant authorities, various calls and offers to regions and funding are generally short-term. This makes long-term co-operation and learning difficult.
- **The direction of the policy has changed more than its content:** Building on the previous national strategy, the updated strategy includes sustainability, broad societal challenges, etc. However, the budget lines/headings did not change accordingly. The varying conditions of the regions and the difficulties in co-ordinating resources among sectors makes it challenging to get an overview of the scope and financing of regional development policy and how different activities are connected. This, in turn, creates difficulties in co-ordinating and evaluating policy.

Some recommendations provided by the audit office include:

- **Develop an action plan for the National Strategy for Sustainable Regional Development 2021-2030** to further clarify the roles of relevant authorities and create better conditions for sector-wide collaboration.
- **Carry out an assessment of regional development policy**, to define the linkages between policy objectives, resources, initiatives and actors as well as evaluate policy impact.
- In the assignments related to regional development, **ensure clear objectives, requirements and expectations for government interagency collaboration**. For authorities that the government considers to be particularly important for regional development work, tasks should be included in the instructions.
- **Commission the Swedish Agency for Economic and Regional Growth to follow up on the implementation** of the National Strategy for Sustainable Regional Development Throughout the Country 2021-2030.

Source: Bachtler, J. and R. Downes (2023<sup>[26]</sup>), *Rethinking Regional Transformation: The State of Regional Policy in Europe*, [https://eprc-strath.org/wp-content/uploads/2023/12/Rethinking-Regional-Transformation-EoRPA-report-23\\_1-ISBN.pdf](https://eprc-strath.org/wp-content/uploads/2023/12/Rethinking-Regional-Transformation-EoRPA-report-23_1-ISBN.pdf); Swedish National Audit Office (2022<sup>[29]</sup>), *The National Audit Office's Report on the Regional Development Policy (in Swedish)*, <https://www.regeringen.se/contentassets/1736596b36474f7f8c8a0f4f8456f9e4/2223005webb.pdf>; OECD (2022<sup>[30]</sup>), *OECD Territorial Reviews: Gotland, Sweden*, <https://doi.org/10.1787/aedfc930-en>.

In the long term, if the Welsh Government develops an integrated regional development strategy, this team could also help ensure the implementation of such a strategy. This means ensuring that priorities are translated from the strategic to the operational level. Such a team can draw inspiration from other initiatives to improve policy delivery across the Welsh Government, such as the recently instituted Office of Project Delivery to help “professionalise” policy and programme delivery, including through functional standards. Such a team could also enhance monitoring and reporting on priority areas, creating and disseminating more integrated, bigger-picture assessments of the success of government policy in regional development priority areas.

### ***Strengthen and diversify co-ordination mechanisms for regional development***

In addition to a co-ordination gap in the regional development space, the Welsh Government faces other co-ordination challenges in this domain. Today, despite numerous permanent and ad hoc dialogue platforms<sup>5</sup> focusing on diverse aspects of regional development – from investment to economic development to co-operation and partnerships – none are explicitly mandated to co-ordinate and assume responsibility for an overarching regional development agenda. While the meetings and relevant reports generated from these groups are published on line, how the agendas and priorities discussed across these bodies align or complement each other remains unclear. In addition, the outcomes of these discussions

are not binding for Wales's various departments when making decisions with regional-level impact. There is no actor that "connects the dots" among these regional development discussions and debates for the Welsh Government. A more effective use of these platforms and clearer uptake of the discussion results could sharpen the regional lens that the Welsh Government is establishing for regional development policy making and implementation.

The Strategic Forum for Regional Investment in Wales serves as a dialogue platform, in the main to discuss EU replacement funds, and the Welsh Government could consider broadening its scope and boosting its ability to collaborate with more regional development stakeholders. The current terms of reference for the strategic forum describe its purpose as sharing "a strategic overview of regional investment", including applying the principles of the Framework for Regional Investment in Wales, sharing expertise, experiences and good practices to ensure maximum impact from investment funds and supporting Welsh local authorities in their delivery of UK investment funds (Welsh Government, n.d.<sup>[31]</sup>). To do so, it brings together a wide array of stakeholders, including the Welsh Government, the CJsCs, local governments, the third sector, trade unions, higher and further education institutions, a Future Generations Commissioner representative, and natural resources, environment, rural, equality, well-being, economy and business representatives (Welsh Government, n.d.<sup>[31]</sup>). Its Welsh Government representation includes staff working in the areas of EU replacement funds, the regional offices, economic strategy, skills and higher education, housing and regeneration and rural development. Policy makers in other sectors closely related to regional development (e.g. health, environment, transport, spatial planning, etc.) are not represented in this forum.<sup>6</sup>

The future mandate of the forum could be expanded beyond sharing knowledge and views on the replacement EU funds landscape to supporting integrated regional development by co-ordinating various policy areas. The forum has the potential to be a platform to discuss: i) the territorial impact of different sectoral strategies and policies; ii) how regions can better help achieve regional development goals while advancing sectoral objectives; and iii) how to ensure the complementarities of investment activities at national and regional levels, including regional investments (e.g. City and Growth Deals, investment zones, the ARFOR programme, the Heads of the Valleys programme) and sectoral investments at the regional level. To expand the mandate of the forum, its membership may need to be updated to include policy makers in sectors related to regional development. It could start with sectors mentioned in the regional investment framework and/or sectors highly relevant to CJC functions (e.g. transport, land use, potentially energy). These policy makers could, in the beginning, be engaged on an ad hoc basis. For example, one meeting could be dedicated to transport in regions with policy makers from the transport department and another could focus on spatial planning and land use. In the long term, these policy makers could become permanent members of the forum. The results of the discussions could be directly reflected in sectoral policies and strategies (for example, relevant policy strategies could have one section dedicated to assessing the territorial impact or demonstrating how it aligns with regional development priorities). The results of discussions should be presented to relevant ministers and the First Minister's Office at least annually or biannually. To expand the scope of the forum would require updating its terms of reference, an activity that could be led by the regional development co-ordination team recommended in the previous section.

Overall, more attention could be paid to the co-ordination environment for regional development overall, which could help create a more robust and effective cross-sector, multi-stakeholder system. To do so, a mix of co-ordination mechanisms will need to be adopted to buttress and advance the work of a dedicated co-ordination team and dialogue platform like the Strategic Forum for Regional Investment in Wales. Consideration should be given to the most appropriate cross-sectoral co-ordination mechanisms for regional development given Wales' multi-level governance arrangements and its development ambitions. Table 2.1 presents four main categories of co-ordination mechanisms – organisational, strategic and policy instrument and rules-based – forming a theoretical framework the Welsh Government could use as it considers the practicalities of co-ordination mechanisms. The absence of a clear strategic thread for regional development, and the currently limited level of cross-sector, multi-level co-ordination for regional

development indicates focusing on organisational and strategic co-ordination mechanisms (i.e. designating a co-ordination team, strengthening the dialogue platforms and defining integrated regional development objectives) should be priorities. Regardless of the mechanisms the Welsh Government chooses to reinforce and diversify co-ordination and create an effective cross-sectoral system to support regional development, it will require ministerial agreement and strong senior leadership to move forward.

**Table 2.1 Categories of national-level, cross-sector co-ordination mechanisms for regional development**

| Category                        | Description   | Examples  |
|---------------------------------|---|---|
| Organisational co-ordination    | Foster joint working across policy areas/sectors.   | Inter-ministerial committees, multi-level structures or dialogue bodies engaging multiple line ministries; special units for cross-sectoral co-ordination; a full-fledged Ministry of Regional Development. |
| Strategic policy co-ordination  | Setting joint objectives for shared policies, reconciling sectoral interests and determining priorities, especially in the event of trade-offs across sectoral policies.                                    | Regional development strategies with cross-cutting objectives and goals for multiple policy sectors.  |
| Policy instrument co-ordination | Concrete policy actions to pursue cross-cutting strategic goals, pooling resources for co-ordinated measures.   | “Bundling” of sectoral instruments in specific territories, sometimes based on multi-level negotiations with multiple line ministries.  |
| Rule-based co-ordination        | Constitutional, legislative, regulatory or methodological provisions to facilitate systematic, and sometimes mandatory co-ordination across policy sectors and <i>vis-à-vis</i> other levels of government. | Formal legal competencies, use of administrative orders, eligibility rules and criteria, regional “proofing” or appraisal of sectoral policies.   |

Source: Adapted from Ferry, M. (2021<sup>[32]</sup>), “Pulling things together: regional policy coordination approaches and drivers in Europe”, <https://doi.org/10.1080/14494035.2021.1934985>; OECD (2011<sup>[33]</sup>), *Estonia: Towards a Single Government Approach*, <https://doi.org/10.1787/9789264104860-en>; OECD (2010<sup>[34]</sup>), *Regional Development Policies in OECD Countries*, <https://doi.org/10.1787/9789264087255-en>.

In the long term, the Welsh Government could strengthen and pursue other types of co-ordination mechanisms, such as policy instrument co-ordination. For example, this could take the form of formal agreement among relevant line ministries and CJs to co-design and deliver a package of investment projects. For this to be successful, CJs must have sufficient investment design and implementation capacity. Alternatively, the Welsh Government could consider using financial or non-financial incentives to encourage the pooling of sectoral resources together to develop and deliver co-ordinated regional investment programmes. One inspiration comes from Poland, which harnesses policy instrument co-ordination for investment through its sectoral contracts (Box 2.6). This form of co-ordination can bring together policy makers from diverse sectors to advance concrete regional development programmes and projects, setting a foundation for trust-based, long-term partnerships. This form of co-ordination benefits from strong ties to regional development strategy. If it is used without a clear, agreed-upon strategy for regional development, it could backfire; line ministries may be reluctant to share resources without understanding the strategic importance. Regardless of whether a government depends on a strategy for regional development or focuses on ensuring that a strategic thread is in place, clear and effective co-ordination of actors and objectives is fundamental. In the case of a single strategy, this can serve as a co-ordination platform as the relevant parties have, in theory, contributed to and agreed with its aims. In the case of a strategic thread, there may be a need for a mix of co-ordination mechanisms as there are multiple actors (sectors), each with their own objectives contributing to regional development. In this scenario, co-ordination becomes even more critical to unite diverse strategies and policies, and ensure that activities also support the strategic objectives.

In the near future, the Welsh Government may need to develop clear guidance, standards or even regulatory provisions (rules-based co-ordination) regarding how line ministries systematically consider regional/CJC strategies and priorities. This can be in a “softer form” of territorial impact assessment methodology as developed by the Ministry of Regional Development in Czechia, voluntarily used by line ministers (Box 2.6), or in a “harder” form such as the regulatory provision on territorial impact assessment in Norway (Government of Norway, 2017<sup>[35]</sup>; Ferry, 2021<sup>[32]</sup>). The Welsh Government could also provide guidance or standards around how line ministries effectively engage with CJs in national policy making, especially as the CJs advance in regional planning and policy delivery in the future. If the Welsh Government is set to do so, such guidance or standards should be established together with regional bodies and local authorities to ensure buy-in.

### **Box 2.6. Co-ordination mechanisms for regional development policy in Czechia and Poland**

#### **Sectoral contracts in Poland (policy instrument)**

To implement the National Strategy for Regional Development 2030, Poland adopted sectoral contracts to co-ordinate actions taken under various policy areas and closely involved sectoral ministers in implementing and supporting regional policy measures. Polish sectoral contracts are agreements between the sectoral minister(s), the regional development minister and the Voivodeship Board (regional governing boards) that set out how a territorial-oriented intervention or a programme will be implemented (e.g. financing). These contracts help ensure that national-level policy decisions take regional priorities into account.

#### **Territorial impact assessments in Czechia (rule-based)**

In Czechia, supporting the integration of a territorial dimension in national policy making is an important theme. One of the strategic directions highlighted in Czechia’s Regional Development Strategy 21+ is to better monitor and understand the territorial impact of sectoral policies so that these policies can be more effectively co-ordinated to serve regional interests. This is not an easy task since the Ministry of Regional Development has no specific mandate to enforce a territorial lens in other policy areas. One of the instruments the ministry uses is territorial impact assessment (TIA). It has created a detailed methodology to motivate and support regions, municipalities and national line ministries in better understanding the territorial impact of their projects. The Ministry of Regional Development also organises ad hoc workshops with line ministries and individual regions to explore how sectoral policies affect the development of a given region, supporting the use of TIA.

Source: OECD (2023<sup>[36]</sup>), *OECD Regional Outlook 2023: The Longstanding Geography of Inequalities*, <https://doi.org/10.1787/92cd40a0-en>; Government of Poland (2020<sup>[37]</sup>), *National Strategy of Regional Development 2030: Socially Sensitive and Territorially Sustainable Development (Summary)*, <https://www.gov.pl/attachment/09b51b0c-4d33-4257-87f2-5a89b52f7953>; Ministry of Regional Development in Czechia (n.d.<sup>[38]</sup>), *Effects of Territorially Determined Projects: Methodology for Evaluating the Territorial Impact of Interventions/Projects*, <https://mmr.gov.cz/getmedia/f6897ae9-8244-44a5-99da-618996e69f82/Methodology.pdf.aspx?ext=.pdf>.

### **Adjust ways of working to support integrated regional development**

Examples of cross-sectoral, or integrated, working – fundamental for more effective regional development – exist in the Welsh Government but are the exception rather than the rule. Welsh Government staff shared the perception that when faced with a common challenge, teams are able to come together and work effectively, efficiently and successfully (OECD, 2023<sup>[41]</sup>). The COVID-19 pandemic demonstrated that various sectors of the Welsh Government can collaborate to respond to rapidly evolving circumstances. However, like in many governments, Welsh Government teams tend to operate within their specific policy



and budget areas. A shift towards a more integrated Welsh Government starts from within, with measures to encourage a collaborative culture and streamline internal processes. A shift towards a more integrated Welsh Government starts from within, with measures to encourage a collaborative culture and streamline internal processes.

The Welsh Government has taken steps to improve integrated work in specific areas. For example, the First Minister<sup>7</sup> requested a Cabinet review of the effectiveness of cross-government work in six key areas (including infrastructure, climate, mental health and the fight against racism), which concluded that cross-government engagement should take place at an earlier stage to identify and properly consider any conflicts, trade-offs, multiple outcomes and benefits (Welsh Government, 2024<sup>[39]</sup>). The Welsh Government plans to take forward the findings related to working methods as part of WG2025, a three-year programme for organisational change and continuous improvement (Welsh Government, 2024<sup>[39]</sup>).

As the COVID-19 response illustrated, there is significant capacity for collaborative working in the Welsh Government that could be harnessed to advance regional development across the organisation. However, this task is not without its challenges. Collaborative working is not systematic and is frequently rooted in personal relationships among staff (often at the G6/G7 level)<sup>8</sup> who have been in the Welsh Government for some time (OECD, 2023<sup>[4]</sup>). While this is a characteristic of small-state administrations (OECD, 2011<sup>[33]</sup>), it creates risks, not least that staff turnover undermines collaborative work currently taking place in the form of existing relationships. In addition, personal relationship building depends in part on individual motivation and time. With human resources already stretched thin, some Welsh Government staff interviewed by the OECD can feel they do not have time to co-operate or build the relationships that underpin co-operation within the organisation. In a context of limited resources, Welsh Government staff feel that co-operation is often a luxury their teams cannot afford (OECD, 2023<sup>[4]</sup>).

Senior civil servants and executive bands (G6s/G7s) have a role to play in setting clear and realistic expectations for collaborative work and modelling such work for regional development. Working together ranges from simply sharing information (co-ordination) to actively working towards shared goals (co-operation) and deeply integrated teamwork with open, direct communication and joint planning (collaboration) (Box 2.7). The greater the level of engagement – from co-ordination, co-operation to collaboration – the higher the “cost” in terms of dedicating time and resources into building the structures, processes and relationships (Wales Centre for Public Policy, 2021<sup>[12]</sup>).

### Box 2.7. Co-ordination, co-operation and collaboration

Co-ordination, co-operation and collaboration build on each other, where co-ordination forms the platform from which co-operation and then collaboration can grow.

- **Co-ordination:** Joint or shared information insured by information flows among organisations. Co-ordination implies a particular architecture in the relationship among organisations (i.e. centralised or peer-to-peer; direct or indirect) but not how the information is used.
- **Co-operation:** Joint intent on the part of individual organisations. Co-operation implies joint action but does not address the relationship among participating organisations.
- **Collaboration:** Co-operation (joint intent) together with direct peer-to-peer communication among organisations. Collaboration implies both joint action and a structured relationship among organisations.

Source: Adapted from OECD (2005<sup>[40]</sup>), *e-Government for Better Government*, <http://dx.doi.org/10.1787/9789264018341-en>. As presented in OECD (2016<sup>[41]</sup>), *OECD Territorial Reviews: Córdoba, Argentina*, <http://dx.doi.org/10.1787/9789264262201-en>.

Another factor that may undermine joint working – especially when based on personal relationships – is a lack of common identity and goals. In the case of regional development policy, research found that when policy makers share a common understanding or policy paradigm, co-ordination is more likely to happen (Zitton, 2015<sup>[42]</sup>; Ferry, 2021<sup>[32]</sup>). However, focus group interviews with Welsh Government staff suggested that they did not always feel a strong sense of group identity as a single public service, committed to shared goals: “one Welsh public service” (OECD, 2023<sup>[41]</sup>). While the causes of this are difficult to pin down, silos and competition among teams for limited resources may be two contributors. Regardless of the causes, a lack of unity can strongly impact the Welsh Government’s work, discouraging co-operation and alignment across departments.

Internal processes can complicate collaboration, hindering integrated working. Welsh Government staff shared a view that internal communication and decision-making processes could be more streamlined. Bureaucratic obstacles and slow processes within organisations can create delays, consume resources for tasks that do not contribute to overarching goals, and discourage innovation. Some of the obstacles have their roots in organisational culture that can hinder effective collaborative working between civil servants (OECD, 2023<sup>[41]</sup>; 2023<sup>[43]</sup>).

The Welsh Government could increase its agility and take a more integrated approach to regional development by reconsidering certain aspects of the way it works. The same challenge has been raised for the implementation of the Well-being of Future Generations (Wales) Act. Fully embedding and operationalising the act and achieving an integrated approach to regional development will rely on the work – and understanding – of individual staff that design and deliver policy on a daily basis. The Future Generations Report 2020<sup>9</sup> acknowledges this, recommending that the Welsh Government “put in place arrangements to ensure staff understand how and why the Act should be applied, and support opportunities to collaborate, including to second staff to other organisations and make joint appointments” (Future Generations Commissioner for Wales, 2020<sup>[44]</sup>). While these arrangements are important, championing cross-sector collaboration is not as simple as putting formal mechanisms to collaborate in place. One study describes how some of the actors implementing the act believe that cross-sector collaboration (important for the act and also regional development) will take time and daily operational collaboration to lead to a culture shift (Nesom and MacKillop, 2020<sup>[45]</sup>). A “complex and bureaucratic” governance and public administration (Wales Centre for Public Policy, 2021<sup>[12]</sup>), however, can undermine this process and thus should be addressed.

In this context, the Welsh Government could develop concrete measures to encourage changes in the ways of working among staff. One way to do so is to develop a “ways of working charter” that reflects staff input into how specific ways of working, processes, procedures or embedded cultural practices promote or impede integrated and efficient working for regional development across the Welsh Government. To help reduce burdens on teams, the Welsh Government could consider how to streamline internal processes: for example, by creating a form repository and a commissioning checklist to minimise duplicative commissions. Managers should be closely engaged in this exercise to help streamline discussions and empower decision making at the right level.

## Key messages and recommendations

**The Welsh Government could embed the regional lens more effectively by introducing a strategic thread for regional development activities.** An integrated regional development strategy or set of agreed-upon long-term (ten years or more) objectives is not yet in place. While developing a long-term regional development strategy is a ministerial decision, weaving together existing strategic documents to draw out a set of high-level, clearly defined regional development objectives could still be productive. This could help ensure that various regional development activities, as well as sectoral policies, are contributing to achieving regional development goals.

- **Recommendation: Develop a strategic thread for regional development guided by a long-term, futures-thinking perspective**
  - Mobilise and further build inhouse capacity for foresight and futures thinking (for example, existing capacity in the Sustainable Futures Unit and Strategic Evidence Unit) throughout the Welsh Government, specifically for regional development.
  - Map the diverse set of strategies in the Welsh Government and make sure that they are coherent with the regional development objectives. Identify long-term, high-level, integrated regional development objectives, drawing on the Framework for Regional Investment in Wales and its priorities, and based on a vision for regional development supported by a broad range of stakeholders and evidence-driven analysis of the four economic regions.
  - Further translate these objectives into a regional development strategy with objectives, priorities, policy actions, identified resources and performance measurement mechanisms in the medium and long terms.
  - Consider streamlining different strategies, such as combining those with significant overlap, once the Welsh Government has a birds-eye view of the current strategic landscape for regional development.
  - Define a hierarchy among documents, where higher-level strategies and policies guide action plans and programmes. This hierarchy can become guidelines that Welsh Government staff consult before developing new strategic documents. Ultimately, these guidelines can make it easier for the Welsh Government to ensure different policies are coherent with the regional development objectives.

**Another key obstacle is a loose set of co-ordination arrangements for regional development activities in the Welsh Government.** No single actor or governance body within the Welsh Government is charged with co-ordinating regional development activities. Consequently, who does what for regional development is not clear. At worst, this lack of clarity could lead to potential duplication or conflicts between regional development activities and suboptimal use of public resources. Also, without an integrated framework specifically for regional development, there is currently a predominant focus on regional economic development at the expense of a more integrated approach to regional development.

- **Recommendation: Designate a team to co-ordinate activities to ensure that everyone moves in the same direction to contribute to regional development goals**
  - This team can undertake several tasks:
    - Conduct a comprehensive review and analysis of how regional development work should be organised. This includes who does what for regional development, the expected outcomes, decision-making bodies and processes and functions of different teams. The aim is to help all involved actors understand their roles and responsibilities in meeting regional development objectives. This exercise should be done in close co-operation with policy makers in different sectors and ensure alignment with the Well-being for Future Generations (Wales) Act.
    - Clearly define the linkages among regional development objectives, resources, actors and policy interventions. This team can conduct this investigation and analysis as a second stage of the review recommended above. The idea is to identify the policy interventions across the Welsh Government that are contributing to regional development work, how they do so and with what resources. Such an analysis can serve as the basis for an integrated regional development strategy should the Welsh Government develop one in the future.
    - Actively co-ordinate with sectoral policy makers to ensure the regional perspective in relevant sector policies. This team can be responsible for streamlining the regional development issues discussed in different inter-ministerial dialogue platforms and

systematically help sectoral policy makers apply the regional lens when they design strategies and policy interventions that strongly impact the regions.

- Ensure the delivery of regional development strategy and policy, should the Welsh Government develop one in the future. For example, the team can be responsible for monitoring and evaluating the outcomes and impact of the regional development policy.
- **Recommendation: Consider reinforcing and maximising the use of the Strategic Forum for Regional Investment in Wales for co-ordination with a broader group of stakeholders**
  - This may include expanding the forum’s mandate and scope of discussions to support integrated regional development and facilitate co-ordination across policy areas.
  - This also means engaging policy makers from sectors related to regional development (e.g. transport, land use and spatial planning, the environment, health) in the forum, on an ad hoc basis at the beginning.
  - The forum can provide a platform to discuss: i) the territorial impact of different sectoral strategies and policies; ii) how regions can better help achieve regional development goals while advancing sectoral objectives; and iii) ensure the complementarities of investment activities on the national and regional levels, including regional investments (e.g. City and Growth Deals investment zones, etc.) and sectoral investments at the regional level.
- **Recommendation: Gradually enhance the mix of co-ordination mechanisms for regional development**
  - Examine the existing dialogue platforms that contribute to regional development to identify their current and potential concrete contributions. Moving forward, clarify how the outcomes of their discussions and reports can be directly used to advance regional development in a series of next steps, each associated with a contact for implementation and a timeline, when relevant.
  - Pilot a scheme for line ministries and CJs to co-design and deliver development projects in regions or use financial or non-financial incentives to encourage the pooling of sectoral resources to support co-ordinated regional investment programmes in the long term. Ideally, this pilot can be oriented towards the strategic thread highlighted in the first recommendation.
  - Develop clear guidance and standards regarding how line ministries systematically consider regional needs and priorities and how line ministries effectively engage with CJs (and other regional and local bodies) in policy making. This could be done as the CJs further develop and advance in regional planning and policy delivery in the future.

**The Welsh Government’s current ways of working sometimes impede agile, integrated co-operation.** There is significant potential for collaborative work among Welsh Government departments, as shown during the COVID-19 pandemic response, which can become the rule rather than the exception. Challenges impeding this sort of collaborative work include bureaucratic hurdles and aspects of organisational culture, both of which hamper efficient and united efforts towards regional development objectives. Welsh Government staff can foster a more collaborative culture by setting clear expectations for working together.

- **Recommendation: Consider how to improve ways of working to favour regional development collaboration**
  - For example, the Welsh Government could develop a “ways of working charter” with a plan for embedding collaborative working for regional development across the Welsh Government. It could be developed based on an internal engagement exercise to reflect staff input into how specific ways of working, processes, procedures or embedded cultural practices promote or impede integrated and efficient working.

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## Notes

<sup>1</sup> Prosperity, resilience, health, equality, cohesiveness, culture and heritage, and global responsibility.

<sup>2</sup> These objectives are: “(1) Provide effective, high quality and sustainable healthcare; (2) continue our long-term programme of education reform, and ensure educational inequalities narrow and standards rise; (3) protect, re-build and develop our services for vulnerable people; (4) celebrate diversity and move to eliminate inequality in all of its forms; (5) build an economy based on the principles of fair work, sustainability and the industries and services of the future; (6) push towards a million Welsh speakers, and enable our tourism, sports and arts industries to thrive; (7) build a stronger, greener economy as we make maximum progress towards decarbonisation; (8) make our cities, towns and villages even better places in which to live and work; (9) embed our response to the climate and nature emergency in everything we do; and (10) lead Wales in a national civic conversation about our constitutional future, and give our country the strongest possible presence on the world stage” (Welsh Government, 2023<sup>[47]</sup>).

<sup>3</sup> “Linked” is defined broadly, inasmuch as they referred in the document to the fact that the planning instrument was contributing to the programme.

<sup>4</sup> The two core work streams are “continue our work with all protected groups to counter discrimination and ensure opportunities for all” and “work to ensure that membership of our democratic bodies better reflects the whole of society and improve equal representation on elected bodies and public sector boards”.

<sup>5</sup> These include the Regional Investment for Wales Steering Group (last meeting in April 2021), the Strategic Forum for Regional Investment in Wales, the Council for Economic Development and the Workforce Partnership Council.

<sup>6</sup> In addition to the Welsh Government representatives, the majority of forum members are regional and local representatives (the four CJC regions and the Wales Local Government Association) and a wide range of non-governmental actors (14), including the Third Sector Partnership Council, the Higher Education Funding Council, trade unions, the chamber of commerce, the Wales Rural Network, experts, etc.



<sup>7</sup> By the time this report is published, Vaughan Gething MS will have succeeded Mark Drakeford MS as First Minister following his resignation in March 2024 (Deans, 2023<sup>[46]</sup>).

<sup>8</sup> G6 is senior management, typically reporting to the most senior civil servants. G7, positioned below G6, acts as middle management.

<sup>9</sup> Supported by the Audit Wales report on the implementation of the act (Auditor General For Wales, 2019<sup>[48]</sup>).

# 3

## Harnessing the power of regional working

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Wales has established regional Corporate Joint Committees (CJCs) to support regional-level collaboration, governance and development. However, local authorities continue to query the expectations and benefits of CJCs as well as the motivations behind them. This section discusses the rationale behind the establishment of the CJCs and explores the fundamental building blocks that will determine the success of the CJCs during this critical early stage. These building blocks include clarity on the CJCs' purpose, clear impact that is communicated to stakeholders, strong accountability and inter-regional co-operation.

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## Introduction

Wales established a new governance mechanism, the Corporate Joint Committees (CJCs), to better support local government collaboration. Legislation provides that the 22 local authorities of Wales collaborate through the CJCs in land use (spatial planning) and transport and to promote “economic well-being” (Welsh Statutory Instruments, 2021<sup>[1]</sup>). Wales already works with a regional logic in certain areas, for example the Regional Partnership Boards for health and care services and the Regional Skills Partnerships for addressing regional skills needs. But the CJCs mark the first time Wales places significant development and planning responsibilities at a regional level.

Ultimately, it is for the local authorities comprising the planning regions to decide the shape of their CJCs beyond the basic structures and outputs required by law. However, local authority discomfort with the legislation establishing CJCs has dogged the new structures. While constituent local authorities have leeway to shape the CJCs beyond the basics, they do not always perceive that they have the space to do so. This chapter explores two necessary prerequisites for CJCs to best serve their regions: i) a clear purpose and goals; and ii) strong institutions with adequate capacity that produce visible results.

## The “why” behind the Corporate Joint Committees

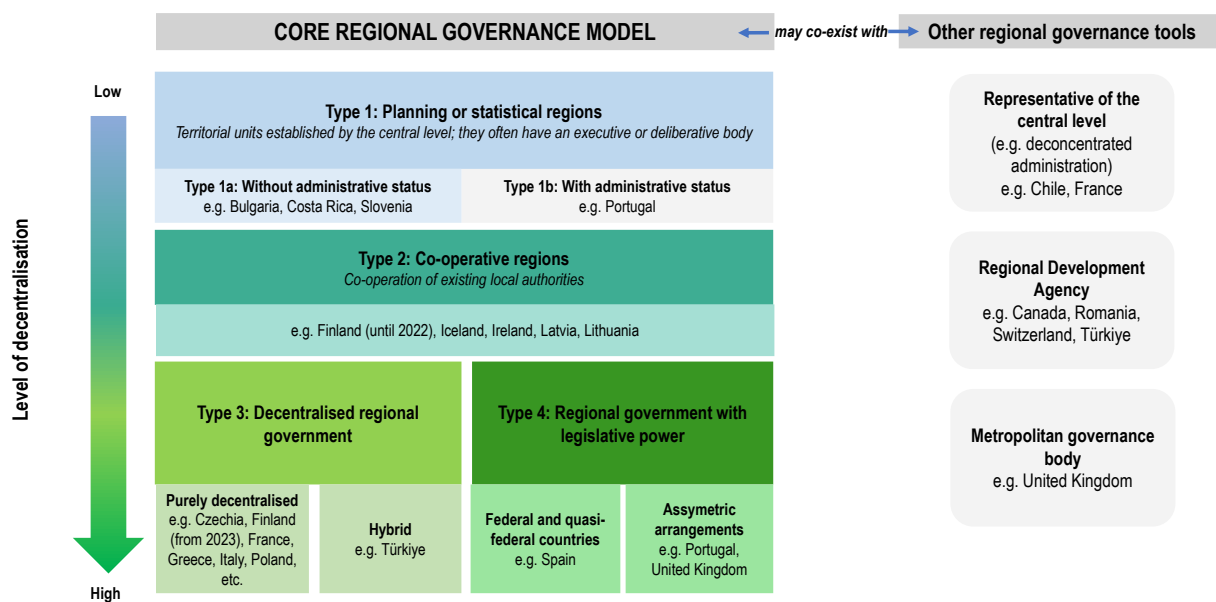
The rationale behind the CJCs draws upon international experience with co-operation among local authorities. In many OECD countries, municipalities come together in a regional governance structure with a greater or lesser degree of formality. Co-operation within such an arrangement can help municipalities better plan activities, deliver services, meet requirements in expertise (e.g. specialised experts or inspectors) and much more. In Wales, where previous attempts to build scale through municipal mergers did not bear fruit, the CJCs represented a way to facilitate collaborative working among local authorities to plan and act on a scale that allows for a more efficient allocation of resources (capitalising on economies of scale and lowering transaction costs). Beyond the resource savings, the Welsh Government also hoped the CJCs would create greater opportunities for shared problem solving, collective ideas and ultimately better outcomes for residents’ lives (Welsh Government, 2021<sup>[2]</sup>). This section summarises the “why” behind the CJCs, drawing on international experience with regional governance.

### ***In Wales, co-operative regions were established to build territorial scale and favour cross-local authority collaborative working***

Regional governance takes different forms, depending on the purpose of the co-operation and the context within which it takes place. Models for regional governance range from softer to harder forms, with some focusing on dialogue and co-ordination while others create a supra-municipal body or metropolitan-level governance body. Regional governance structures may focus on a single sector or span multiple sectors. In addition, regional governance structures draw on different sources of funding and, of course, have different responsibilities (OECD, 2022<sup>[3]</sup>).

A regional governance model represents a greater or lesser degree of decentralisation (Figure 3.1). Representing the lowest degree decentralisation, planning or statistical regions are established by the central level of government and lack legal personality and their own administration or budget. Co-operative regions represent a greater degree of decentralisation, bringing together existing local authorities in a regional association with legal status. Finally, regions with legislative powers represent the greatest degree of decentralisation, having a high level of political autonomy and large responsibilities (OECD, 2022<sup>[3]</sup>).

Figure 3.1. The four types of regional governance models in the OECD and European Union



Note: The examples of the four models outlined in the figure represent a snapshot taken at a moment in time, as regional arrangements are not static and constantly evolving.

Source: OECD (2022<sup>[3]</sup>), *Regional Governance in OECD Countries: Trends, Typology and Tools*, <https://doi.org/10.1787/4d7c6483-en>.

Co-operative regions, like the CJsCs, have certain distinguishing characteristics. They bring together local authorities within a regional structure, typically preserving the rights and authority of local governments. The creation of co-operative regions involves extending the attributions of local governments within this structure or institutionalising their collaboration in a broader framework. These regions have legal status and are characterised by regional councils and cabinets or offices to run their activities. Co-operative regions have their own budgets, funded by contributions from municipalities, central government transfers and sometimes other sources, such as European Union (EU) funding or user fees (OECD, 2022<sup>[3]</sup>).

Co-operative regions generally have limited responsibilities. They are most common in countries where local authorities possess competencies and functions that can be more efficiently managed at a larger regional scale. Their responsibilities often include regional development, spatial planning, public investment funds management and other regionwide tasks. Regional associations sometimes undertake other responsibilities that are assigned to them by their members, such as tasks related to waste collection or the administration of school offices (OECD, 2022<sup>[3]</sup>). Responsibilities depend on where planning or acting on a regional scale can provide the most value (Box 3.1).

### Box 3.1. Inter-municipal co-operation can offer different potential advantages

Co-operative regions are one way to structure co-operation between municipalities, in the hope that it can produce some of the benefits of inter-municipal co-operation. One of inter-municipal co-operation's most widely cited promises is optimising the scale for investment and public service provision by taking advantage of economies of scale and reducing transaction costs (OECD, 2020<sup>[4]</sup>). Municipalities may come together for any number of reasons, including to pool back office functions (like public procurement or payroll), share information, share staff or increase their creditworthiness (OECD, 2014<sup>[5]</sup>; CoE/UNDP/Open Society LGI, 2010<sup>[6]</sup>). The horizontal networks created through inter-municipal

co-operation can favour information exchange, jointly generated ideas and collaborative problem-solving among municipalities in a range of areas. In El Salvador for example, municipal associations work together to solve electricity and running water provision challenges (Muraoka and Avellaneda, 2021<sup>[7]</sup>). They may also come together to address issues extending beyond municipal boundaries. In a region of the United States, for example, municipalities enter into inter-municipal watershed agreements to manage issues related to a watershed that extends beyond their borders (Hudson River Watershed Alliance, n.d.<sup>[8]</sup>; Morgan et al., 2023<sup>[9]</sup>; Rayle and Zegras, 2012<sup>[10]</sup>).

While the theoretical foundations point to potential efficiency gains from inter-municipal co-operation, mixed messages from data suggest that policy makers should not automatically assume cost savings. A limited amount of data from other jurisdictions shows that this approach *can* pay off, although not always (OECD, 2022<sup>[11]</sup>). Some studies have found economies of scale that led to savings and/or quality improvements in service provision (Bel and Mur, 2009<sup>[12]</sup>; Struk and Bakoš, 2021<sup>[13]</sup>; Aldag, Warner and Bel, 2020<sup>[14]</sup>), while others found no change or even negative associations (Frère, Leprince and Paty, 2014<sup>[15]</sup>; Kortelainen and et al, 2019<sup>[16]</sup>; Aldag, Warner and Bel, 2020<sup>[14]</sup>).

Cost savings are only one justification for inter-municipal co-operation. In some countries, municipalities are simply too small to organise the most demanding services alone. Inter-municipal co-operation can then offer a solution to both efficiency and capacity issues.

Source: OECD (2020<sup>[4]</sup>), *The Future of Regional Development and Public Investment in Wales, United Kingdom*, <https://doi.org/10.1787/e6f5201d-en>; OECD (2014<sup>[5]</sup>), *OECD Council Recommendation on Effective Public Investment across Levels of Government*, <https://www.oecd.org/effective-public-investment-toolkit/>; CoE/UNDP/Open Society LGI (2010<sup>[6]</sup>), *Inter-municipal cooperation: Toolkit manual*, <https://rm.coe.int/imc-intermunicipal-co-operation/1680746ec3>; Muraoka, T. and C. Avellaneda (2021<sup>[7]</sup>), "Do the networks of inter-municipal cooperation enhance local government performance?", <https://doi.org/10.1080/03003930.2020.1869545>; Morgan, M. et al. (2023<sup>[9]</sup>), "Inter-municipal cooperation and local government perspectives on community health and wellbeing", <https://doi.org/10.1111/1467-8500.12597>; Rayle, L. and C. Zegras (2012<sup>[10]</sup>), "The emergence of inter-municipal collaboration: Evidence from metropolitan planning in Portugal", <https://doi.org/10.1080/09654313.2012.722932>; Bel, G. and M. Mur (2009<sup>[12]</sup>), "Intermunicipal cooperation, privatization and waste management costs: Evidence from rural municipalities", <https://doi.org/10.1016/j.wasman.2009.06.002>; Struk, M. and E. Bakoš (2021<sup>[13]</sup>), "Long-term benefits of intermunicipal cooperation for small municipalities in waste management provision", <https://doi.org/10.3390/ijerph18041449>; Aldag, A., M. Warner and G. Bel (2020<sup>[14]</sup>), "It depends on what you share: The elusive cost savings from service sharing", <https://doi.org/10.1093/jopart/muz023>; Frère, Q., M. Leprince and S. Paty (2014<sup>[15]</sup>), "The impact of intermunicipal cooperation on local public spending", <https://doi.org/10.1177/0042098013499080>; Kortelainen, M. et al. (2019<sup>[16]</sup>), "Effects of healthcare district secessions on costs, productivity and quality of services".

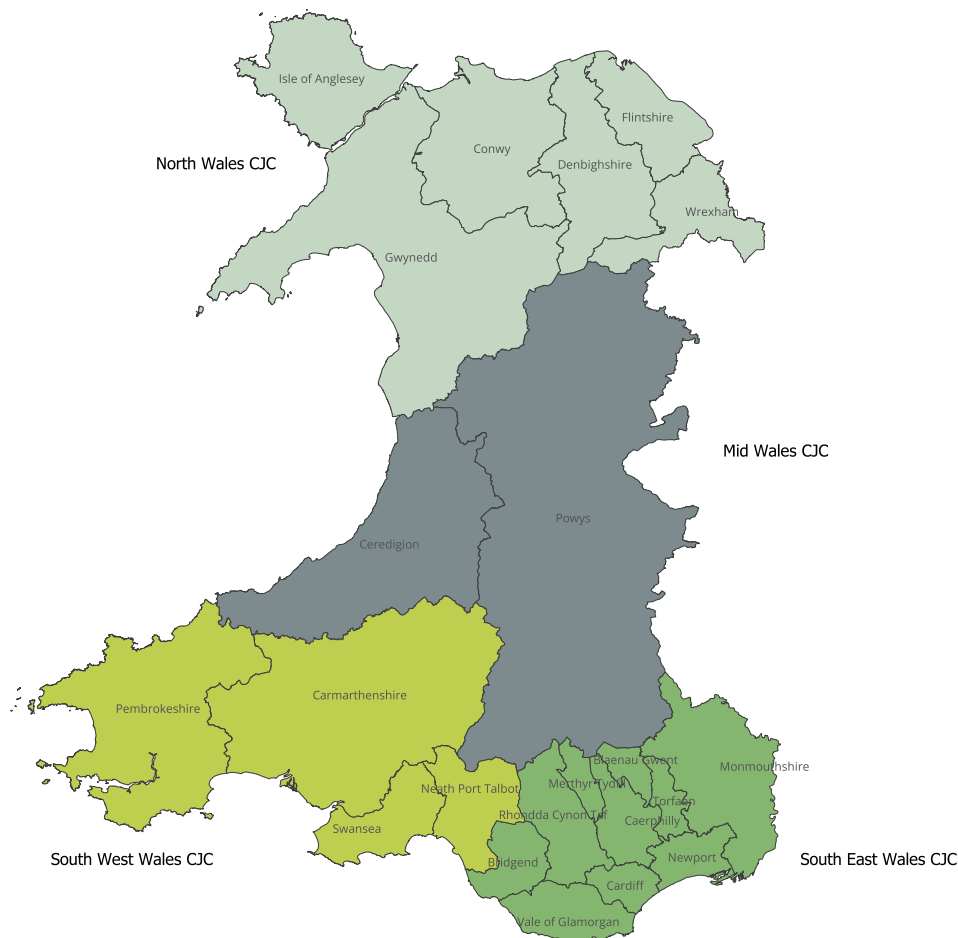
Co-operative regions come with their own set of challenges. A new layer of governance may increase administrative and monitoring costs (OECD, 2022<sup>[3]</sup>): this can be true immediately after a new layer is introduced or in the medium term. With a limited membership nominated by constituent municipalities, there is a risk of a democratic deficit and limited accountability and transparency, including for the budget. In addition, role clarity as regards other regional bodies can be lacking, a challenge also observed in English regional partnerships (Metro-Dynamics, 2020<sup>[17]</sup>). Finally, co-operative regions impose an additional financial burden for municipalities, which can be difficult to accept when budgets are strained (OECD, 2022<sup>[3]</sup>).

Efforts to restructure the territorial scale at the municipal level in Wales have floundered. The current local government structure, established in 1996, has been a subject of ongoing debate. Over the last two decades of devolution in Wales, the Welsh Government has initiated various commissions and reports, including the Beecham Review, Simpson Review and Williams Commission, aiming to assess public services, service delivery and public service governance. This research, perhaps best exemplified by the 2013 Williams Commission report, has suggested that many local authorities are too small to effectively deliver public services (Senedd Research, 2021<sup>[18]</sup>). Following the recommendations of the Williams Commission, attempts were made to implement changes. The Local Government (Wales) Act 2015

included provisions for authorities to merge voluntarily but the expressions of interest put forward by local authorities were rejected by the Welsh Government on the grounds that they did not sufficiently meet the criteria for moving ahead to prepare a full Voluntary Merger Proposal (BBC, 2015<sup>[19]</sup>; Andrews, 2015<sup>[20]</sup>). Subsequently, a draft Local Government (Wales) Bill was introduced in November 2015, which would have advanced statutory mergers and granted local authorities the power of general competence, among other changes. However, the draft bill did not progress further in the legislative process (Senedd Research, 2018<sup>[21]</sup>).

Following these unsuccessful attempts at mergers, the Welsh Government introduced the CJsCs as an alternative way to “rescale” and manage planning and investment on a regional footing. The CJsCs, established under the Local Government and Elections (Wales) Act 2021, serve as a mechanism for regional collaboration. According to the Welsh Government, the purpose of CJsCs is to enable and support the delivery of important local government functions at a regional scale, with footprints agreed upon by local government leaders (Welsh Government, 2020<sup>[22]</sup>) (Figure 3.2). The outputs they are expected to begin producing immediately – Strategic Development Plans (spatial plans) and Regional Transport Plans – aim to enhance planning efficiency and create integrated and efficient transport networks. Their third attribution – economic well-being – is more ambiguous but asks councils to “do anything which it considers is likely to promote or improve the economic well-being of its area” (Welsh Government, 2022<sup>[23]</sup>).

**Figure 3.2. Four CJsCs for Wales**



Source: Based on DataMapWales (2016<sup>[24]</sup>), *Local Authorities*, <https://datamap.gov.wales/layergroups/inspire-wg:LocalAuthorities>.

## A need for greater clarity on the purpose and goals of the CJs

The theoretical basis for the CJs may be clear but the response from local authorities has not been overwhelmingly positive. This is reflected in a 2023 Audit Wales report on the CJs that noted a mixed commitment to the CJs among the local authorities, which the auditor thought was giving way to an “appetite for the CJs [that] is more positive” (Audit Wales, 2023<sup>[25]</sup>). With a long history of inter-municipal co-operation, including within regional governance structures, some local authorities question the value added of the CJs. In addition, a lack of clarity about Welsh Government expectations for the CJs and some concerns about Welsh Government oversight of the CJs trigger concerns that CJs could erode local authority decision-making power and autonomy. These concerns have hindered the local authorities from shaping their CJs beyond the basic legal requirements, although some local authority staff and elected officials see opportunities for a broader remit for their CJs. This section explores issues around clarity.

### ***Uncertainties and mismatched expectations limit local authority ownership of the CJs***

The regulatory framework clearly establishes the basic functions of the CJs but leaves ample room for customisation. The regulations oblige the CJs to produce a Strategic Development Plan (SDP) and a Regional Transport Plan (RTP) for their region and to promote regional economic well-being (Senedd Cymru, 2021<sup>[26]</sup>). Accompanying these core functions are the other statutory duties applying to public institutions. As a public body, the CJs are tasked with promoting sustainable development, the Welsh language, diversity and equality, and biodiversity in their operations (Welsh Government, 2022<sup>[27]</sup>). Beyond these requirements, however, the law leaves an opportunity for the CJs to consider other functions, even in new policy areas.

Within the framework provided by the law, there is leeway for the CJs to explore efficiency-gaining organisational arrangements. The CJs are bound by certain statutory duties related to the organisations themselves, including requirements for staffing and workforce and financial probity. The law makes provisions for loaned and seconded officers, raising the possibility of sharing back office functions as well as the time (and remuneration) of specialists, common arrangements in co-operative regions to make organisational management more efficient among local authorities. The law does not explicitly prohibit pooling service provision, another common way that local authorities co-operate to deliver services more cost-effectively. This idea has surfaced in Wales before, with proposals to model regional bodies after the combined authorities in England (United Kingdom) that deliver major services (Senedd Research, 2021<sup>[18]</sup>).

The law also provides basic governance requirements while allowing regions to customise the governance arrangements as they see fit. CJC regulations specify the membership of the governing body: a decision maker from each constituent council and from the relevant national parks.<sup>1</sup> Each CJC can designate new members with a fixed term and with specified voting powers. The CJs can establish sub-committees and are obliged to constitute one governance and audit sub-committee. The law includes a suite of other requirements: publishing a constitution, complying with a code of conduct, maintaining a general fund and managing records (Wales Statutory Instruments, 2021<sup>[28]</sup>; 2021<sup>[29]</sup>; 2021<sup>[30]</sup>; 2021<sup>[31]</sup>).

Despite leeway in the regulations for different functions and governance models, some local authorities expressed concern that the CJs represent a one-size-fits-all approach to managing regional working. Voluntary regional working has taken different forms across Wales, in terms of the territorial footprint, functions and governance to respond to regional differences. The framework provided in law, even if it only establishes the skeleton of what the CJs and their work will look like, represents a significant change from the status quo and risks appearing like a uniform approach that fails to address regional differences. While each CJC has its own establishing regulations, the text of the regulations is nearly identical (Wales Statutory Instruments, 2021<sup>[28]</sup>; 2021<sup>[29]</sup>; 2021<sup>[30]</sup>; 2021<sup>[31]</sup>). The suite of Welsh Government guidance that

followed – which makes very little differentiation among the four CJsCs (Welsh Government, 2022<sup>[27]</sup>; 2023<sup>[32]</sup>) – has reinforced this concern.

Local authorities also expressed concern that the Welsh Government will use the CJsCs to control how local authorities co-operate beyond the core statutory obligations of the RTP and SDP. Some CJC members were surprised by a seemingly new requirement for the CJsCs: producing a Child Poverty Strategy. In fact, drafting such a strategy is a legal requirement for local authorities, extended to the CJsCs because of their legal status (Welsh Statutory Instruments, 2021<sup>[33]</sup>). To some interviewees, it was a signal of the possibility that the Welsh Government could expand the functions of the CJC beyond its core attributions.

These concerns point to an information and expectation gap. The information gap comes from a lack of clear communication on the requirements associated with the CJC, as well as where those requirements end. Beyond the information gap, there is an expectation gap: where there is no legal certainty, the CJsCs tend to expect that the Welsh Government will shape the CJsCs according to its own needs without consideration of the needs of the region.

The information gap permeates through to local authority staff. Focus groups showed that sometimes local authority staff, even those in relevant policy areas, did not have fundamental knowledge about the CJsCs, including the CJsCs' role and the impact of the CJsCs on their work (OECD, 2023<sup>[34]</sup>). This lack of awareness suggests limited communication about the CJsCs from the CJC itself and from elected and appointed officials of local authorities to local authority staff, the staff who will play an important role in CJC implementation.

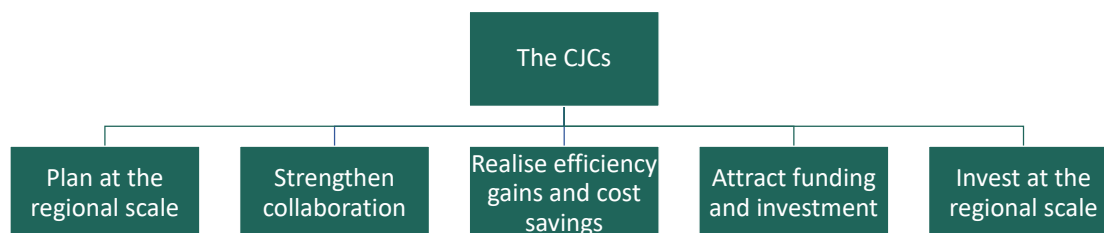
The information and expectation gaps have partly discouraged local authority ownership over the CJsCs. The Welsh Government expects local authorities to take the initiative to customise their CJC according to their region's needs and opportunities. Without first addressing the information and expectation gaps, however, local authority ownership over the CJsCs may remain limited: they are reluctant to take bold action that could result in criticism or negative consequences (OECD, 2023<sup>[34]</sup>). Ownership is important. If the balance between bottom-up ownership and government oversight tilts too far towards the government side, the CJsCs may fail to gain legitimacy and acceptance among local authorities (Metro-Dynamics, 2020<sup>[17]</sup>). Participants in CJC focus groups and workshops – involving mainly local authority officials and officers, and CJC officers – had a wide range of ideas for how their region's CJC could add value (OECD, 2023<sup>[34]</sup>; 2023<sup>[35]</sup>). Together, these views suggest that participants see a role for the CJC beyond that of a co-ordinator and a planner with a potential role in implementation, very much aligned with the concept behind the CJC regulations. Their ideas (Figure 3.3) include:

- **Planning at the regional scale:** Participants often recognised the potential benefits of giving spatial and transport planning a regional perspective. Some local authority officer participants considered that planning in other policy areas (e.g. energy, rural affairs, environment, education and skills, innovation, leisure and well-being) could also make sense on this scale.
- **Strengthening collaboration:** Participants recognised that the CJsCs can play a strong co-ordinating role within a constellation of existing bodies and programmes relevant to regional development in Wales. Some regional focus group participants even spoke of the potential for CJsCs to rationalise the regional co-operation landscape, bringing other regional co-operation initiatives under the CJC umbrella.
- **Realising efficiency gains and cost savings for local government operations:** Participants identified a range of functions that could result in savings for the local governments in their regions. They suggested that the CJC consider pooling certain shared administrative functions currently undertaken separately by individual local authorities.
- **Attracting funding and investment:** Participants saw a potential role for the CJsCs in attracting new funding and investment, including from external sources and from the participating local authorities. Some proposed that CJsCs could help develop and promote a regional brand.



- **Investing at the regional scale:** Finally, participants in all four CJC workshops saw the potential for their CJsCs to invest at the regional scale. Given the overlapping footprints between the CJsCs and the City and Growth Deals, this idea is natural. Indeed, two regions have decided to integrate their City and Growth Deal and their CJC (different approaches pictured in Table 3.1). The legal framework makes provisions for the CJC to administer investment but does not compel them to do so. Potential benefits of combining the CJC with the City and Growth Deal cited by focus group participants included economies of scale for the administration of these two areas and the CJC benefitting from the success of the City and Growth Deal.

**Figure 3.3. A range of views on roles for the CJsCs**



Source: Based on OECD (2023<sup>[35]</sup>), "OECD CJC action plan workshops", Unpublished, OECD, Paris.

**Table 3.1. Different regional approaches to integrating the City and Growth Deals with the CJsCs**

|   | North Wales  | Mid Wales  | South East Wales   | South West Wales   |
|---|--|--|--|--|
| City and Growth Deal  | The North Wales Growth Deal  | The Mid Wales Growth Deal  | Cardiff Capital Region City Deal   | The Swansea Bay City Deal  |
| City and Growth Deal administering body                     | Ambition North Wales   | Growing Mid Wales  | Cardiff Capital Region (CCR)   | The Swansea Bay City Deal  |
| Relationship between deal and CJC – staff                   | Head of the Growth Deal programme office serves as CJC chief executive.  | The two joint strategic leads of Growing Mid Wales are the senior management officers of the CJC | Director of the city deal serves as the interim chief executive of the CJC   | One of the local authority CEOs, who serves as well on the joint committee of the city deal, is the interim CEO of the CJC |
| Relationship between deal and CJC – structure and functions | The functions of the North Wales Economic Ambition Board will be transferred to the CJC (Isle of Anglesey County Council, 2021 <sup>[36]</sup> ) | No firm decision to integrate the growth deal into the CJC                                       | CCR is "lifting and shifting" the growth deal into the CJC (Cardiff Capital Region Cabinet, 2022 <sup>[37]</sup> ) | No intent to bring them together   |

Source: House of Commons Welsh Affairs Committee (2019<sup>[38]</sup>), *City Deals and Growth Deals in Wales*, <https://publications.parliament.uk/pa/cm201919/cmselect/cmwelaf/48/48.pdf>.

Some CJsCs are already cautiously experimenting with an expanded remit. As mentioned above, two CJsCs are incorporating the functions of their region's City and Growth Deals into their CJsCs. The South West CJC plans to expand the breadth of its work by adding regional energy planning under the umbrella of its CJC. However, focus groups suggested that, while the fact that the economic well-being function is only broadly sketched in law invites local authorities to make this function their own, the CJsCs did not feel empowered to think bigger or act bigger. They voiced a perception that the Welsh Government might reject ideas beyond legal requirements.

The CJs need the space to define – and experiment with – their roles and organisational structures beyond legal requirements. Roles and organisational structures can evolve over time and defining or adjusting them will rely on continuous dialogue with and among local authorities and other stakeholders to draw out shared goals. Eventually, however, discussion must shift to action and the CJs will need space to learn by doing, which may include trial and error. Only in this way can they grow into the potential their local authorities and the Welsh Government see for them. One way to manage this is by testing or piloting new governance arrangements and functions. Well-designed experiments allow organisations to limit the risks of failure by first testing changes on a limited basis (in terms of time, scope, scale or territory). For experiments to deliver on their potential, they should reflect good practice from the public sector in other jurisdictions (summarised in Box 3.2). This includes designing experiments to favour organisational learning by building in feedback points. Without embracing change (which includes managing failure), the CJs risk being too timid on the one hand – limiting their potential impact – or too sclerotic, on the other – failing to adapt to evolving circumstances.

The Welsh Government’s task is to play a supportive role. Simply providing the legal ability to expand CJC functions is not enough; CJC concerns about the Welsh Government overruling ideas for new or additional functions demonstrates this. Instead, the Welsh Government could choose to nurture “supported risks”. This may include supporting experiments or pilots by offering the Welsh Government expertise and knowledge, helping the experiment find its place within national strategies and policies, and sharing information regarding successful experiments – in Wales or elsewhere – to encourage further experimentation and help others learn (OECD, 2023<sup>[39]</sup>).

### Box 3.2. Good practice for policy experimentation

#### Building blocks for good experiments

Experimentation in designing and implementing governance arrangements and policies can help policy makers generate new ideas, explore innovative approaches and gain valuable insights from both successes and failures. Good policy experiments require a thoughtful and purposeful approach to testing and refining new ideas. This approach starts from the earliest design phase and continues to monitoring, evaluation and learning:

- **Step 1: Assessing the situation.** This includes whether the experiment will be supported by a culture of continuous learning and improvement, whether risks can be mitigated and whether there are potential legislative or regulatory obstacles.
- **Step 2: Planning the experiment.** This includes clearly setting out objectives and priorities, considering stakeholder input and the possibility of course correction, thinking about how to share knowledge and favour learning, considering how the experiment may be scaled up and identifying required resources.
- **Step 3: Implementing the experiment.** This includes identifying the institutional capacity that will implement the experiment and considering how stakeholder engagement will be integrated throughout the experiment’s lifecycle.
- **Step 4: Monitoring, evaluating and learning.** This includes establishing robust *ex post* evaluation criteria and mechanisms, communicating results and capturing lessons.

#### Experimentation in practice in Canada

Canada puts experimentation at the core of place-based regional development policy to foster learning and community capacity building. The country uses pilots to implement hybrid contracts, which are important instruments in its regional governance framework. These projects are designed as experimental efforts to address complex, localised challenges – “wicked problems” – that defy

conventional solutions by cultivating new insights and strategies for problem solving. Functioning as policy laboratories initiated by the federal government, these pilots promote exploration and the assessment of learning outcomes: learning by doing.

Canadian pilot programmes show how experiments can be expanded. The Urban Development Agreements (UDAs) led by Western Economic Diversification Canada for Vancouver and Winnipeg, for example, offered a model for a number of other Canadian cities while these agreements were in place between 1981 and 2010. Governments can also choose to retire experiments, like Canada's pilot Action for Neighbourhood Change (ANC) strategies that did not find a government partner to carry on the work after the initial two-year mandate.

These two pilots also illustrate an important foundation of experimentation: measuring results. Each underwent some form of evaluation. For the UDAs, this included a survey of UDA government partners. For the ANC, a summative evaluation of the project measured progress against objectives.

Source: OECD (2023<sup>[39]</sup>), *Regions in Industrial Transition 2023: New Approaches to Persistent Problems*, <https://doi.org/10.1787/5604c2ab-en>; OECD (2018<sup>[40]</sup>), *Rethinking Regional Development Policy-making*, <http://dx.doi.org/10.1787/9789264293014-en>; Bradford, N. (2017<sup>[41]</sup>), "Flexible governance and adaptive implementation", [https://www.oecd.org/cfe/regionaldevelopment/Bradford\\_Canadian-Regional-Development-Policy.pdf](https://www.oecd.org/cfe/regionaldevelopment/Bradford_Canadian-Regional-Development-Policy.pdf).

### ***A crowded field of Welsh regional co-operation creates fears of duplication***

Welsh local authorities are no strangers to co-operation. Examples of inter-municipal co-operation are plentiful, including in areas within the purview of the CJs: the existing transportation partnership in Mid Wales as well as the economic growth partnership of the Mersey Dee Alliance in North Wales and adjacent English municipalities. In addition, local authorities have a history of regional-level planning, including through the City and Growth Deals and the Regional Economic Frameworks produced by each region with the Welsh Government. Sometimes co-operation among local authorities is formalised in regional governance structures covering all of Wales, some having the same footprint as the CJs. Table 3.2 shows how the CJs compare to existing co-operative arrangements in terms of purpose, footprint and governance. While they predate the CJs, these arrangements are still in place at the time of writing (although regions are integrating the City and Growth Deals with the CJs – see Table 3.1).

Welsh local authorities were able to co-operate to carry out functions jointly through a joint committee, even before the CJs were established (Browne Jacobson LLP, 2021<sup>[42]</sup>). Doing so, however, required considerable effort. For example, legal and financial agreements were required for each collaboration before local authorities collaborated on functions or shared budgets via these joint committees. The corporate model provided by the CJs seeks to support collaboration by allowing local authorities to jointly share a budget, employ staff and/or discharge functions without the need for the long and complicated discussions previously required to do this. The Welsh Government hoped that the corporate model would help overcome practical barriers to collaboration (Welsh Government, 2023<sup>[43]</sup>).

Some local authorities, however, have difficulty identifying the unique value added of the CJs (OECD, 2023<sup>[34]</sup>). Some prefer the flexibility of ad hoc inter-municipal co-operation established to fill a specific need. They also raised concerns that the CJs could risk duplicating the activity of existing structures and partnerships. The perception that the CJs do not offer unique benefits makes the effort and resources required to establish and maintain them seem inefficient, which can be especially unwelcome as local authority resources are already stretched. As the leader of one North Wales council put it: "We didn't need a CJC to add to [existing regional] work, and it hasn't added to the work. If anything, it's created additional work" (Welsh Parliament, 2023<sup>[44]</sup>).

**Table 3.2. A range of regional co-operative arrangements in Wales**

|                | CJCs   | Regional Skills Partnerships                                   | Regional Partnership Boards                                    | Public Service Boards  | City and Growth Deals  |
|----------------|--|--|--|--|--|
| Purpose        | Developing strategic development and regional transport plans, promoting economic well-being | Driving investment in skills based on local and regional needs | Understanding and fulfilling regional care and support needs   | Understanding and addressing local and regional well-being needs   | Drawing investment into the regions and promote economic development through a regional investment programme |
| Footprint      | See Figure 3.2   | Same as the CJCs   | Different from the CJCs (with 7 boards in total)               | Different from the CJCs (with 13 boards in total, many only covering 1 local authority)                    | Same as the CJCs   |
| Governing body | Joint committee of local authorities and the national parks                                  | Board composed of employers, education providers and others    | Board of local authorities, health boards and the third sector | Board of local authorities, health boards, fire and rescue authorities, Natural Resources Wales and others | Joint committee of local authorities   |

Source: UK House of Commons (2019<sup>[45]</sup>), *City Deals and Growth Deals in Wales*, <https://publications.parliament.uk/pa/cm201919/cmselect/cmwelaf/48/48.pdf>; Welsh Government (2024<sup>[46]</sup>), *Regional Skills Partnerships*, <https://businesswales.gov.wales/skillsgateway/skills-development/regional-skills-partnerships>; Welsh Government (2021<sup>[47]</sup>), *Local Health Boards*, <https://law.gov.wales/public-services/health-and-health-services/local-health-boards>; Welsh Government (2022<sup>[48]</sup>), *Regional Partnership Boards (RPBs)*, <https://www.gov.wales/regional-partnership-boards-rpbs>; Future Generations Commissioner for Wales (2023<sup>[49]</sup>), *Public Services Boards*, <https://www.futuregenerations.wales/work/public-services-boards/>.

## Building strong CJCs that produce strong outcomes

Allaying the concerns of local authorities about the CJCs will require assurance that the CJCs are delivering for the region while not superseding the authority of local governments. Showing fast, tangible outcomes will help sway the opinions of detractors, be they elected officials, local authority officers or residents. A CJC that enables inter-municipal or cross-regional co-operation across CJC borders will also help overcome objections that the CJCs reduce flexibility in co-operation. Finally, strong accountability frameworks and robust monitoring, evaluation and learning will be critical to demonstrate outcomes to constituent local authorities and other stakeholders. This section explores how the CJCs can begin to create and evidence impact, supported by strong institutional governance. As well as the focus groups and workshops with the CJCs, this section draws from an OECD capacity-building toolkit developed for the CJCs, focusing on actions Wales' CJCs can use to build their capacity in delivering their tasks within five building blocks (Box 3.3).

### Box 3.3. Capacity-building toolkit for CJsCs

In addition to formal organisational performance measurement and reporting requirements, internal temperature taking can help the CJsCs ensure that their structures and activities advance objectives. Based on the OECD's work with the CJsCs, the OECD developed a set of building blocks for planning and executing regional development activities that the CJsCs can carry out now or in the near future. Building blocks/checklists for good practices are supplemented with different examples from across the globe, identified in the toolkits for the CJsCs.

The building blocks are presented within five areas:

1. Planning (and acting) strategically.
2. Understanding performance – monitoring, evaluation and learning.
3. Developing accountability.
4. Managing resources for greatest impact – human and financial.
5. Building and maintaining co-ordination mechanisms.

Source: OECD (2023<sup>[35]</sup>), "OECD CJC action plan workshops", Unpublished, OECD, Paris.

### ***Securing the support of local authority elected officials requires fast, tangible benefits and strong communication***

The motivations that come with holding elected office can help explain why the introduction of the CJsCs has been met with a tepid reception by some local authority officials. Elected officials are motivated by voters and their needs, and few voters would consider a new layer of governance for regional co-operation a priority (CoE/UNDP/Open Society LGI, 2010<sup>[6]</sup>). Local issues form the backbone of the campaign for local elected office and office-holders may perceive the potential long-term benefits of collaborative working as uncertain and thus a hard sell to voters.

The resource needs of the CJsCs make them an even harder sell to local elected officials. This is especially true in light of the financial position of some local authorities, where factors such as inflation and cost-of-living increases have significantly strained local authority budgets (Powys County Council, 2023<sup>[50]</sup>; Betteley, 2023<sup>[51]</sup>; Evans, 2023<sup>[52]</sup>). The same goes for human resources: some elected officials and local authority staff expressed concern that if the CJsCs require local authority staff time to carry out their functions, this threatens to stretch the local authority workforce, limiting their ability to serve local needs (OECD, 2023<sup>[34]</sup>). Without showing benefits that justify costs, the CJsCs could be perceived as a political liability rather than a political asset by local authority officials. Furthermore, it is the quick outcomes that will help win over elected officials, but co-operation can take time to bear fruit in many areas.

The motivations of local authority staff add another layer of complexity to the implementation of CJsCs. They may feel little enthusiasm for engaging in regional projects perceived as extending beyond their job mandates, especially if the political and senior executive levels do not embrace the CJsCs. Some local authority officers fear that the CJsCs will impose new obligations that stretch their time even further (OECD, 2023<sup>[34]</sup>).

In the context of limited local budgets and anxieties about the future funding for CJsCs, demonstrating the value of CJC work becomes critical. Some local authority staff are already seeing opportunities for efficiency gains from regional working, starting with sharing back office or technical functions, and some

go as far as considering joint service delivery opportunities in the future. Leaders of local authorities are not always articulating the value added of CJsCs in their territories, both for local authorities and citizens, rendering it more difficult to make the case for using taxpayer money to fund the CJsCs, for example, or justifying the CJsCs to citizens given other existing regional-level boards. For the CJsCs and local authorities, articulating the value added of a new regional arrangement will require time and concerted effort to understand where their CJC can deliver value in the region, taking into consideration the whole range of potential advantages to co-operation, from efficiency gains to higher quality or greater variety of services and more. Where the Welsh Government is concerned, this will require support that empowers the regions to make the best use of their CJsCs. Such support may not be directly financial but can take the form of tailored guidance, capacity-building support or staff time, especially given crunched public finances.

In parallel, stronger, more consistent communication among all parties will build trust in the CJsCs. The Welsh Government can more proactively communicate to local authorities about their leeway to design their CJsCs beyond the legal requirements and how the Welsh Government is prepared to support creating CJsCs that best serve the interests of the region and its composing local authorities. Written guidance so far has not been considered effective at explaining the possibilities offered by the CJsCs to local authorities. Given this, a series of open and frank discussions between the local authorities and the Welsh Government could better help parties arrive at shared expectations. It will be important that these messages are diffused by those participating in discussions with staff in relevant policy areas. The CJsCs, then, can bring their member local authorities along with them through regular dialogue with local elected officials and chief executives beyond those serving on the CJC board and its subcommittees. Finally, senior officials of local authorities can ensure that communications about the CJC diffuse throughout local authority staff, providing the staff ultimately responsible for implementing CJC decisions with important background information and updates. The result should be systematic communication at all levels, where the Welsh Government, CJC officials, local authority elected officials and chief executives, and local authority staff are kept informed of the CJC's plans and activities.

### ***Co-operation need not end at CJC borders***

The CJsCs will need to look beyond their borders to produce the best outcomes for the development of their regions. Cross-regional co-operation in Wales already follows shared characteristics and objectives that transcend borders, such as cultural and linguistic characteristics and economic needs (e.g. the ARFOR and Valleys initiatives, discussed below). Cross-region co-operation extends beyond Welsh borders, too, like the River Severn Partnership between Mid Wales and English local authorities along the river catchment area (River Severn Partnership, n.d.<sup>[53]</sup>). Participants in CJC workshops across all four regions were adamant that the CJsCs should not impede co-operation beyond the borders of the region.

Local authorities do not always see an active role for the CJsCs in existing inter-regional co-operation (OECD, 2023<sup>[35]</sup>). Two notable examples of co-operation beyond regions come from Welsh Government initiatives elevated in the Co-operation Agreement between the governing party (Labour) and an opposition party (Plaid Cymru): the ARFOR initiative aims to invigorate Welsh language strongholds across North and West Wales and the Valleys initiative aims to drive development in a swathe of South Wales hit hard by deindustrialisation (Plaid Cymru, 2022<sup>[54]</sup>). While the Welsh Government sees an opportunity to implement these two place-based initiatives with CJC involvement, focus group participants from local authorities and the CJsCs did not spontaneously see the CJsCs as natural champions for these initiatives (OECD, 2023<sup>[34]</sup>).

However, they did see opportunities for the CJsCs to actively encourage systematic inter-regional working to three ends:

1. **Promote peer learning among CJsCs.** Participants in CJC workshops expressed a desire to learn from the other CJsCs, especially in terms of what governance arrangements other CJsCs have put in place and how they are carrying out their functions. Regular, open conversations among the CJsCs can also provide a forum for exchanges of good practices and lessons learned.

2. **Serve as a catalyst for joint initiatives and cross-regional projects that address the needs and aspirations of more than one region.** These might include, for example, co-ordinating transportation planning to build transportation systems that make the most sense for the inhabitants of Wales.
3. **Increase the bargaining power of local authorities in dealings with the Welsh Government.** Instead of coming to the Welsh Government as 1 of 22 local authorities, a local authority becomes a part of a stronger bargaining unit, 1 of 4 CJs.

### ***Strong and clear lines of accountability provide confidence that the CJs act in the interest of their region***

At its most basic, accountability is “who does what and reports to whom” (OECD, 2020<sup>[55]</sup>). This simple definition masks what is often a complex and frequently political set of relationships, obligations and actions that hold a public body – like the CJs – to account. Public bodies often have multiple lines of accountability. Some accountability requirements are embedded in legislation and are enforceable by law. The formal requirements that accompany these types of relationships may come in the form of *ex ante* guidance or directives, or *ex post* reporting and audit requirements. Many of these formal accountability tools in Wales will be familiar to the CJC’s members, as they also apply to local authorities. Other lines of accountability may be less formal. For example, the interactions between a government and citizens, media and the third sector – which create a form of “social accountability” – cannot be fully formalised (OECD, 2020<sup>[55]</sup>).

New lines of formal accountability between the CJs and the Welsh Government can make some local authorities concerned about a decrease in the decision-making power of individual local authorities (Wrexham.com, 2022<sup>[56]</sup>). Appearing before a meeting of the Senedd Economy, Trade and Rural Affairs Committee, the chair of the North Wales CJC summarised his concerns:

*[O]ne major weakness of the CJC is that we are shifting political accountability away from local authorities. There is a possibility, of course, that the CJC could make decisions that don't follow the aspirations of the local authority, and that would put us in a very difficult position in light of the fact that it is a statutory body. ... [I]t does create that tension with local authorities, and certainly takes accountability further away from the members and the public, indeed (Senedd Business, 2023<sup>[57]</sup>).*

Some local authority participants in focus groups and workshops voiced concern that these reinforced lines of accountability to the Welsh Government will reduce the opportunity for CJs to determine and enact a course of action that works for the region. Participants highlighted a recent Audit Wales report on the CJs (Audit Wales, 2023<sup>[25]</sup>), expressing concern that the auditor’s review strayed into making assumptions about CJC policy directions instead of sticking strictly to the progress they were making against legal requirements.

While acknowledging the importance of good governance, some participants viewed the legal requirements for CJC governance, particularly scrutiny requirements, as rigid and cumbersome. The CJs must put in place statutory officers (including a chief executive, chief finance officer and monitoring officer), governance and audit committees, scrutiny arrangements and specific sub-committees for key functions (Audit Wales, 2023<sup>[25]</sup>). Although the Welsh Government sees these arrangements as a way to strengthen accountability by constituent local authorities, some participants viewed these governance requirements as excessive, pointing towards examples of regional working that they see as flourishing within a very light governance structure. To participants, these lines of accountability between the CJC and the Welsh Government threaten to provide an undue opportunity for the Welsh Government to shape the CJC and its outcomes, which local authorities will largely implement.

Strong lines of accountability to constituent local authorities and citizens can counterbalance the accountability relationship between the CJs and the Welsh Government. Local authorities were adamant

that the CJs should “answer to” their constituents, i.e. local authorities and residents. Some local authority representatives worried that the CJs might produce a democratic deficit, expressing concerns about:

- **A lack of accountability to local authorities:** The local authorities themselves constitute a CJC but not every local elected official will be able to have a direct line into the CJC’s decision making via a place on the governing board or membership on a CJC sub-committee. Those who do not sit on the CJC’s governing board or sub-committees will have more limited opportunities to shape the CJC and its agenda. At the same time, some who sit on the CJC or its sub-committees question whether they can make decisions on behalf of their own local authority in the absence of a specific mandate from their council to do so.
- **A lack of accessibility or representation for the residents of the region:** The voice of residents becomes diluted if filtered through only a select number of elected officials serving on CJC committees. There is a risk that the full diversity of perspectives, needs and opinions of the broader resident population is not fully captured within the CJC’s decisions.

Strong lines of accountability between a CJC and its constituents can help mitigate the risk of a CJC that makes decisions counter to the region’s interests and ensure that the voices of residents help guide CJC work. Quality opportunities for input should be a central focus of the CJs, involving formal consultations with members, providing leaders sitting on the CJC ample time to communicate decisions to their respective councils, ensuring strong communication channels between the CJC and its members that permeate throughout local authority staff and encouraging broad councillor participation in scrutiny committees. Creating strong lines of social accountability can help ensure that the voices of the region’s residents guide the CJs’ work. By actively incorporating these measures, the CJs can establish a robust system that promotes inclusivity and responsiveness to the needs and perspectives of both member councils and the broader community.

### ***Monitoring and evaluation will help ensure that the CJs remain robust and able to deliver for their regions***

Monitoring and evaluation will evidence the results of the CJs, both the quick wins and the longer-term outcomes. The “learning” part of monitoring, evaluation and learning – those structures and processes that the CJs use to learn from results and apply what they learn – will help the CJs continue to improve their performance. As CJC objectives become clearer, it will be important to anticipate how progress against objectives will be assessed. Strengthening a CJC’s ability to measure progress towards its objectives will promote evidence-based decision making and allow the institution to course-correct if necessary.

The CJs are subject to formal monitoring and evaluation requirements. The Local Government and Elections (Wales) Act 2021 introduces a framework of performance evaluation requirements for local authorities and CJs. Both are required to report on performance in terms of:

1. The extent to which they are effectively carrying out their functions.
2. How they are using resources “economically, efficiently and effectively”.
3. How their governance furthers points 1 and 2 (Welsh Statutory Instruments, 2021<sup>[1]</sup>).

Each local authority and CJC must track how it meets performance requirements and report on its performance at least once a year. At least once a financial year, they must review the extent to which they are meeting their performance requirements, including the views of people and businesses in their area, through consultation with specified stakeholders and the public about performance. They are required to produce an annual self-assessment report concerning how they meet their performance requirements. At least once between ordinary local council elections, councils must appoint an external panel to report on performance after consulting a specified list of stakeholders and the public, a requirement that has been deferred for the CJs until after the next local government elections in 2027 (Welsh Government, 2023<sup>[43]</sup>). In addition, local councils and the CJs must maintain a governance and audit committee<sup>2</sup> to scrutinise



financial affairs, risk management, internal control, corporate governance and more (Welsh Government, 2022<sup>[27]</sup>). Finally, the law empowers the Auditor General for Wales to conduct inspections to assess how a local authority or CJC is meeting performance requirements (Welsh Statutory Instruments, 2021<sup>[1]</sup>).

The statute is not more prescriptive about the substance of subnational performance reviews and does not differentiate between local authorities and CJsCs. The Welsh Government has not differentiated either: it issued statutory guidance for local authorities about performance evaluation (Welsh Government, 2021<sup>[58]</sup>) but it has not yet issued guidance tailored to the CJsCs on this topic, although this work is underway.

## Key messages and recommendations

**The CJsCs were created as co-operative regions to build territorial scale and favour cross-local authority collaborative work and initiatives.** The CJsCs can support the delivery of important local government functions at a regional scale through their core attributions of transport planning, spatial planning and economic development.

**To gain acceptance by local authorities and citizens, CJsCs will need to be outcome-driven institutions.** A crowded field of regional co-operation and stretched local authority budgets means the CJsCs will need to show results in these areas to justify their presence. Local authority officers see a range of opportunities for added value and looked for “quick wins” to bolster the CJsCs in their early days. Inter-regional co-operation is another avenue for increasing the impact of the CJsCs.

- **Recommendation: Define the unique value added of the CJsCs in each region**
  - Encourage each CJC to identify its unique selling proposition (USP) that expresses its distinct contributions to regional development in broad consultation with constituent local authorities and other stakeholders.
  - Develop and share a concise “elevator pitch” document summarising the CJC’s USP for a broader audience (e.g. for residents, stakeholders in the various planning areas and those who can help implement plans).

**The local authorities and CJsCs are wary of an unvoiced Welsh Government agenda for the CJsCs.** The Welsh Government has not always effectively communicated its expectations for the CJsCs to local authority officials and officers. Based on perceptions from past interactions with the Welsh Government, local authorities fear the Welsh Government may take an overly directive approach to the CJsCs that will be tailored towards the needs of the Welsh Government rather than the needs identified by the regions themselves.

- **Recommendation: Communicate specifically what the CJC is and what it is not to CJsCs and local authorities**
  - Supplement the Welsh Government’s written guidance with open and frank discussions between local authorities, CJsCs and the Welsh Government to establish shared expectations for CJsCs.
  - Bring local authority staff along by ensuring that messages are shared with staff and officers in relevant policy areas.
- **Recommendation: Hold listening and action sessions between the Welsh Government and CJsCs focusing on where regions would like to take their CJsCs**
  - Encourage CJsCs to propose suggestions on how the Welsh Government can empower them to realise their aspirations during these sessions.
  - Ensure that the conversations are realistic by setting expectations in advance regarding the realm of possibility for government support (i.e. what kinds of monetary or non-monetary support may be feasible?).

**Focus group and workshop participants think CJsCs can add value beyond their core legal functions.** They pointed to possibilities for achieving efficiency gains by sharing local government operations, attracting funding and investing at the regional scale. Identifying and delivering the unique value added to each CJC may require experimentation fostered and supported by the Welsh Government.

- **Recommendation: Encourage the CJsCs to use pilots to experiment with or test new CJC functions and nurture “supported risks” in this experimentation**
  - Encourage the CJsCs to propose, design and implement pilots that exhibit good practice for experimentation (including robust, independent monitoring and evaluation).
  - Signal the Welsh Government’s intention to help CJsCs take “supported risks”. This can include proposing potential sources of Welsh Government support that can help the CJsCs through the process: expertise, guidance or platforms for sharing.

**Strong and simple accountability and robust performance measurement for the CJsCs will help them build and maintain the confidence of constituent local authorities and residents.** On the one hand, formal lines of accountability between the Welsh Government and CJsCs are sometimes considered onerous by local authorities. On the other, there is an appetite for more robust lines of accountability to constituent local authorities and residents to ensure that local governments and citizens have ample information and appropriate opportunities to influence the work of the CJC. Upward and downward lines of accountability for the CJsCs could benefit from close inspection. Monitoring and evaluation will support evidence-based decision making and enable organisational learning.

- **Recommendation: Define accountability frameworks for the CJsCs that explicitly set out lines of accountability**
  - Map lines of accountability and the mechanisms that will maintain them, including transparency measures, performance measurement, reporting, control and audit.
  - Include both formal and informal accountability relationships, recognising that they are dynamic and evolving.
  - Use the accountability frameworks to start conversations about where different stakeholders wish to have stronger or more formal lines of accountability and where they may prefer to lighten them.
- **Recommendation: Develop tailored guidance for CJsCs on performance evaluation in co-operation with the CJsCs themselves**
  - Reflect the unique functions and goals of the CJsCs in the guidance within each of the three areas of the legally required self-assessment:
    1. **Effective execution of functions:** Guidance may, for example, suggest having a limited number of performance metrics that show progress against the statutory functions of the CJsCs and present broader outcome indicators on the regional scale (e.g. development outcome indicators). Guidance should also extend to monitoring and evaluating the impact of their legally required plans, for example based on outcome targets established by the CJsCs in collaboration with the local authorities and Welsh Government.
    2. **Economical, efficient and effective resource use:** Guidance could, for example, suggest polling constituent local authority officials on their satisfaction with CJC resource use.
    3. **Governance:** Guidance may, for example, suggest that members of CJC sub-committees provide feedback on satisfaction with the implementation of accountability mechanisms (to the CJC board, stakeholders and citizens), internal and external communications and mechanisms for dialogue between the Welsh Government and local authorities.
  - While guidance can help the CJsCs have a similar baseline of self-assessment to enable cross-comparison, it also builds flexibility to tailor self-assessment to any unique arrangements or functions a CJC adopts.

- Provide examples of how the CJsCs can translate performance evaluation into organisational learning, such as maintaining a dashboard of key performance indicators that is shared and discussed regularly within the CJC.
- Emphasise the importance of regular, informal internal performance checks (using, for example, the OECD capacity-building toolkit for the CJsCs).

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## Notes

<sup>1</sup> For councils, the decision maker may be either the executive leader or elected mayor as applicable, although Wales currently has no local authorities led by mayors. For the national parks, this individual can be either the chairperson, deputy chair or chair of a national park planning committee.

<sup>2</sup> Or “sub-committee” in the case of the CJs.

# 4 Cultivating multi-level relationships to accelerate regional development

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This section explores how multi-level governance arrangements in Wales support a stronger working relationship among the Welsh Government, local authorities and Corporate Joint Committees (CJCs). It proposes new approaches to strengthen inter-governmental relationships, drawing on lessons from other disciplines, such as behavioural science. It summarises principles for better collaborative working developed by the Welsh Government, local authorities, CJCs and other stakeholders.

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## Introduction

Two sets of inter-governmental relationships shape Welsh regional development: between the United Kingdom and Welsh governments and between the Welsh Government and Welsh local authorities (OECD, 2020<sup>[1]</sup>). The first inter-governmental relationship – between the United Kingdom and Wales – is largely beyond the scope of this project as the Welsh Government has limited influence over these interactions.<sup>1</sup> This report focuses on the second – the relationship between the Welsh Government and Welsh local authorities. Since the establishment of the Corporate Joint Committees (CJCs) (Chapter 3), this relationship has gained a new dimension as the Welsh Government and local authorities interact in new ways on the regional level.

This chapter explores how the Welsh Government, local authorities and the CJCs work together to drive regional development. Adopting tools to co-ordinate among levels of government – critical to enhancing the efficiency and effectiveness of public investment – is one of the recommendations in the OECD *Recommendation of the Council on Effective Public Investment Across Levels of Government* (2014<sup>[2]</sup>). With the Welsh Government and local authorities each responsible for roughly one-third of public investment in Wales, how they interact contributes to the effectiveness of investment and, ultimately, regional development (OECD, 2020, p. 40<sup>[1]</sup>).

## From a more directive towards a more collaborative approach

OECD focus group and workshop participants painted a picture of fragile trust and a lack of mutual respect between local authorities and the Welsh Government, an observation echoed in the OECD report *The Future of Regional Development and Public Investment in Wales, United Kingdom* (2020<sup>[1]</sup>), and the CJCs threaten to reproduce existing challenges with vertical relationships. The Welsh Government and local authorities both profess to share the same vision for working together but efforts to shift from a more directive to a more collaborative relationship have not satisfied local authorities. Despite high ambitions for a better relationship between the Welsh Government and local authorities, fragile relationships persist. The same message was highlighted in the OECD 2020 report, which identified a persistent lack of trust that created conflict and friction in interactions between levels of government (OECD, 2020, p. 41<sup>[1]</sup>). That the Local Government Partnership Scheme, Partnership Council for Wales and other efforts to improve inter-governmental working have not significantly changed local authority views suggests that these efforts have been insufficient. This section suggests new approaches, informed by other fields like behavioural science, to foster a more collaborative culture.

### ***Fragile relationships between the Welsh Government and local authorities persist despite ambitions for better collaboration***

The Welsh Government's Local Government Partnership Scheme exemplifies the high ambitions for collaboration between the national and local governments. The scheme sets out how the Welsh Government plans to “sustain and promote local government” by summarising roles, outlining how the two levels of government collaborate to deliver national and local priorities, and committing to improving the working relationship in certain areas (e.g. financial framework and engagement). The scheme summarises the intention behind it as follows:

*“The Welsh Government and local government in Wales are committed to working together in partnership, within an atmosphere of mutual trust and respect, recognising the value and legitimacy of the roles both have to play in the governance of Wales” (Welsh Government, 2017<sup>[3]</sup>).*

The statutory Partnership Council for Wales is a key tool for implementing the Local Government Partnership Scheme. Created in the Government of Wales Act 2006, the council brings together Welsh ministers or deputy ministers and elected officials of local authorities to promote collaboration. Chaired by the Minister for Finance and Local Government, the council can provide advice to Welsh ministers and local authority officials and can bring to the ministers issues that affect those involved in local government (Welsh Statutory Instruments, 2006<sup>[4]</sup>). However, some participants in the OECD workshops with CJsCs asserted that the Partnership Council for Wales was insufficient to advance meaningful dialogue that fosters mutual understanding and constructive engagement, focuses on issues of most concern and, ideally, with actionable next steps at the highest level. While the Welsh Government co-develops and agrees on the agenda with the Welsh Local Government Association (WLGA), some local authority representatives voiced perceptions that the Partnership Council for Wales could offer a greater opportunity to discuss issues of high importance to local authorities – including those relevant to regional development – and to progress towards solutions. In addition, some local authorities felt that exchanges through the council sometimes offered little opportunity for spontaneous discussion and exchange with the minister. While the Partnership Council for Wales does not focus specifically on regional development, this high-level forum for joint working helps to set the tone for collaboration for regional development.

Issues around the Partnership Council for Wales form one example of friction in the relationship between the Welsh Government and local authorities. When asked to explain the sources of conflict and friction, local authority representatives participating in the focus groups and workshops pointed to various contributors:

1. **Onerous administrative burdens on local authorities, although efforts to reduce these in one area are in motion.** Extensive red tape that stretches local authority resources further threatens local authority goodwill towards the Welsh Government. In addition, local authorities do not feel trusted to operate without a great deal of direction setting and scrutiny from the Welsh Government. Welsh ministers have committed to reducing administrative burdens on local authorities in the Programme for Government, especially in the areas of grants management and administration. They recently announced a suite of measures to target burdensome and unnecessary processes associated with the payments and administration of grants that were welcomed by the WLGA (Minister for Finance and Local Government, 2023<sup>[5]</sup>; WLGA, 2023<sup>[6]</sup>). This work included a review of all revenue grants paid from the Welsh Government to local authorities, resulting in proposed changes to simplify grants and ensure consistency in approach. These changes are scheduled to be implemented in 2024-25 and beyond (Welsh Government, 2024<sup>[7]</sup>).
2. **Limited empowerment for decision making at the local authority level.** While the Welsh Government committed to being less prescriptive about how local governments implement new legislation in the Local Government Partnership Scheme (Welsh Government, 2017<sup>[3]</sup>), local authorities want more space to make decisions within their mandates. Participants expressed concerns that the Welsh Government’s interactions with local authorities have become excessively hands-on, which, as mentioned above, imposes additional burdens and threatens to undermine trust. This sentiment echoes the results of a 2017 Auditor General for Wales survey of planning authorities, which noted a feeling shared by some participants that the Welsh Government’s approach amounted to “arm’s length micro-managing of local authorities” (Auditor General for Wales, 2017<sup>[8]</sup>). On the other hand, some Welsh Government staff pushed back, noting that “stepping back” had produced issues with delivery in the past.
3. **A perception of excessive scrutiny and control.** Chapter 3 discussed CJC concerns of over-scrutiny by the Welsh Government, which caused some regions to think twice before giving their CJC attributions beyond the bare minimum legal requirements. Some participants also pointed to a heavy-handed approach to control and expressed trepidation that the Welsh Government would use performance information as a justification for further top-down intervention or sanctions.

4. **Less opportunity for meaningful dialogue between local authorities and the Welsh Government than desired.** As presented above, some participants were unsatisfied with the quality of exchange in the Partnership Council for Wales, noting that it felt scripted and lacked the space for high-quality discussion. Face-to-face relationship building and more meaningful online meetings between political representatives of the Welsh Government, local authorities and the CJsCs would go a long way to demonstrating mutual respect and building trust. The same could be said for more meaningful exchanges on big-picture, strategic issues on the political and technical levels. The Welsh Government has taken this feedback forward by creating two new platforms for discussion with high-level political and operational representatives of the Welsh Government and the CJsCs, described in the following section.

Chapter 3 summarises local authority concerns about the CJsCs as a new interface between the Welsh Government and local authorities, which mirrors the existing vertical co-ordination issues summarised in Points 1 and 2 above. The Welsh Government’s early interactions with the CJsCs, which came in the form of organisational guidelines and unexpected tasks (such as completing a childhood poverty action plan), have exacerbated these concerns.

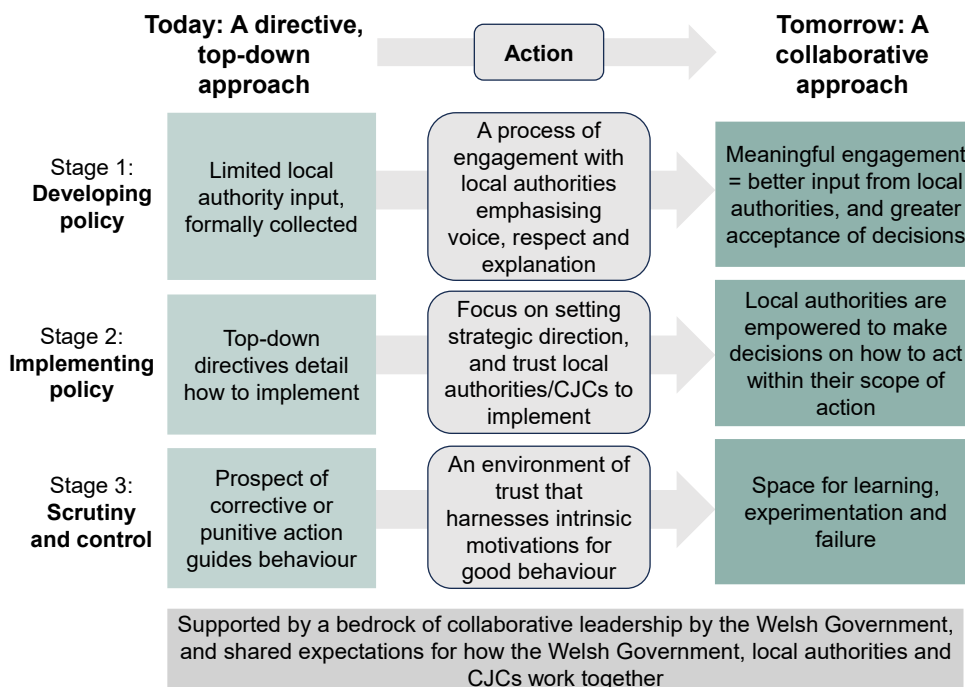
The insights shared by local authority officials and officers point to a desire for a less directive and top-down approach from the Welsh Government, where greater trust between the two levels of government would pave the way for the Welsh Government to empower local authorities’ decision making. In the 2020 report, this more collaborative approach was encapsulated in the term “co-production”, presented as a model by both the Welsh Government and local authority representatives (OECD, 2020<sup>[1]</sup>). While this term is being used less in 2023, the ideal of a more collaborative and trust-based relationship between the two levels of government remains.

### ***Improving the Welsh Government-local authority relationship requires a new approach***

Local authority and Welsh Government stances on what can strengthen the relationship create a chicken-and-egg dilemma. The Welsh Government will require assurance that local authorities can deliver without the accustomed directive approach before they feel comfortable shifting towards a more collaborative approach. At the same time, local authorities will struggle to produce this assurance while still within the directive approach. This circular problem and the fact that the local authorities express the same discomfort with inter-government relationships despite efforts to address it (like the Local Government Partnership Scheme discussed above), suggest that a new approach is needed to break the cycle. A different approach can mean revisiting formal processes and structures. It can also target “softer”, harder-to-measure factors that can make or break relationships, like trust. In both cases, change can – and may need to – be incremental, with dedicated spaces for experimentation. This section draws upon literature in different disciplines – including procedural justice and behavioural science – to explore new approaches to building more collaborative vertical relationships.

A transition towards a more collaborative approach could involve three steps (Figure 4.1). First, the Welsh Government could start by examining how it makes decisions and develops policies, ensuring that meaningful engagement strengthens input from local authorities and CJsCs and increases understanding of the results among local authorities and CJsCs. Then, during policy implementation, the Welsh Government could place a renewed emphasis on empowering local authorities and the CJsCs to deliver aspects within their mandates, forgoing excessive directives and guidance in favour of more tailored support. Finally, when it comes to scrutiny and control, the Welsh Government could try to shift towards a learning culture where fear of sanction does not stifle innovation and transparency. The Welsh Government could support these shifts by showing collaborative leadership and maintaining realistic expectations for vertical relationships. The following sub-sections explore each of the three steps depicted in greater depth and provide examples of the necessary transitions.

**Figure 4.1. Three steps towards a more collaborative approach**






*Fostering positive and constructive engagement between national government, local governments and the CJCs*

Since the OECD interviews and workshops, the Welsh Government has created two new platforms for dialogue with the CJCs to address some of the concerns explored above. The first brings together high-level officials of the Welsh Government and the CJCs to address issues that officials should deal with. A Welsh Government director chairs this meeting, supported by several relevant Welsh Government staff. CJC chief executives represent the CJCs. The first of these meetings was conducted in January 2024 and they are scheduled to occur quarterly. The second platform brings together relevant ministers and the elected members of local authorities that lead each CJC, giving the CJCs a chance to discuss any issues with ministers and ministers a chance to ask questions of the CJCs. At the time of writing, this meeting is chaired by the Minister for Finance and Local Government. Ministers attend with a portfolio of interests in the CJCs (Minister for Economy, Minister for Climate Change and Deputy Minister for Climate Change).<sup>2</sup> The CJCs are represented by the local elected officials who serve as Chairs and Vice Chairs of each CJC. The first of these meetings occurred in February 2024, with subsequent meetings planned to be held every six months (Welsh Government, 2024<sup>[7]</sup>).

The Welsh Government can draw from behavioural science and procedural justice literature to ensure that its platforms for engagement with local authorities and the CJCs – including the two new platforms described above – foster positive and constructive participation. Behavioural science suggests that stakeholder engagement is not only a way to gather important information for decision making but also can help improve acceptance of government decisions. Simply offering opportunities to engage is not enough: research from the fields of behavioural science and procedural justice suggests that stakeholder engagement that is perceived as a box-ticking exercise undermines participant perceptions of fairness, which compromises stakeholder acceptance of the result. A negative perception of fairness compromises acceptance and produces feelings of exclusion and exploitation (Lind and Arndt, 2016<sup>[9]</sup>). Stakeholder engagement, if done poorly, can backfire.

To improve the quality of its engagement with local authorities, the Welsh Government could adjust its approach along the three pillars of fair process described by Lind and Arndt (2016<sup>[9]</sup>): voice, respect and explanations. Table 4.1 describes these three pillars and proposes changes in the Welsh Government’s approach to better meet unspoken expectations for a fair process. These adjustments can target platforms for formal exchange between the Welsh Government – like the Partnership Council for Wales or the two new senior-level decision-maker meetings. These adjustments focus on the “process design” around engagement to strengthen the foundation of fair engagement (Reed and et al, 2017<sup>[10]</sup>).

**Table 4.1. Three pillars to make interaction among levels of government more meaningful**

|   | Pillar       | Explanation  | Potential changes in Wales  |
|---|--------------|--|---|
|    | Voice        | <p>Individuals want to feel that their voice is heard:</p> <ul style="list-style-type: none"> <li>Perceptions of fairness increase when individuals can express their perspectives to decision makers, regardless of whether the ultimate decision is aligned. However, individuals must have reason to believe that their input is being taken into account.</li> </ul> | <ul style="list-style-type: none"> <li>Ensure that local authority inputs are used to shape each multi-level meeting agenda in order to alleviate concerns that important topics are not being discussed.</li> <li>Provide ample time for all parties to contribute during meetings so that participants feel their perspectives are being heard.</li> <li>Report how Welsh Government decisions take local authority and CJC input into account to give interlocutors confidence that their voices were heard.</li> </ul>  |
|    | Respect      | <p>Individuals want to feel that they are the objects of respect:</p> <ul style="list-style-type: none"> <li>Perceptions of respectful treatment are very important drivers of perceptions of fairness but the concept of what constitutes respect varies greatly.</li> </ul>  | <ul style="list-style-type: none"> <li>Demonstrate respect by designing the meetings that bring ministers together with the executives or elected officials of local authorities and CJs – the Partnership Council for Wales and the two new dialogue platforms – to be face-to-face and take place in the relevant places as much as possible (e.g. alternating meetings in CJC hubs or local authorities with meetings in Cardiff).</li> <li>Actively solicit input into each agenda to signal that local authorities and CJs can play a principal role in determining what to discuss. Ultimately, these exchanges can begin to look more like a conversation between partners.</li> </ul> |
|  | Explanations | <p>Individuals wish to receive explanations for decisions:</p> <ul style="list-style-type: none"> <li>Information about the reasons behind decisions increase perceptions of fairness.</li> </ul>  | <ul style="list-style-type: none"> <li>Provide a thorough explanation of the reasoning behind decisions when they are made and ample opportunity for representatives of local authorities to ask questions so that local authority officials and officers can understand the justifications behind decisions.</li> </ul>  |

Source: The three pillars draw from Lind, E. and C. Arndt (2016<sup>[9]</sup>), “Perceived Fairness and Regulatory Policy: A Behavioural Science Perspective on Government-Citizen Interactions”, <https://doi.org/10.1787/1629d397-en>.

Improving how exchange and dialogue are organised and take place helps all parties move forward together: the Welsh Government has a quality source of regular input from the local authorities and the CJs to guide decision making, and closer ties with the Welsh Government help the local authorities and CJs advocate for their needs and plan their own actions. Box 4.1 summarises experience with mechanisms to bring levels of government together in other jurisdictions, like the regular strategic fora in Italy and Sweden, and the benefits these mechanisms confer on national and local government participants.

### Box 4.1. Bringing levels of government together in Italy and Sweden

#### Italy

In Italy, inter-governmental co-ordination mechanisms are well developed. The main institutional mechanisms for information dissemination, co-ordination and consultation are “conferences”: the Conference of State-Regions, the Conference of State-Cities and Local Autonomies and the Joint Conference of State-Regions-Municipalities and Local Authorities. The three conferences are housed in the Prime Minister’s Office.

The prime minister or the minister of regional affairs presides over the **Conference of State-Regions**. It gathers the presidents of the regions and other ministers whenever matters related to areas of their competency are discussed. The central government consults the conference regarding all legislative initiatives related to areas of regional interest. Regional governments play a key role in this platform and the process of institutional innovation, especially in the transfer of functions from the centre to the regions and local authorities.

The prime minister presides over the **Conference of State-Cities and Local Autonomies**. It gathers the minister of the interior, the minister of regional affairs, the minister of the treasury, the minister of finance, the minister of public works, the minister of health, the president of the Association of Italian Municipalities, the president of the Association of the Italian Provinces, the president of the Association of Italian Mountain Communities, 14 mayors and 6 presidents of provinces. The conference co-ordinates the relations between state and local authorities, as well as studies and discusses issues pertaining to local authorities.

The **Joint Conference of State-Regions-Municipalities and Local Authorities** includes all members of the other two conferences. Its overall mission is to foster co-operation between the state and all the local and regional authorities. It is competent in cases where all levels of government are called upon to express themselves in areas of shared competency, for example, in economic and financial planning (Official Journal, 1997<sup>[11]</sup>).

#### Sweden

In Sweden, it is the job of regional development policy makers to convince other ministries that they should wear their “territorial lenses” when planning and designing sector policies. The Forum for Sustainable Regional Development 2022-2030 is one important co-ordination platform. It is positioned as part of the implementation of the National Strategy for Sustainable Regional Development throughout Sweden 2021-2030. The forum is chaired by the Secretary of State for Regional Development. It is divided into two groups: one that promotes dialogue between national- and regional-level politicians and one that fosters dialogue between national- and regional-level civil servants (director-level). Sweden has also created thematic policy labs, including one dedicated to exploring concrete policy methods for rural development. In addition, Sweden recognises the importance of state agencies for implementing regional development policy by different sectors. To take full advantage of this, the operational staff and more senior decision makers of state agencies across policy areas in regional matters are involved.

Source: OECD (2023<sup>[12]</sup>), *OECD Public Governance Reviews: Czech Republic: Towards a More Modern and Effective Public Administration*, <https://doi.org/10.1787/41fd9e5c-en>; CorR (2019<sup>[13]</sup>), “Italy – Systems of multilevel governance”, <https://portal.cor.europa.eu/divisionpowers/Pages/Italy-Systems-of-multilevel-governance.aspx>; Official Journal (1997<sup>[11]</sup>), *Legislative Decree 28 August 1997, n. 281*, <https://leg14.camera.it/parlam/leggi/deleghe/testi/97281.dl.htm>.

*Shifting away from an overly prescriptive approach to implementation can nourish initiative taking and innovation*

In general, prescriptive and frequent guidance from central government to local authorities can become a form of control and result in: i) less space for local authorities to innovate; and ii) less initiative to act by local authorities who wait for guidance rather than taking the first steps themselves (Jones and Stewart, 2012, p. 354<sup>[14]</sup>). Focus groups and workshops with local authority officials and officers sometimes showed a similar dynamic between the Welsh Government, Welsh local authorities and the CJsCs. As discussed in Chapter 3, local authority staff expressed that they were reluctant to proactively shape their CJsCs for fear that subsequent Welsh Government instructions would require something different or that the Welsh Government would intervene.

To begin to address this dynamic, the Welsh Government could focus on providing strategic direction and light-touch guidance that empowers instead of controls. This starts with setting a strategic direction that can serve as a north star to Welsh Government staff, local authority officers and officials (see Chapter 2). Directives and guidance that follow should strike a balance between ensuring that national objectives are met and empowering local authorities to make decisions within their mandates. In practice, this might look like a series of listening-and-action sessions following new requirements for local authorities in which the Welsh Government and local authorities discuss local authority ideas for how they envision implementing policy. A first listening-and-action session could start with potential new activities for the CJsCs, opening a discussion between the government and constituent local authorities about how the activities will be implemented.

*Producing better results through a no blame culture*

Behavioural science research nuances the convention that opening organisations to scrutiny helps them perform better (Bernstein, 2012<sup>[15]</sup>; Tapscott and Ticoll, 2003<sup>[16]</sup>). It suggests that additional scrutiny does not necessarily encourage good behaviour. In factories, for example, observing workers more closely can have the perverse effect of reducing performance by encouraging workers to hide their activities for fear of negative consequences (Bernstein, 2012<sup>[15]</sup>). This counterintuitive result also appears in the public sector. In regulation, there is evidence that punitive responses to poor performance may discourage regulated entities from sharing true results for fear of blame (Hodges, 2016, p. 7<sup>[17]</sup>).

CJC concerns about sharing their challenges with the Welsh Government suggest that a similar force may be at play in Wales: faced with the possibility of a negative response and given the option, local authorities and the CJsCs prefer not to share negative results with the Welsh Government. This dynamic creates a missed opportunity for the Welsh Government to support local authorities and the CJsCs. To address this, the Welsh Government may take inspiration from co-operative models of regulation based on an open, “no blame” culture (Box 4.2).

**Box 4.2. Deterrence gives way to an open, no blame culture in some areas of regulation**

The theory of Ethical Business Practice and Regulation (more recently developed into Outcome-Based Co-operative Regulation (Hodges, 2022<sup>[18]</sup>)) sets out a new model of trust-based relationships between regulators and the public and private businesses they regulate. It envisions a more collaborative approach instead of an adversarial one. In regulation, this is summarised as moving from “regulator v business is the problem” to “business plus regulator *against* the problem” [emphasis added] (Hodges, 2016, p. 8<sup>[19]</sup>).

### High stakes for open sharing and learning

This concept is based on regulatory systems in sectors where being open about and learning from failure are critically important, like civil aviation safety regulation. These systems are built recognising that humans and systems will inevitably err. Instead of focusing on blaming and punishing the source of errors – which behavioural science suggests can have the perverse effect of encouraging wrongdoers to hide their actions – they focus on continuous monitoring and learning. The goal is an open, no blame culture where organisations learn from events to increase performance over time (Hodges, 2016<sup>[17]</sup>). This does not mean that wrongdoers will not face the consequences – indeed, intentional violations should be sanctioned – but rather that good-faith errors will be responded to with accountability, not blame (Hodges, 2020<sup>[20]</sup>).

### A more collaborative approach takes two

A co-operative relationship is based on trust, which goes both ways – both parties must adopt ethical behaviour to lay a foundation of trust (Hodges, 2016<sup>[19]</sup>). It begins with regulated entities that exhibit Ethical Business Practice (EBP), where: i) leaders consistently work towards an ethical culture; and ii) organisational norms and institutions help employees make values-based decisions. When businesses are able to show an ongoing commitment to EBP, regulators can move away from a blame culture and towards a culture based on openness and trust: Ethical Business Regulation (Hodges and Steinholtz, 2017<sup>[21]</sup>; OECD, 2022<sup>[22]</sup>). Regulated entities provide ample and ongoing assurance that they are doing the right thing, which builds regulators' confidence that they can rely less on their powers of sanction.

Source: Hodges, C. and R. Steinholtz (2017<sup>[21]</sup>), *Ethical Business Practice and Regulation: A Behavioural and Values-Based Approach to Compliance and Enforcement*, <https://www.bloomsburyprofessional.com/uk/ethical-business-practice-and-regulation-9781509916368/>; OECD (2022<sup>[22]</sup>), *Scotland's Approach to Regulating Water Charges: Innovation and Collaboration*, <https://doi.org/10.1787/fcc8c6df-en>; Hodges, C. (2022<sup>[18]</sup>), "An introduction to Outcome Based Cooperative Regulation (OBCR)", <https://doi.org/10.2139/ssrn.4031491>; Hodges, C. (2020<sup>[20]</sup>), "Science-based regulation in financial services: From deterrence to culture", <https://doi.org/10.2139/ssrn.3590176>; Hodges, C. (2016<sup>[19]</sup>), "Ethics in business practice and regulation", [https://assets.publishing.service.gov.uk/media/5a7f3f18e5274a2e87db4afc/Prof\\_Christopher\\_Hodges\\_-\\_Ethics\\_for\\_regulators.pdf](https://assets.publishing.service.gov.uk/media/5a7f3f18e5274a2e87db4afc/Prof_Christopher_Hodges_-_Ethics_for_regulators.pdf); Hodges, C. (2016<sup>[17]</sup>), *Ethical Business Regulation: Understanding the Evidence*, <https://assets.publishing.service.gov.uk/media/5a800de040f0b62305b88e56/16-113-ethical-business-regulation.pdf>.

In the case of Wales, moving towards a no blame culture requires that the Welsh Government create space for learning and even good-faith failure by local authorities and the CJs. This was a message also raised in the 2020 OECD report, which suggested piloting experiments within limited and defined bounds (OECD, 2020<sup>[11]</sup>). An approach of curiosity and problem-solving towards local authority performance information can encourage transparent sharing by local authorities. To do so, the Welsh Government can consider how it can adjust its "institutional body language" to signal that it is there to work *with* local authorities to improve performance, for example, by leading with the question: "what do you need from us to address this?". As suggested in Chapter 3, the Welsh Government could also encourage local authorities and the CJs to experiment in a limited way with new approaches, with the understanding that experiments may very well fail to produce desired outcomes. Encouraging experimentation, conducted within clearly defined limits, can promote innovation while limiting risks (Box 3.2 in Chapter 3 summarises good practices for experimentation). Welsh local authorities and CJs must do their part to create a no blame culture by showing consideration for the constraints, priorities and responsibilities that motivate the Welsh Government's actions.



### *Collaborative leadership and shared expectations will facilitate change*

A common thread weaving together the points in this section is a need for a shift from implementation-driven leadership to more strategically driven, collaborative-oriented leadership. Local authorities and other stakeholders look to the Welsh Government to show leadership in establishing a shared direction of travel and putting forward a clear process for attaining shared ambitions while embodying principles for collaborative working. Leadership does not mean rigid authority: the Welsh Government can see itself as an orchestra conductor, exercising an enabling role instead of a directive one.

Clear, mutually established and shared expectations will pave the way towards a more collaborative relationship between the Welsh Government, local authorities and the CJsCs. The Welsh Government, local authorities, CJsCs and other key stakeholders have begun to make progress toward a set of principles that will guide joint work for regional development (discussed below). It may also choose to establish expectations in a more targeted way, such as through sit-downs with CJC officials to discuss how the Welsh Government can work most effectively with the CJsCs.

## **Towards principles of collaborative working**

Both the Welsh Government and local authorities expressed an appetite for a better inter-governmental relationship but their views on what such a relationship could look like differ (OECD, 2020, p. 196<sup>[1]</sup>). This suggests that clear shared expectations for collaborative working would be a first step to an inter-governmental relationship that satisfies both parties. This section summarises the results of an OECD workshop in October 2023 in which the Welsh Government, local authorities, CJsCs and other stakeholders began outlining the principles that would serve as the foundation for a more collaborative approach.

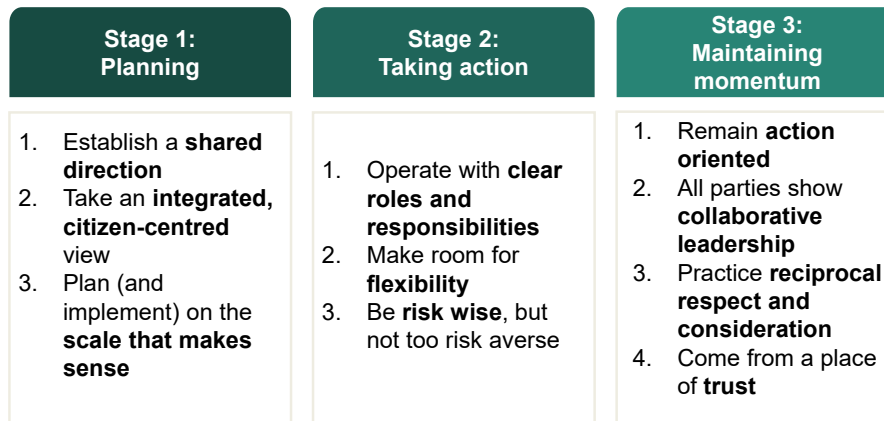
### ***Parties draw out shared principles to plan, take action and maintain momentum together***

To begin establishing the parameters for a new approach, the OECD brought together senior staff from the Welsh Government, local authorities, CJsCs and other key stakeholders in a workshop in October 2023. The goal was to advance towards a set of core principles for collaborative working between the Welsh Government, local authorities and the CJsCs. From this workshop, a set of principles revolving around three stages – planning, taking action and maintaining momentum – began to take shape (Figure 4.2).

- **Stage 1: Planning.** Establishes principles to accelerate progress through co-ordinated and appropriate actions in a shared direction of travel. Parties want to share a clear direction towards common objectives for regional development. They wish to take an integrated, citizen-centred perspective, making well-being the north star for planning that cuts across policy areas. Additionally, they acknowledge the importance of planning and implementing on the appropriate scale, which may be local, regional or national, depending on the context.
- **Stage 2: Taking action.** Articulates a set of principles to create clear and realistic expectations for scope, roles and processes. Parties agree that effective action requires well-defined roles and responsibilities. They emphasise the importance of flexibility, acknowledging that collaboration should be adaptable and responsive to change in the face of uncertainty. Parties want a balanced approach to risk, fostering an environment open to challenging the status quo through measured risks.
- **Stage 3: Maintaining momentum.** Sets up principles for ways of working that drive progress towards shared objectives while fostering positive relationships. Parties agreed to maintain an action-oriented approach, where plans eventually give way to action and where parties ruthlessly prioritise. They highlight the importance of brave and collaborative leadership from all parties – the Welsh Government, local authorities and the CJsCs – although it may fall to the Welsh Government

to take the first step. Reciprocal respect and consideration form another principle; parties agree to foster a collaborative environment where diverse perspectives are valued and participants actively engage in decision-making processes. Trust is identified as a foundation for effective collaboration (OECD, 2023<sup>[23]</sup>).

**Figure 4.2. Principles for collaborative working fall under three pillars**



Source: Based on the results of the multi-stakeholder workshop held in October 2023.

Establishing shared principles for working together better is a good first step; “living” these principles is the next one. Once finalised and validated, the principles can serve as a beacon for collaborative working. Ensuring that these principles are operationalised and bear fruit over time requires a clear, continued commitment to the principles from both the Welsh Government and local authorities. A regular temperature-checking exercise against these principles can help provide a systematic checkpoint for how these values have been absorbed by the Welsh Government and local authorities. This could come in the form of a regular, anonymous questionnaire and targeted focus groups with an independent party to identify and understand what works well and needs improvement. Another example is establishing these shared principles in a more formalised document, such as the Verity House Agreement between the Scottish Government and local authorities (Box 4.3).

#### **Box 4.3. New Deal with Local Government – Verity House Agreement in Scotland, United Kingdom**

The Convention of Scottish Local Authorities (COSLA) and the Scottish Government have a new partnership agreement, setting out the vision for a more collaborative approach to delivering shared priorities for the people of Scotland. The agreement sets out three shared priorities that the Scottish Government and their local governments will work together on: i) tackling poverty; ii) transforming the economy through a just transition to deliver net zero; and iii) delivering sustainable person-centred public services.

The agreement outlines how the Scottish and local governments will work together to approach shared priorities, accountability and engagement mechanisms. For example, with respect to how to work together, the agreement states that the default position will be no ring fencing or direction of funding unless there is a clear joint understanding or rationale for such; powers and funding for local governments will be reviewed regularly; where there is a disagreement, constructive solutions will be sought through the engagement mechanisms outlined; they will jointly develop simply structure to ensure accountability but reduce burdensome reporting. Specific engagement mechanisms include regular meetings (twice a year) between the first minister and the COSLA president; quarterly meetings between the COSLA Leadership Sounding Board and a group of key cabinet members led by the deputy first minister; and a budget engagement process embedded in the fiscal framework.

A more detailed programme of work is expected to be developed jointly to underpin this agreement.

Source: Scottish Government (2023<sup>[24]</sup>), *New Deal with Local Government – Verity House Agreement*, <https://www.gov.scot/publications/new-deal-local-government-partnership-agreement/>.

## Key messages and recommendations

**Despite high ambitions and a shared desire for better relationships, issues of trust and collaboration between the Welsh Government and local authorities persist.** Common concerns include administrative burdens, lack of empowerment at the local level, limited opportunities for meaningful dialogue, excessive scrutiny and worries about the CJs exacerbating these issues.

**A directive approach by the Welsh Government could transition into a more strategic, collaborative approach, helped by adjustments to process and “institutional body language”.** Improving how exchange is organised and takes place can improve the quality of local authority input into Welsh Government decision making and strengthen the inter-governmental relationship. Local authorities also wish to be empowered to make decisions within their mandates, which means departing from overly prescriptive Welsh Government directives and guidance that stifle initiative and innovation. Finally, space for learning, experimentation and even good-faith failure can ultimately improve performance.

- **Recommendation: Improve stakeholder engagement by ensuring that platforms for engagement with local authorities and the CJs reflect principles of fair process – voice, respect and explanations**
  - Actively solicit input into each agenda to give local authorities a prominent role in determining discussion topics.
  - Allocate ample time for all parties to contribute during meetings to ensure local authority representatives feel their voices are heard.
  - Provide transparent reports on how Welsh Government decisions incorporate input from local authorities following meetings to instil confidence that input was considered.
  - Offer thorough explanations for the rationale behind relevant decisions – particularly if input from local authorities is not acted upon – and provide opportunities for local authority representatives to ask questions, fostering a better understanding of decision-making processes.
  - Ensure that high-level exchange includes face-to-face meetings that demonstrate respect and strengthen relationships. Ideally, these should periodically take place at the CJC or a local authority office.

- **Recommendation: Strike a balance between providing guidance and direction where necessary while trying as much as possible to empower local authorities to make decisions within their mandates**
  - In addition to consultation processes in the preparation of legislation and guidance for local authorities and CJsCs, listening-and-action sessions should be held *after* new legal requirements or guidance are issued for local authorities and the CJsCs. During these sessions, the Welsh Government could invite local authorities and CJC ideas for how they envision implementing the requirements.
- **Recommendation: Foster an environment of trust that promotes learning and improvement**
  - Adjust institutional body language when met with local authority and CJC performance challenges. This means not responding with blame, censure or directive and instead leading with questions that demonstrate a willingness to work with them to address challenges.
  - Encourage and support local authorities and CJsCs to experiment within defined boundaries, recognising that some experiments may not yield desired outcomes and helping to manage these risks.

**Shared expectations for collaborative working are an important foundation for the transitions summarised above.** Principles for collaborative working – established by the Welsh Government, local authorities, CJsCs and other stakeholders – provide a bedrock of shared values.

- **Recommendation: Formalise, share and embody the principles established for collaborative working**
  - Validate principles for collaborative working among the Welsh Government, local authorities and CJsCs, deepening them with more detail or clarifying where necessary.
  - Adopt the principles with local authorities and CJsCs, and encourage teams that work with local authorities and the CJsCs to ensure that processes, structures and interactions are aligned with the principles (ones that are not should, of course, be adjusted).
  - Regularly evaluate the effectiveness and impact of these principles through a regular temperature-checking exercise involving all parties, including through anonymous questionnaires and targeted focus groups facilitated by an independent party.

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## Notes

<sup>1</sup> The relationship between the UK Government and the Welsh Government is an impossible-to-ignore backdrop to regional development in Wales. In focus groups and workshops, participants pointed towards the UK Government’s Shared Prosperity Fund (SPF) designed as a replacement for European Union funding for regional development, which is criticised as bypassing the national government to provide funding directly to local authorities (Minister for Economy, 2022<sup>[25]</sup>).

<sup>2</sup> By the time this report is published, new cabinet appointments will have taken effect following the installation of the new first minister, resulting in changes to these titles (Welsh Government, 2024<sup>[27]</sup>).

## Annex A. Project methodology

This synthesis report weaves together the results of OECD activities conducted as part of the [Regional Governance and Public Investment in Wales, UK: Moving Forward Together](#) project. The activities, described in further depth below, included vision-setting and action plan workshops, a multi-stakeholder workshop, and a master class with the Welsh Government.

### Vision setting

What can Wales look like in 2037? How can we build a Wales that we would all like to live in? What can the Welsh Government, local authorities and non-governmental actors do to bring this vision to life? These are some of the questions explored in the initiative *Envisioning Wales in 2037: Shaping the Future of Regional Development*, which included a survey of almost 1 500 citizens and a series of multi-actor vision-setting workshops facilitated by the OECD with the Welsh Government, Welsh local authorities, and residents of Wales between February and July 2022.

#### ***Online citizen survey: Building the Long-term Vision for Regional Development in Wales***

Between February and July 2022, an online survey designed by the OECD with the Welsh Government collected the perspectives of almost 1 500 citizens. The survey collected individual opinions on the development challenges and potential development priorities for Wales and local authorities, as well as their hopes and aspirations for the future.

#### ***Vision-setting workshop series***

From February to July 2022, the OECD organised four vision-setting workshops bringing together diverse actors to share their thoughts on the future of Wales and collectively outline a vision for its regional development. As they took place at the end of the COVID-19 pandemic, when pandemic guidelines were still in place, these workshops were held online. The first three workshops were organised with representatives from the Welsh Government, local authorities, and non-governmental stakeholders, respectively, followed by one workshop with participants from all three groups. In total, over 100 people participated in the workshops. Participants:

- Shared and articulated their visions about what Wales should look like in 15 years.
- Identified shared objectives by exploring the common features in the regional development aspirations that took shape in different groups.
- Discussed elements of a vision for regional development in Wales.

### Focus group interviews

During summer 2023, the OECD held focus group interviews with a wide range of actors relevant to regional development in Wales – some online and some in person. The OECD worked with the Welsh Government and representatives from each CJC region to choose participants. Focus groups with Welsh

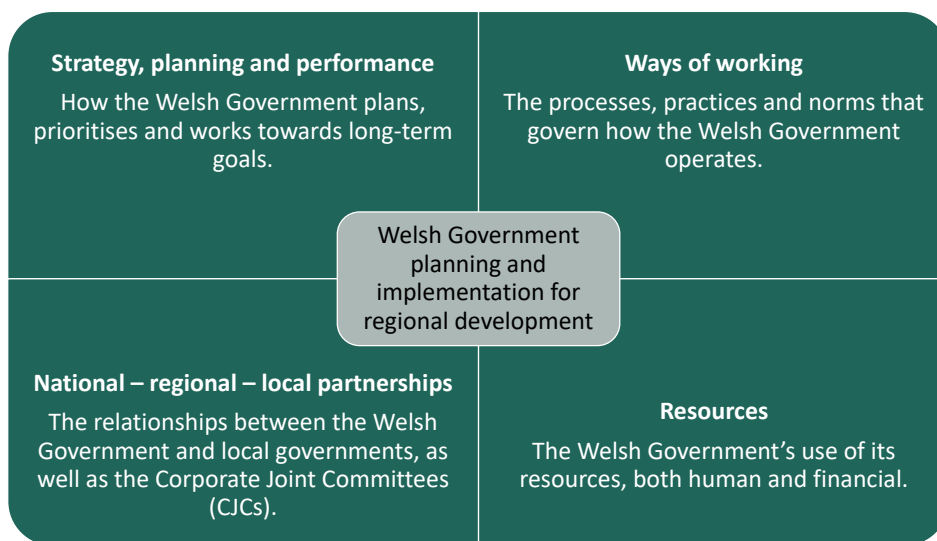
Government staff spanned policy areas, and included directors, deputy directors, and senior staff (G6/G7 level). Focus group interviews in each CJC region included elected members of local authorities, leadership from the CJCs and regional bodies, and local authority officers across several thematic areas (including economic development, skills, youth, and transport). The OECD also held focus groups with stakeholders outside of government, including the third sector, academics, and the private sector. The results of the focus groups fed into other project activities, including the action plan workshops presented below.

## Action plan workshops

Following the focus groups, the OECD organised a set of five action plan workshops: one for the Welsh Government, and one for each of the four CJCs.

**An action plan workshop for the Welsh Government** brought together directors, deputy directors, and senior staff from across the Welsh Government to chart a course towards more integrated working for regional development. The interactive workshop guided participants through activities to explore obstacles and opportunities for more coherent and cohesive working and introduced a range of collaboration tools used across OECD member countries. Finally, the OECD challenged participants to consider how to drive cross-sector collaboration for regional development, with an emphasis on concrete actions towards this goal. Figure A.1 shows the analytical framework that guided the action plan workshop and structured the resulting plan.

**Figure A.1. Four dimensions to describe how the Welsh Government plans and implements for regional development**

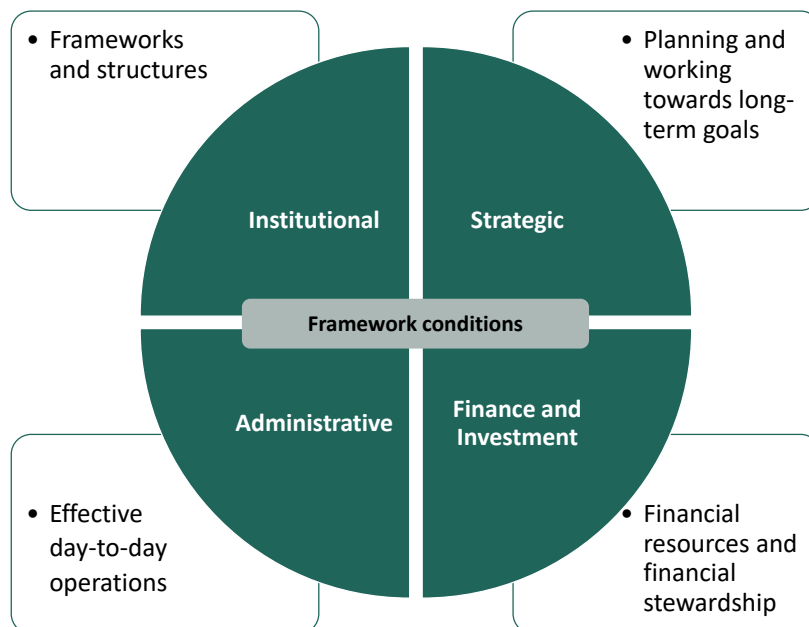


**Four action plan workshops – one in each region – focused on the CJCs.** Each was a day-long, in-person workshop bringing together elected officials serving on the CJCs, officers from local authorities, representatives from the City and Growth Deals, and key external stakeholders. Participants identified enablers that support and barriers that impede the early development of the CJCs, and developed actions to bring the CJC towards its full and most effective operation. Figure A.2 shows the four dimensions that



structured the workshops and action plan: (1) institutional; (2) strategic; (3) administrative; and (4) finance and investment.

**Figure A.2. Four foundational themes for the CJsCs**



Following these workshops, the OECD distilled the perspectives of participants in focus groups and action plan workshops into five different action plans – one for the Welsh Government and one for each CJC. These action plans present a set of practical actions to harness the opportunities and surmount challenges identified by participants.

Based on these workshops, the OECD is developing a capacity building toolkit for the CJsCs, focusing on actions that the CJsCs can use to build their capacity in delivering their tasks within five building blocks.

## Multi-stakeholder workshop

In Autumn 2023, an in-person multi-stakeholder workshop brought together a wide range of national and subnational regional development stakeholders in Wales to explore and build consensus around how to take public investment forward collaboratively within a changing public investment landscape. Participants were guided through the process of defining principles for collaborative working for regional development. They were then challenged to consider how to put the principles into practice. The OECD synthesised the ideas of participants into one set of principles.

## Master class with the Welsh Government

In Autumn 2023, the OECD held a master class for officers of the Welsh Government across policy areas. In an interactive session with participants from across Welsh Government, a representative of the Piedmont region of Italy (Davide Donati, Vice Director Co-ordination of EU Funds) shared the region's

experience weaving together strategies and strategic planning requirements into a single unifying plan – the *Documento Strategico Unitario*.

**OECD Multi-level Governance Studies**

# **Regional Governance and Public Investment in Wales, United Kingdom**

**MOVING FORWARD TOGETHER**

The Welsh Government is refining its approach to regional development, adopting a regional lens directed to four regions to better allocate resources and address local needs. This OECD Multi-level Governance Study – a follow up to the 2020 OECD report *The Future of Regional Development and Public Investment in Wales, United Kingdom* – summarises the progress Wales has made to advance this regional lens, and identifies key areas of attention going forward. It synthesises the results of a vision-setting exercise, capacity-building workshops with the national government and regional bodies, and a multi-stakeholder workshop on collaborative working among Welsh regional development actors. This report identifies enablers for the effective use of a regional lens in Wales, including robust regional data, long-term and future-oriented objectives, effective co-ordination across Welsh Government policy areas related to regional development, capacitated regional structures, and trust and collaborative working among levels of government. The report's insights on establishing strategic direction and fostering collaboration among national, regional, and local levels could be valuable for countries exploring ways to optimise regional development policy, including in the face of resource constraints.



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