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Title: Unpacking the 'territorial policy community': Wales (UK) as an illustrative case.

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Introduction

In this paper we consider the roles and interactions of a range of representative and interest articulation groups and how these play out in policy formulation and delivery at the regional (ie sub-nation state) level. This diverse collection of governmental, quasi-governmental, third and private sector bodies acting at this level has been referred to by Keating et al (2009) as the 'territorial policy community'. The idea being that as that as nation states rescale, the levels at which interests are articulated and policies are negotiated and enacted will shift to the regional level, although this is not a uniform process. The actual nature of the interactions and their relative influence has however been relatively unexplored, hence a key motivation for this paper. Moreover the authors are also motivated by the experience of spending perhaps more time than they might care to remember residing in, observing, studying and in some small ways participating in the economic and political lives of the case study region – Wales – from which results are presented herein. The trials and tribulations of Wales as an asymmetrically devolved 'lagging' region (or more correctly – nation) within a larger nation state are well documented, as is the sense that a number of the contributory factors to this situation are as much institutional as they are structural (Clifton and Cooke, 2005; Pickernell, 2011; Pugh 2017). If these can be thought of as motivational factors at the 'macro' level, recent work which the authors of this paper have been involved in - investigating the potential for the development of a Welsh body along the lines of the Small Business Administration in the US (see Netana el al, 2015) - served to shape the research question addressed herein more directly. Of course, although potentially useful, findings which are specific only to one region will ultimately be of limited interest; thus in this paper we attempt to frame research within a more broadly applicable framework. Hence the paper proceeds as follows; first we provide some contextual background on the economic and political trajectory of Wales, serving to outline the value of Wales as an illustrative case.

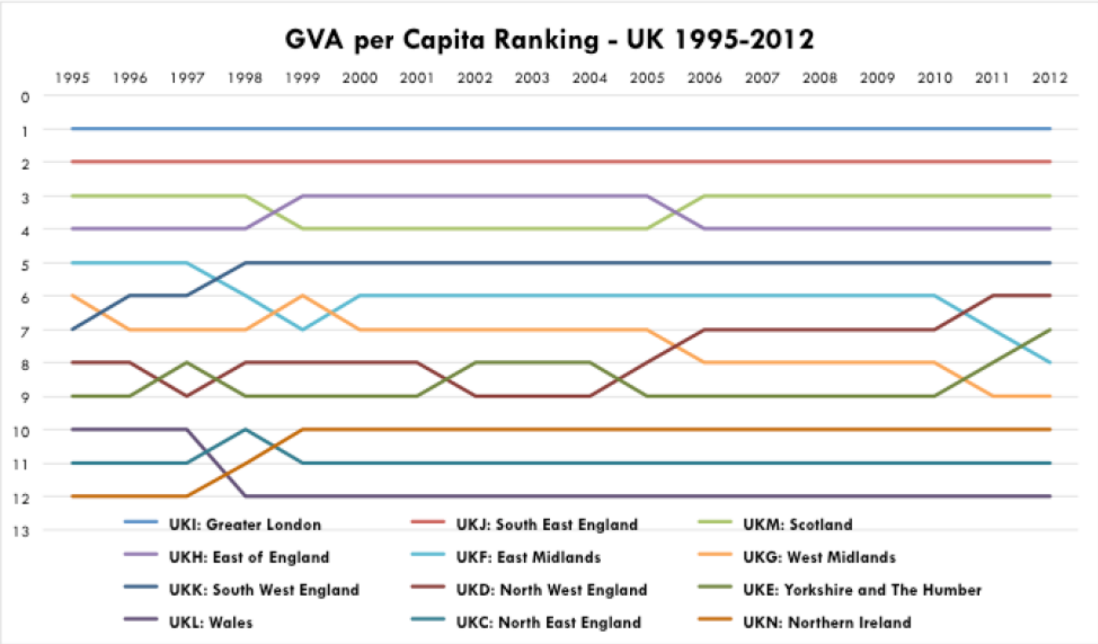
Moreover we suggest that there is significant value in studying 'ordinary regions' rather than the, in fact, much rarer exemplars of unquestionable success and/or best practice (Hospers and Benneworth, 2005; Hepburn, 2011). More specifically with regards to Wales, as noted by Pugh (2017), Wales holds potential relevance for other regions facing the challenges of structural weaknesses, peripherality, and multifaceted governance arrangements.

The discussion is then broadened to outline the role of policy-making within the European smart specialisation agenda. Following this, we outline the concept of the territorial policy community as a framework for investigation, and how this relates more generally to the idea of 'new regionalism'. Having outlined the research question to be addressed, attention is then turned to the methodology adopted – a mapping of the various stakeholder bodies that feed into the policy design and delivery landscape within Wales. The nature of linkages between them and Welsh Government are investigated and delineated by type of body involved and the level of integration observed in relation to the territorial policy community framework. This is augmented via augmented via focus group sessions with key stakeholders, and an analysis of linkages and affiliations at the micro level in relation to publically available steering board membership data. Fundamentally, we identify a disconnect between those members of Wales' territorial policy community engaged in formulating policy (i.e. the inputs) and those charged with delivering (or at least overseeing) its outputs. Finally, recommendations for future policy making in Wales are outlined, and limitations of the present study and the scope for further research discussed. Ultimately it is posited that such an analytical framework may be generalisable to other compactor regions.

Wales: the economic context

The Welsh economy can clearly be seen to exhibit poor performance over the long term in comparison with other parts of the UK, Jones (2015) highlighting, for example, that Wales has consistently been at the bottom of the UK rankings for relative GVA per head, with little opportunity in the short term at least to make inroads into this deficit.

Figure 1: GVA per Capita Based Ranking –UK nations and Regions 1995-2012



Source: Jones (2015)

This has led some commentators to call for different measures to GVA per head to be used to assess economic progress. Certainly Wales's position in the UK regional economic hierarchy seems entrenched (at the bottom) and changing that position is at best a multi-generational task, and at worst according to Jones (2015), impossible, given current economic and political structures.

More nuanced measures, such as indices of regional competitiveness, reveal a similar picture (see table 1), with only London, the South East, and East of England above 100, the former two regions accelerating away from the rest of the UK.

Table 1: UK Regional Competitiveness Index[1] 2006 – 2014

Rank	Region	2014 Index Score	2006 Index Score	Change in Rank 2006 - 2014
1	London	128.32	113.9	0
2	South East	117.98	110.5	0
3	East of England	104.82	106.0	0
4	South West	97.68	94.9	+1
5	North West	95.41	92.3	+3
6	Scotland	93.59	94.2	0

[1] The variables included in this index consist of: *inputs*: economic activity rates; business start-up rates; businesses per 1000 inhabitants; proportion of working-age population with NVQ Level 4 or higher qualification; and proportion of businesses operating in knowledge-based sectors; *outputs*: gross value added per head; labour productivity; and employment rates; *outcomes*: gross weekly pay; and unemployment rates. For full explanation of methodology see Huggins et al (2014).

7	East Midlands	92.13	96.1	-3
8	West Midlands	88.43	92.7	-1
9	Wales	84.22	86.7	+2
10	Northern Ireland	83.53	88.0	0
11	North East	82.88	84.2	+1
12	Yorkshire and the Humber	80.57	90.5	-3
	UK	100.00	100.00	-

Source: Derived from Huggins, R., Izushi, H., Prokop, D., & Thompson, P. (2014)

There is, however, no single reason for Wales's relatively poor economic performance over a long period of time. Instead the reasons are many, often interlinked, diverse, and longstanding. Boddy (2006), for example, decomposed the Welsh 42% output per employee (GDP/E) productivity gap relative to London. In addition to Full time- Part Time mix (HW/E) differences they also found that: lower capital levels per worker; a less advantageous industrial sectoral composition; the deleterious consequences of peripherality (in travel time); and a combination of the public: private sector ownership mix, skills level, population density (and the full-time-part time mix) each accounted for about a fifth of the difference. This left a fifth of the difference initially unexplained.

In exploring this unexplained difference, examination of how labour is used is of clear importance. Crafts (2007) argues, for example, that technological progress is the most important underlying determinant of labour productivity generally and over time. It is logical, therefore, to evaluate differences in technological progress as another potential cause of the relative difference in overall productivity. In terms of the overall 40% GVA gap, therefore, in terms of within-Wales differences, Boddy's (2006) analysis also identifies that relative differences are largely explained by differences in the capital stock, industrial structure, the full-time: part time employment mix and population density, with a lesser effect from qualifications levels. Boddy (2006) also highlights that it is for Swansea and the Gwent Valleys in particular that very high levels of productivity difference remain unexplained, hypothesising that these two areas in particular contain the majority of the unexplained level of the difference for Wales as a whole as compared with London.

In addition, whilst issues related to agglomeration and clustering in space are partly accounted for in both travel time and population density measures, there are also important additional possible impacts from both entrepreneurship and innovation in explaining the remaining differences in relative productivity levels, which also require a specific focus from policy in the Welsh context. In the Regional Innovation Systems literature, for example, Cooke (2003) highlights that more successful core regions tend to have 'entrepreneurial' innovation systems, whilst more peripheral regions have 'institutional' ones. Huggins and Thompson (2012) therefore conclude, due to the way regional (or community) and business cultures have co-evolved, not only are uncompetitive regions ‘extremely unlikely to imitate the cultural traits of their more competitive neighbours’ they should also ‘not actually actively seek to do so’ (p35).

Specifically referring to lagging regions, Williams and Huggins (2013) also find that certain forms of enterprise support in deprived communities may actually discourage entrepreneurship. Also, where entrepreneurial ventures are supported they tend to operate in activities relating to generic trades with low entry barriers, with many enterprises having little actual or perceived requirement for external support, with it being likely that these would have been established with or without support.

Specific internal, firm-level processes of relevance to knowledge spill-overs (from University spinout activities in her example) have also been highlighted by Senyard et al. (2007) as related to entrepreneurial orientation, knowledge and relationship management and knowledge asymmetry. These entrepreneurship and innovation-related issues can therefore be seen as conceivably falling within the realms of the “unexplained” element of Table 2.

Table 2: Explanations of the 40% GVA per employee gap between Wales and London

Explanation	Proportion of Gap “Explained”
Capital Stock Levels	8/40
Travel time to London and Main Cities	8/40
Industry Structure	6/40
Qualifications	6/40
Population Density	3/40
Full Time : Part Time Mix	1/40
Public : Private Ownership, Multinational Ownership, No web site for external use	1/40
Unexplained	7/40

Source : Boddy (2006)

Highlighting these causes of the productivity gap in Wales, however, does not explain why they exist, i.e. why there have historically been low levels of innovation, investment in relevant skills, business investment and entrepreneurship. As Morgan (1997) points out, the lack of a strong indigenous entrepreneurial business base (not least because of the concentration in the natural resource based sectors of coal and steel) led to a reliance on public sector investment in the long declining coal and steel industries and then attraction of manufacturing investment from foreign-owned multinationals, often in relatively low-skilled areas. Morgan (1997) thus argues that it was only when foreign inward investment began to become more difficult to attract, in the early to mid-1990s that policy began to concentrate more heavily on business support, technology transfer, skills development and indigenous entrepreneurship.

McAllister and Kay (2010) note, however, that policy diversion away from that developed at national-state level does not mean that such policies will necessarily be more innovative or more effective. Indeed they may be less so under what they term ‘conservative devolution’, consistent with the varieties of devolution model proposed by Cooke and Clifton (2005).

At this point we should add a note of caution against overestimating the capacity of regional institutions to influence outcomes at the regional level. For example, the UK Treasury (2015) calculate that total public spending in Wales is around £10,000; approximately half this figure is spending that the Welsh Government has discretion over. However, within this the major proportion is allocated to health and education. Although there is a large indirect impact via these activities (salaries, purchasing and so on), there is relatively little resource available to pursue programmes of real discretion such as economic development policy. On this point, the recent launch of the Development Bank for Wales suggested an investment fund of £440m over a 10-year period. This is not the only vehicle for economic development within the region but nonetheless indicates the relatively small scale of such activities. For example, according to the latest Welsh Government spending plans for 2015-16, the total budget spend is just under £16bn, split as shown in the following table:-

Table 3: Welsh Government Planned Spending 2015-16

Department	Total (£000)	% of total
Health and Social Services	£6,817,734	42.77%
Local Government	£4,427,873	27.78%
Communities and Tackling Poverty	£737,494	4.63%
Economy, Science and Transport	£1,167,292	7.32%
Education and Skills	£2,054,314	12.89%
Natural Resources	£407,305	2.56%
Central Services and Administration	£328,408	2.06%
Total	£15,940,420	

This indicates clearly that the strongest demand side policy levers within the Welsh Government’s control exist within Health and Social services, and Local Government (which account for over 70% of the total budget) rather than (Communities and Tackling Poverty, Economy Science and Innovation and Education and Skills) economic development-related policies (which are only around 25% of total spend, excluding the pre-16 education spend encompassed within the Local Government departmental budget). As such, there may be procurement-related levers for economic development policy development, as highlighted (albeit indirectly) by the Welsh Government's initiatives in Value Wales and the National Procurement Service.

It must be noted, however, that UK government departments also have considerable spending power in the Welsh economy, with around another £15bn spent by the UK level of government in Wales. As can be seen in table 4 below, spending by the Department of Work and Pensions and HM Revenues and Customs (e.g. tax credits) exceeded £10bn in 2013-14.

Table 4: Government Spend in Wales (Selected UK level and Total) 2013-2014

Selected Departments	UK Government Spend in Wales (£000)
Department for Business Innovation and Skills	£285,975
Department for Transport	£201,783
Department for Work and Pensions	£8,240,465
Department of Energy and Climate Change	£117,405
HM Revenue and Customs	£1,948,336
Home Office	£61,339
Ministry of Defence	£50,758
Ministry of Justice	£423,303
Wales Office	£4,266
Total Government (UK, Welsh Government and Local)	£30,589,575

Wales: specific challenges & trajectory

Wales represents, on the one hand, a place with a distinct identity and history and, on the other hand, a small nation within the UK which has experienced a difficult transition to a post-industrial or knowledge-based economy (Cooke and Clifton, 2005). Moreover, in addition to the economic shift, Wales has undergone political changes in the last two decades with the introduction of devolved governance. Shortly after devolution in 1999, Wales began to receive large scale European Objective 1 funding, under the administration of the Wales European Funding Office (WEFO) (Brooksbank et al, 2001). These funds are ear-marked for lagging-regions with GDP per head below 75% of the EU average.

For the former industrial regions (such as Wales) the focus of inward investment has historically been towards the rapid replacement of jobs lost in these traditional sectors, and more latterly the attraction (and retention) of occupations higher up the value chain (such as in finance and professional services). Moreover, regions faced with deindustrialisation have the conundrum of reconciling the previous focus on the rapid and large scale replacement of industrial jobs with the longer term development goals which they now face (i.e. higher-skilled jobs, more knowledge-based sectors). There is evidence that this transition in terms of policy focus and the mitigation of past trajectories is problematic (Brooksbank et al, 2001; Cooke and Clifton, 2005), and has been particularly so for Wales with its ongoing lack of capacity to generate and sustain a critical mass of indigenous high growth firms (Morgan, 2013). This in turn is a reflection of its low wage / low skill occupational profile (*ibid*).

Between 1979-1983 Wales lost around one third of its manufacturing employment, it was however attracting 15% of all FDI into the UK in the early 1990s. As noted by Crawley et al (2012) it is important to recognise the value of the whole support package in achieving this (i.e. facilities, premises and other support) and not focus purely on the financial aspects. The later 1990s saw the shift to more endogenous models of growth in Wales as the limits of inward investment which was increasingly perceived as transient and rooted at the lower end of the value chain were reached. It is however worth noting that after the retirement of the WDA brand 2006, five years later it was still among the most well recognised of development bodies internationally (Crawley et al, 2012). The Welsh Assembly Government's (2009) own review of FDI noted that the availability of 'softer' services to inward investors is becoming more important in an era when grants and subsidies are more uniform. It also explicitly acknowledged that changing regional promotion structures can disrupt the human capital and the networks that are involved in the success of these softer factors. International Business Wales, the in-house replacement for the WDA proved short-lived; it was merged with Welsh Government's Department for Economy and Transport in 2010 following a critical review by Massey (2009) which highlighted a number of issues including significant reductions in frontline staff engaged in FDI support. These and other changes perpetuated confusion around function and branding message of Wales (Crawley et al, 2012). A number of academics have concluded that although ostensibly driven by a desire for increased accountability, the disbanding of the WDA was largely a political move motivated by precautionary control (Cooke and Clifton, 2005; Morgan, 2017).

Subsequently, the Enterprise and Business Committee of the National Assembly for Wales recommended an independent review of its in-house approach to attracting inward investment, how Wales might achieve greater representation at UKTI events, the development of a set of KPIs for inward investment attraction, and a clarification of Wales' 'brand strategy for trade and inward investment and how it relates to the brand for the economy, tourism and the country as a whole.' (National Assembly for Wales, 2014).

The Political Context and Policy Making Processes

Whilst the above illustrates the additional potential impact given by UK government spending in Wales, policy proposals made at the UK level also have the potential, whilst not being directly imposable on Wales, to still require some policy-making response, indicating that within Wales at least some policy making is reactive in nature. Recently, for example, the issue of Enterprise Zones, introduced in England by the UK Government ultimately required a response from the Welsh Government that saw a number of sector-specific Zones established around Wales.

Studies such as OECD (2008) also highlight that economic development policy in Wales was often fragmented, e.g. productivity referred to in various documents, developed at different times, in unconnected ways, and was often programme as opposed to policy driven. This, according to OECD (2008) resulted in a lack of clarity in terms of Wales's specific business productivity policy agenda, and how the different policies fit together specifically as a coherent whole. Overshadowing all of this is the fact that falling levels of public sector resources for Wales (as a result of UK government decisions and the impact of the Barnett formula) are having a knock-on effect on the economic development policy resources available. This makes even more important the issue of opportunity cost in the allocation of future resources and increasing the importance of effective economic policy making processes.

As Midwinter (2004) argues, the real test of the Barnett formula's durability under democratic devolution occurs when different parties are in power in London and Edinburgh or Cardiff, as is now the case. In addition, unlike the previous 10 years, there are now reduced resources being distributed from London. This means that for Jones (2015), whilst he sees little prospect that the current economic development focus on capital, infrastructure and training will make a significant difference to Wales's performance, neither does he see the "managed decline" of the Welsh economy via UK Government fiscal transfers as tenable in an era of fiscal autonomy.

Unsurprisingly, therefore, the Economic Renewal Plan saw increases in one area of economic development policy (specifically funds for the new focus on infrastructure) come at the expense of reduced resources in other areas of economic development expenditure. Most recently, the Council for Economic Renewal's[2] (a Welsh Government body established under a statutory requirement, that meets 3 times per year, is made up of representatives from Trade Unions, Social Enterprises and

[2] http://gov.wales/topics/businessandeconomy/policy/economiccouncil/?lang=en

Business, and advises on economic and business policies in Wales) Economic Framework document (p.4) stated that:-

"Tough decisions are needed requiring fresh thinking on how we identify, align and deploy resources, using the increased powers and levers within our control. Simply, it is not just what we are delivering but how we are delivering it".

The existence of the Council for Economic Renewal also illustrates the importance of interrelationships and the management of them, between organisations of relevance to economic policy development. There are interrelationships in terms of policies between UK government departments, Welsh government departments, WEFO etc. in terms of relevant policies, but these linkages also exist with regard to wider sets of stakeholders, including business, education, the third sector and social partners.

As noted above, policy diversion away from that developed at national- state level does not mean that such policies will necessarily be more innovative or more effective (McAllister and Kay, 2010). Jones (2015) argues, further, that the way in which the UK and EU political and economic domains have interacted to support free factor movement, competitiveness, spatially blind procurement, and a lack of focus on regionally strategic sectors, has been particularly detrimental to Wales. Most specifically, he argues that this has led to homogeneity in policies and sectoral foci that, almost by definition, will fail to narrow regional differences in economic performance.

The focus of Welsh Government economic development policy emphasis does also, however, need to be seen in the light of there being more restricted resources in some areas, and greater resources in others (particularly the areas of skills, entrepreneurship and innovation) often where additional EU Structural Funding is available. Adams and Robinson (2005) also identified a range of business productivity related policies brought forward to concentrate on clusters policies, science parks, and the knowledge economy in particular into which the UK (and EU) Government level also has significant input and thus control. Pugh (2014) argues for example, that with regard to the EU's smart specialisation agenda (see below), Welsh policy-makers are following an existing sectoral, cluster-based rationale, but are omitting entrepreneurial discovery processes that would identify Wales's specific economic strengths and are consequently in danger of merely replicating failed approaches. This highlights a restriction in part imposed on policy making because of issues over resources and control over the ways in which they can be used.

Wales: latest development policy

In December 2017 Welsh Government launched its new economic development strategy – the Economic Action Plan (Welsh Government, 2017). An overview is provided by Prof Kevin Morgan of Cardiff University at http://blogs.cardiff.ac.uk/brexit/2018/01/16/will-wales-economic-strategies-weather-the-post-brexit-storm/ He suggests that EAP is notable for four things:

- it heralds a new economic contract between government and business by making financial aid conditional on firms delivering social goals;
- it moves away from the old priority sectors in favour of 3 national thematic sectors, namely tradeable services, high value manufacturing and enablers such as the digital sector;
- it reinforces the commitment to regional working by creating Chief Regional Officers to coordinate policy in North Wales, Mid and South West Wales, and South East Wales; and
- it makes a formal commitment to the Foundational Economy, a collective term for sectors that have typically been under-valued by policy-makers even though they play an important role in meeting social needs, sectors like care and food for example.

Prof Morgan then goes to suggest that while these are all laudable aspects, there are two main criticisms that can be levelled at the EAP:

- that it is devoid of milestones and targets to assess progress, without which it will be impossible to hold the government to account; and
- that it has been produced in a unilateral fashion with little or no input from the partners – business, universities and civil society – who will be expected to play a key role in delivering it.

To these points Morgan (2018) adds the comment that the fulfilling of the new economic contract required for firms to access Welsh Government support, while a welcome development, is in reality largely a combination of what good (i.e. supportable) firms should be doing in the course of their business anyway, and existing Welsh Government due diligence criteria - albeit more explicitly stated. As a note of caution, Morgan (2018) also points out that preceding economic strategies of the Welsh Government have faced problematic implementation; A Winning Wales (Welsh Assembly Government, 2002) set specific targets for GDP growth which proved difficult to meet, thus serving to undermine the strategy. Conversely, Wales: A Vibrant Economy (Welsh Assembly Government, 2005) has been criticised for devoid of targets and thus provided little scope for accountability, serving ultimately as a largely unobtainable wish-list (Pickernell, 2011; Morgan, 2018).

The broader policy trajectory – institutions and smart specialisation

With regard to differences and similarities between the asymmetrically devolved nations of the UK, Northern Ireland and Scotland possess semi-autonomous development bodies while Wales does not. Invest NI was established in 2002, Scottish Enterprise and Highlands & Islands Enterprise in 1991. The Welsh Development Agency (WDA) was the longest established UK development agency (established in 1976), however its functions on economic development and inward investment attraction were transferred under various guises in-house to Welsh Government in 2006, along with a range of other quangos in Wales (Development Board for Rural Wales, Wales Tourist Board, etc.). Academic research has provided quite convincing evidence that the quality and appropriateness of local institutions is an important factor in the success of regional development policy (Rodríguez-Pose, 2013). This being the case, local policy solutions should be appropriate for the institutions available to develop and apply them. Although detailed guidelines on process and the like are provided by the European Commission, the issue here is that governance at the local / regional level is largely a political issue rather than one of technocratic process. This is particularly pertinent in that institutions in lagging regions are, paradoxically, often the least equipped to deliver innovative solutions, with less effective legal and political systems, lower levels of accountability and trust, and the existence of fewer intermediaries, collaborative structures and channels of interaction (Rodriguez-Pose and Cataldo, 2014; Morgan, 2017). Rather they tend to operate in a linear model that predominantly facilitates the spending of European (and other) funds, a model which is rarely consistent with strategic long term policy making – e.g. the policy persistence observed in the Basque Country (as described by Morgan, 2017). More broadly, this suggests that context matters for policy- 'off the shelf' solutions from more 'successful' regions are unlikely to be effective elsewhere without due consideration, with the state needing to act as 'curator rather than the controller' (Morgan, 2017: p572). At the European level, regional policy has generally reinforced the knowledge-based model of development, emphasising skills, and innovation and entrepreneurial capacity building (with varying degrees of success- Brooksbank et al, 2001; Cooke and Clifton 2005). The latest manifestation of these aims is the agenda of 'smart specialisation' (Pugh, 2014). Within this, innovation is now at the forefront of policy for the European Commission; from 8% of total regional policy expenditure between 1988-1994, to nearer one third of all expenditure in the 2014-2020 programming period (Morgan, 2017).

The idea of 'smart specialisation' has become the underpinning principle for economic development policy at the European level over the previous decade. Regions cannot be good at everything, which means they need to focus. This in turn requires choices; as the key architect of the concept recently noted, for any given region, while stating that 'we are good at IT' or 'we are good at tourism' may be true, this it is not a rationale for policy (Dominique Foray, 2017). Thus smart specialisation should be a process via which to more effectively make these strategic choices. In doing so, lagging regions may possess weaker institutions, and/or be more reliant on multinational enterprises or other actors which are not necessarily interested in the region per se. Conversely, neither should smart specialisation be about taking the 'best' 3 sectors that a region has and focusing on them, or indeed the most aspirational ones – the grand challenges of ICT, biotech etc. It is important to understand therefore that innovation policy is not a sector policy, rather it is about supporting good projects that build capacity and capability – in any sector in any region there are good firms but also bad ones (Foray, 2014). In this way any form of industrial policy should not rely on planners 'picking winners', rather the focus should be on realising an effective process of economic self-discovery around opportunities and constraints, and to therefore ultimately elicit more and better policy solutions (Morgan, 2017).

Earlier approaches to development have sought to broaden the institutional focus beyond firms, such as the the Triple Helix of Etzkowitz and Leydesdorff (1997), and the Regional Innovation System (Braczyk et al., 1998). As Pugh (2017) notes, smart specialisation is a close ancestor of the RIS idea, and Wales an interesting illustrative case as one of the regions within which the RIS idea was developed. However, the entrepreneurial discovery processes that plays a key role in the successful adoption smart specialisation requires regionally-based institutions that are capable of learning and acting in a non-rent-seeking fashion; there is a paradox here in that the very regions most in need of development policy are often those least equipped institutionally to deliver it (Morgan, 2017), with particular concerns relevant to Wales (as noted above by Pugh, 2014).

New Regionalism and the Territorial Policy Community as a framework for analysis

As described by Keating (1998) and developed in subsequent work (Keating 2009; Keating and Wilson, 2014), markets, international institutions and trans-national corporations increasingly penetrate state borders; national economic management is thus complicated (or indeed confounded) by the increased mobility of all forms of capital. Keating argues however that this does not in itself imply the end of territory as an organising principle – rather it is reconfigured as 'new regionalism'.

The emergence of new regionalism, the reassertion of regional image and identity and the formation of a territorial policy community represent interconnected aspects of the restructuring of relations between the region and the nation state. The latter is a key aspect of interest articulation, policy formation and delivery at the regional level – to this end Keating at al (2009) introduce the idea of the territorial policy community, emerging in response to the rescaling of government. Although previous conceptions of the policy community were based on largely sector-focused regimes of interest articulation, there is no implication that articulation via sector or territory need be mutually exclusive or indeed zero sum. The concept of a territorial policy community is consistent with thinking around new regionalism in that if these regions were indeed without regionalism we would expect to observe little change at this level, i.e. with interest articulation largely continuing at the national level. The counter assumption to this being from the purely functional perspective, such that any regional differences that reveal themselves in the politics of interest articulation would derive from sectoral / class mix therein rather than being related to any defining aspects of the territory per se. Such an observation makes the comparison of two regions which are in some ways similar but in others different a potentially fruitful interesting exercise. A further possibility would be the opportunistic 'venue shopping' at different levels by actors seeking influence – as Keating at al (2009) note, the new regionalism literature does not clearly specify institutions and interactions that produce policy. The constituents of the policy subsystem at the regional level will be mediated by behavioural variables such as strategy, the degree of consensus, shared norms and the like.

Keating et al (2009) provide some specific commentary on how the territorial policy community in Wales developed in the decade following devolution. They identified that at this point Welsh business interests tended to focus mainly on the UK level, and to largely oppose policy divergence. Related to this, the lack of devolution in a number of key portfolios meaning that Whitehall remained a key driver of policy. Conversely, trade unions typically supported devolution, but also remained engaged with UK-wide pay bargaining and regulation. Consequently, Welsh union branches and their umbrella organisation -Wales Trade Union Congress - had little direct contact with UK level policy-making; rather they feed into UK policy through the TUC and National Assembly for Wales. Keating et al (2009) suggest that, although initially aloof, business has become part of policy community; unions on the face of it are more committed to devolution, but maintain UK links for pragmatic reasons. They identify "little evidence of old class conflicts and a tangible sense of pragmatism in working arrangements." (ibid, p61) which can be interpreted as a 'Welsh way' of partnership working involving all key stakeholders 'around the same table'. Conversely they report a low capacity for actual policy formulation- thus stakeholder relations is Wales are characterised as "wide but not deep" (p62), or more prosaically as 'talking shops', with the actual detail of policy emerging in a top-down fashion via Welsh Government. Keating et al also suggest that post-devolution there is actually little evidence of stakeholder interaction regarding novel sets of policy issues. Rather Welsh Government serves as the mediator for policy development. Indeed, within our own research (Netana et al, 2015) a degree of censuses was identified with regard to the importance of an advocacy role for small business, and the requirement for an over-arching approach to tackle the patchy nature of current provision.

Respondents however typically regarded implementing the governance arrangements necessary for realising these goals as the real problem.

Given these views (and the fact that Keating et al were writing on this subject nearly a decade since) a more in-depth examination of stakeholder interaction in Wales at the micro level appears to be warranted. Therein lies the purpose of this paper. The following section outlines for methodology for doing so.

Methodology: mapping and unpacking policy stakeholder engagement in Wales

This project assesses the numbers, roles and inter-relationships of a variety of organizations that have an impact on the Welsh economy. The first stage identifies, analyses and examines the linkages between specifically those organizations working in Wales to improve the Welsh economy, from government and quasi government to other stakeholder groups including those termed as social partners. For the purposes of this study the assumption has been made that "improving the Welsh economy" primarily refers to improving the efficiency / capacity / productivity of the Welsh economy, and that these organisations will be government policymaking or policy influencing (i.e. not individual businesses). For those organisations identified, the project establishes their role, remit, budget and constitutional status, including the social partners involved in policy creation with those organizations in any capacity, from the specific remit to create policy, through policymaking processes including lobbying and calls for evidence, to the delivery of the policy itself. The policy areas identified as falling into this remit for the purposes of the study are:-

- Economic Development (including Government Procurement, including for Health, and Innovation)
- Education
- Primary Resources : Energy and Agriculture
- Infrastructure
- Planning
- Skills
- Transport

The types of organisations analysed, again discussed above in general terms, are:-

- UK Government Departments which impact upon the above policies
- Wales Office
- WEFO

- Welsh Government Departments responsible for the above policies
- Local Authorities
- Relevant Welsh Government Sponsored Bodies (WGSB), specifically
    - HEFCW
    - Natural Resources Wales (WGSB)
- National Procurement Service (Centrally funded by Welsh government)
- Finance Wales
- Other relevant government supported bodies where funding for economic development related activities is provided by Welsh Government contract procured on a commercial basis / core funding:-

o Business Wales as a Welsh Government Sponsored Service,

o Chwarae Teg,

o Wales Social Partners Unit (WSPU),

o Public Policy Institute for Wales (PPIW),

o Wales Cooperative Centre,

o Wales Council for Voluntary Action (via Enterprise Wales),

o Higher Education

o Further Education

o Value Wales

Other policy influencing organisations (i.e. “Policy Think Tanks”):-

o Institute of Welsh Affairs

o The Bevan Foundation

o Gorwel

Organisational Policy **Mechanisms**, themselves outcomes of Welsh Government policymaking but also potential vehicles for further policy development. The most obvious of these are :-

o City Regions

o Enterprise Zones

o Regional Skills Partnerships

o Sector Panels incl. Industry Wales

The Social Partners analysed include the Wales Cooperative Centre and the membership of the Wales Social Partners Unit itself, specifically:-

1. Confederation of British Industry (CBI),
2. Chambers Wales,
3. Engineering Employers Federation (EEF),
4. Forum of Private Business (FPB),
5. Federation of Small Business (FSB),

6. Wales TUC,

Also included as social partners are specific members of Commerce Cymru not already identified above:-

7. Association of Chartered Certified Accountants (ACCA)
8. Chartered Institute of Marketing (CIM)
9. Federation of Master Builders (FMB)
10. Freight Transport Association (FTA)
11. Home Builders' Federation (HBF)
12. Institute of Chartered Accountants in England and Wales (ICAEW)
13. Institute of Directors (IOD)
14. Law Society
15. Royal Institution of Chartered Surveyors (RICS)
16. Road Haulage Association (RHA)

Stage 1 of the research therefore involved a basic quantitative mapping of the above, using a desk based research approach. Crucially, while the focus of the research is on policy creation rather than policy delivery, there will be overlaps between these processes. Therefore in this first stage, a broad analysis is conducted of government and quasi government bodies (at EU, UK, Wales, and local levels, including those defined as policy mechanisms such as Enterprise Zones and City Regions), and other organisations of relevance to economic policy development (e.g. HE, FE and Think Tanks). This work did not established, however, the precise mechanisms by which social partners are able to impact policymaking, whether these mechanisms are working or not, and the changes they may see as necessary to improve future policymaking (and implementation processes). Therefore, the exercise above was augmented via focus group sessions with key stakeholders (Stage 2) and an analysis of linkages and affiliations at the micro level in relation to publically available steering board membership data (Stage 3).

Results and Discussion

Stage 1

Mapping of the relationships between the different types of organisations and bodies takes the form of a basic description (in terms of having linkages with other stakeholders across the range of policy areas defined as being of relevance to economic development policymaking). These links may be in terms of contracts grants, board membership and submission to policy reviews. This also allows identification of the key mechanisms used by government to engage with stakeholders including the social partners. This includes explicit economic development policy delivery structures (e.g. Enterprise Zones, City Regions, Sector Panels, Regional Skills Partnerships) within which policy is further developed and delivered, but also more indirect mechanisms (identified via the process of secondary data collection) most obviously the Council for Economic Renewal[3], as well as single-issue boards and groups, identified in Welsh Government documentation[4]. Identification of obvious gaps in engagement and areas of potential overlap are also identified.

Table 5: Mapping of Number of Relationships between Government, Quasi Government, Social Partners, Think Tanks and Mechanisms

Totals	Economic Development	Education	Energy	Infrastructure	Planning	Skills	Transport	Total
GOVERNMENT:								
Department: Economy, Science and Transport	31	0	1	12	2	1	9	55
Department: Education and Skills	9	6	0	1	0	21	0	37
Wales Office	14	2	2	6	2	3	4	33
Local Authorities	10	2	0	11	2	1	6	32
Department: Central Services and Administration	27	0	0	0	0	2	0	29
UK Government	9	0	0	3	3	3	1	19
Department: Natural Resources	2	0	6	4	5	0	0	17
Department: Communities and Tackling Poverty	5	0	0	6	3	1	0	13
WEFO	6	0	0	0	2	2	0	10
Department: Local Government	2	0	0	0	1	0	0	3
European Union (EU)	1	0	0	0	0	0	1	2
Department: Health and Social Services	2	0	0	1	0	0	0	2

[3] https://gov.wales/topics/businessandeconomy/welsh-economy/economiccouncil/?lang=en subsequently renamed Council for Economic Development, April 2017
[4] http://www.assembly.wales/laid%20documents/gen-ld10346/gen-ld10346-e.pdf

GOVERNMENT SPONSORED / LINKED / FUNDED ORGANISATIONS	Economic Development	Education	Energy	Infrastructure	Planning	Skills	Transport	Total
Higher Education (HE)	23	7	6	4	1	9	1	51
National Procurement Service (Centrally funded by Welsh government)	11	0	0	11	0	0	0	22
Wales Social Partners Unit (WSPU)	22	0	0	0	0	0	0	22
Further Education (FE)	8	6	0	0	1	4	0	19
Natural Resources Wales (WGSB)	6	0	5	2	5	0	0	18
Business Wales	10	0	0	0	0	7	0	17
Wales Council for Voluntary Action (WCVA)	8	1	2	0	0	2	0	13
Public Policy Institute for Wales (PPIW)	7	0	0	0	1	0	0	8
Value Wales	6	0	0	1	0	0	0	7
Finance Wales	6	0	0	0	0	0	0	6
Higher Education Funding Council for Wales (HEFCW) (WGSB)	1	2	0	0	0	1	0	4
GOVERNMENT CREATED ECONOMIC DEVELOPMENT POLICY MECHANISMS	Economic Development	Education	Energy	Infrastructure	Planning	Skills	Transport	Total
Enterprise Zones	11	2	4	2	5	8	3	35
Regional Skills Partnerships	13	0	0	1	4	11	0	29
City Regions	8	0	0	3	3	1	2	17
Sector Panels	6	0	2	1	0	5	0	14

SOCIAL PARTNERS								
Federation of Small Businesses (FSB)	9	1	0	1	3	2	0	16
Freight Transport Association (FTA)	6	0	0	1	0	1	4	12
Confederation of British Industry (CBI)	6	0	0	2	2	1	0	11
ACCA	6	0	0	0	0	5	0	11
Chambers Wales	8	0	0	0	0	1	1	10
FMB	5	0	0	2	0	2	0	9
RICS	4	0	0	0	4	1	0	9
Home Builders Federation (HBF)	6	0	0	0	2	1	0	9
Road Haulage Association	3	0	0	2	0	1	2	8
Wales Cooperative Centre	6	0	0	2	0	0	0	8
Wales TUC	5	0	0	0	0	2	0	7
Forum of Private Businesses	4	0	0	0	0	2	0	6
Institute Of Directors (IOD)	5	0	0	0	0	1	0	6
EEF	4	0	0	0	0	1	0	5
ICAEW	3	0	0	0	0	2	0	5
Law Society	4	0	0	0	0	1	0	5
CIM	3	0	0	0	0	1	0	4
POLICY THINK TANKS								
Institute of Welsh Affairs (IWA)	8	0	0	0	0	1	1	10
Bevan Foundation	6	0	0	0	0	0	0	6
Gorwel	3	0	0	0	1	0	0	4
Total	**376**	**29**	0	**79**	**52**	**111**	**35**	**706**
Percentage	**53.26%**	**4.11%**	**0.00%**	**11.19%**	**7.37%**	**15.72%**	**4.96%**	**100.00%**
	Economic Development	**Education**	**Energy**	**Infrastructure**	**Planning**	**Skills**	**Transport**	

The main organizations with most links (in each case at least 29 links in total[5]) to others across all areas were, unsurprisingly, DEST, Higher Education, Department for Education and Skills, Wales Office, Local Authorities, and Welsh Government's Central Services and Organisation. The Social Partners with most links to others across all areas (in each case at least 10 links in total) were WSPU itself, followed

[5] For each policy area whether a link exists or not is identified (i.e. a value of 1 if any link exists), the overall total calculated by adding the links from all policy areas.

by FSB, FTA, CBI and Chambers Wales. Think Tanks were also strongly involved in policymaking activities (predominantly in providing forums for policymaking debate, and providing evidence to policymakers). In terms of the main direct policy mechanisms that were identified, those with most links (over 30 links in total) were Enterprise Zones, followed by Regional Skills Councils (29), City Regions (17) and then Sector Panels (14). Across these mechanisms, in addition to Welsh Government Departments, UK Government, WEFO, Finance Wales, Local Authorities, Higher Education and Further Education, Social Partners were also linked (usually via governance boards), specifically WCVA, Chambers Wales, FSB Wales, TUC Wales, and the IOD.

In terms of more indirect policy making mechanisms, the Council for Economic Renewal was identified from secondary data as having links (in terms of membership) with the greatest number of social partners, all the social partners identified for the purposes of this study having membership. While most Social Partner links with government policymaking appeared to be more relational (either lobbying related, board membership related or submission of evidence related), for some Social Partners (for example the Wales Cooperative Centre) there were also transactional relationships with government (e.g. delivering Welsh government or EU funded economic development projects), whilst for others (e.g. WSPU) funding for economic development policymaking related activities is provided by Welsh Government contract procured on a commercial basis. Other types of organisations (e.g. Chwarae Teg) also receive Welsh Government core funding. In summary- economic development and policymaking stakeholders cannot therefore be rigidly delineated into government and non-government, but rather sit on a spectrum between these two extremes.

Stage 2

Analysis of the relevant secondary data revealed that, when examining memberships of key economic development policy making bodies identified from stage 1 (e.g. enterprise zones, city regions, sector panels, regional skills partnerships etc.) the Social Partners were relatively sparsely represented. Instead their memberships were largely confined to the Council for Economic Renewal itself or more ad hoc task and finish groups or specific government committees. This summary also reveals that many of the social partners appear to have limited human resources to apply to economic development policy work as illustrated by the number of different people identified in the range of activities identified- for just under half the Social Partners only a single individual can be identified.

Typically, the social partners that responded wish to see a reduction in the use of government committees and working parties (the main conduits for current interaction with government) and more use of networked arrangements in particular and corporate style boards. The current dependence on government is also seen as requiring a change, towards a much greater interdependence between the various stakeholders. This is also reflected in changes required in the tasks to be carried out, away from top down command and control and towards greater negotiation and activating, mobilising and synthesising activities. All of this can be seen as relevant when looking at the type of policy innovation which is seen to be needed, away from slow policy specific innovation and towards the development of more future oriented policy.

Many of the organisations interviewed describe their relationship to government, within the context of economic development policymaking, as being reactive, this regarded as less than optimal. There is also criticism of the lack of scrutiny of Welsh Government in terms of economic development policymaking and culturally the “critical friend” type relationship between Social Partners and Government is seen as unwelcome. Thus there is consensus among the Social Partners that it is not their role to make policy but rather to act as critical friends to the Welsh Government on policy areas. Moreover, the large size of the Council for Economic Renewal meetings and the general policy discussions are not seen as conducive to the type of sector/industry specific detailed roundtable discussions wanted by the Social Partners. Thus there is perceived to be a disconnect culturally between public sector and private sector working and a suggestion of more secondments to allow policymakers to see the pace and competitive environment they work in to help adjust the Welsh Government’s approach. To this end there is also call for changing the structure of the CER so that input into agendas is done outside of Government, allowing for a more meaningful and action oriented discussion

Stage 3

Stage 3 of the project is focused upon identifying ways of providing better cohesion of policy development and delivery in Wales. In order to achieve this task, two sets of activities were undertaken. The first of these involved a more in-depth analysis of the membership of the economic bodies deemed to be of most relevance:-

- Enterprise zones
- Sector Panels
- Regional Skills Partnerships
- City Regions
- CER
- Employment and Skills Board
- WEFO Programme Monitoring Committee-
- Wales Office Advisory Board

Table 6: Economic Bodies

Economic Body	Numbers Identified	Percentage
1. Enterprise Zones	63	18.5%
2. Sector Panel	52	15.3%
3. Regional Skills partnership	80	23.5%
4. City Region	33	9.7%
5. CER	45	13.2%
6. Employment and Skills Board	20	5.9%
7. WEFO Advisory Board	33	9.7%
8. Wales Office Advisory Board	14	4.1%
Total	**340**	**100%**

Table 6 indicates that 340 names (267 individual names, some of which appear on multiple bodies) were identified from the available data. It must be recognised that not all required data was available, either because the most up to date membership was not available online or because the board membership was not identified in terms of individuals (only organisational membership being identified).

Table 7: Membership Affiliations

Stated Affiliation	**Number of those on Bodies 1-8**	**Percentage of those on Bodies 1-8**	**Number excluding Bodies 5-8**	**Percentage (excluding bodies 5-8)**
Business	118	35.2%	103	45.8%
FE/HE	35	10.4%	31	13.8%
Designated Social Partner	**49**	**14.6%**	**10**	**4.4%**
Other Social Partner	22	6.6%	16	7.1%
Welsh Local Government	43	12.8%	41	18.2%
Welsh Government	41	12.2%	5	2.2%
UK Government	6	1.8%	2	0.9%
Welsh Government Designated Economic Body	10	3.0%	10	4.4%
Other Government Related Bodies	8	2.4%	7	3.1%
EU	3	0.9%	0	0%
Total	**335**	**100%**	**225**	**100%**
Unknown	**5**		**3**	

In terms of the organisations represented, across the eight economic bodies, Table 7 indicates that business has the highest proportionate representation, with over a third of total representation. Designated Social Partners (i.e. those identified for the WSPU research) have nearly 15% of the total representation, the second highest group.

This is, however, concentrated in bodies outside of Enterprise Zones, Sector Panels, Regional Skills Partnerships and City Regions. Indeed Table 7 shows that for these four bodies, Designated Social Partners make up less than 5% of the membership. More generally, a basic statistical evaluation of the data confirms the great variation in stakeholder engagement, indicating that there is a moderately strong (statistically significant) relationship between the organisational type and the economic body they sit on – i.e. a social partner organisation is significantly less likely to be the stated affiliation of border members of Enterprise Zones, Sector Panels, Regional Skills Partnerships and City Regions.

Conclusions

This paper has presented a work-in-progress attempt to employ the concept of the territorial policy community to better understand the economic development policy making process within Wales, as an asymmetrically devolved 'lagging' region (or indeed non-state nation) with a larger nation state. As such, although findings are not intended to be generalizable in the strictest sense, it is intended that they may serve to provide insights for other regions facing related challenges. Moreover, we suggest that the methodology employed here (albeit with some potential augmentations outlined below) could form the basis of a useful tool to employ in benchmarking the policy-making and implementation capacity of comparator regions. This would in turn provide potentially useful insights into their own domestic policy processes, and indeed their approaches to over-arching frameworks that require enhanced an institutional capacity for policy-making and delivery – such as the demands of the smart specialisation agenda. Such a tool could be a valuable means of comparative inter-regional studies.

In summary, with regard to the results we present above, given the very low membership of designated Social Partners on Enterprise Zones, Sector Skills Panels, Regional Skills Partnerships and City Regions in Wales, it is unlikely that beneficial links are being made by these Social Partners. It is more likely at present that representatives from FE/HE are currently able to act as conduits between multiple bodies , though of course, FE / HE does not have much if any representation on the "higher level" strategy bodies such as the CER, Employment and Skills Board or the Wales Office Advisory Board. Broadly, therefore, there appears to be a lack of "balance" across the economic bodies, combined with a lack of obvious strong linking between them in terms of memberships. This is important because of the results identified in stage 2. Overall, therefore, the analysis of the membership of the economic bodies deemed of greatest relevance to economic development policy does not suggest a systematic or linked approach from government, but rather a piecemeal, individual policy focus, which may not be conducive to the most effective economic development policymaking and enactment. Most fundamentally – there appears to be a disconnect between the intuitional arrangements for formulating policy (via the Council for Economic Development) and those charged with its delivery (or at least scrutiny thereof – i.e. City Regions, Skills Councils, Enterprise Zones).

To return to Keating et al's (2009) observation of "wide but not deep" interest articulation in Wales, our analysis suggests that groups may experience difficulty in making the transition from lobbyists to policy influencers – not through lack of involvement per se but for more nuanced reasons of agenda setting, the actual fora involved, and the disconnect of the scrutiny and implementation aspects of policy – and the institutional maturity required by Welsh Government in utilising 'critical friend' type relations with its key stakeholders.

These findings suggest that economic development policy stakeholders in Wales would benefit from new 'spaces' for dialogue and the exchange of views and ideas, highlighting the potential value of developing social capital among implicated agents, which may in turn facilitate evolution from individual leaderships to shared leadership in this field. Only in this way might the ownership of the development strategy be spread to all stakeholders, as opposed to pertaining to government or to any other unique actor. While it is possible that the recent Economic Action Plan launched by Welsh Government represents an opportunity to do so (and the plan includes the reorganisation and streamlining of bodies such as sectors panels and enterprise zones) it has already been noted above that this new plan has been formulated in a very top-down way by Welsh Government, with little consultation of other stakeholders.

Returning to one of the original motivating factors for the authors- the findings presented here also suggest that the overall coherence that a Small Business Administration body for Wales could provide is inextricably linked with an economic development policy governance structure that will inevitably create issues of reorganisation for government, particularly given previous policy in this area. This paper therefore provides an initial evidence base for academics, policymakers, SMEs and business organisations, on which to build future policy proposals for an SBA for Wales.

The work presented here is of course not without constraints; although we review the findings of Keating et al (2009) with regard to the interest articulation of Welsh stakeholder bodies, the empirical work presented in this paper has focused on this interest articulation within Wales only in its investigation of the territorial policy community. This is clearly a limitation and is suggestive of potentially fruitful areas of further research. For example, although table 7 identifies board members with affiliations at UK and EU level, it would be useful to conduct a kind of outward mapping exercise, i.e. Wales-affiliated bodies with representation on the steering committees of relevant stakeholder organisations outside of Wales. Moreover, neither is Wales itself a homogenous entity- as Jeffery (2005) notes, Welsh national identity (and by extension interest articulation) is itself divided between North and South and between English and Welsh speakers. The flipside of this point is where administrative links may be weak but economic ones are strong (Wales is a good example – i.e. South East Wales and South West England have strong economic links, conversely North and South Wales have weaker economic links but are served by common Welsh institutions. More generally, as the distinctions between regional and national scope become increasingly blurred with semi-autonomous regions / non-state nations, formal regions as per the regional innovation systems approach may not necessarily be the most appropriate vehicle for sub-national policy formulation.

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