



DEBATE PACK

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The effect of leaving the EU on businesses in Wales

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Summary

This pack has been prepared ahead of the debate on **the effect leaving the EU on business in Wales** to take place in Westminster Hall on 14 December 2016 at 2:30pm. The subject for the debate has been chosen by Chris Elmore MP.

The UK's exit from the EU has a number of implications for businesses in Wales. Four of the main channels through which impacts on Welsh businesses may potentially be felt are:

- UK-wide impacts on the state of the economy and growth prospects
- Changes to EU funding for businesses
- Trade with the EU
- Changes to EU regulations

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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1. Background

The UK's exit from the EU has a number of implications for businesses in Wales. Four of the main channels through which impacts on Welsh businesses may potentially be felt are:

- UK-wide impacts on the state of the economy and growth prospects
- Changes to EU funding for businesses
- Trade with the EU
- Changes to EU regulations

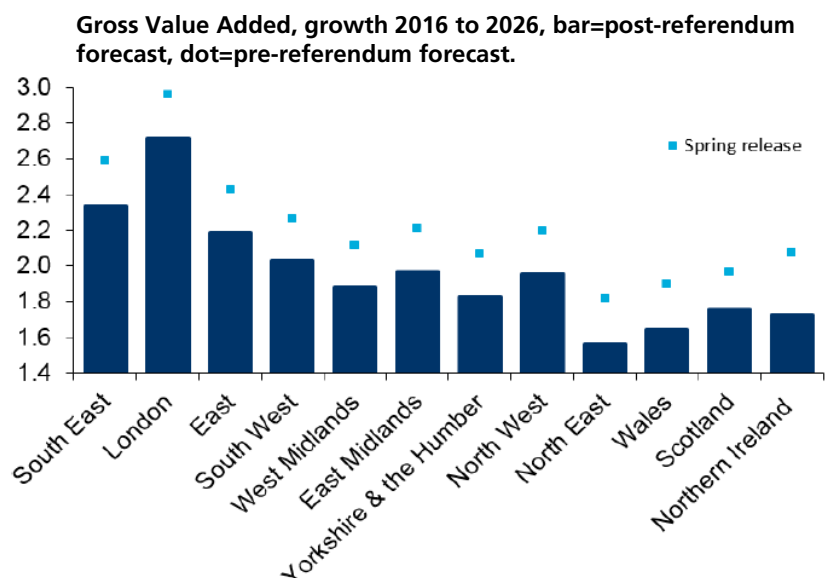
The UK economy and growth prospects

In its recent publication, [Economic and Fiscal Outlook – November 2016](#), the Office for Budget Responsibility (OBR) estimated that cumulative potential output growth would be 2.4 percentage points lower than where it would otherwise have been in 2021 without the referendum. In other words, it expects that Brexit will have a negative impact on UK growth prospects over the next five years. This in turn is likely to effect the economic outlook in Wales.

Since the EU referendum in June 2016, there has only been limited analysis of the impact of the decision by region of the UK.

[Oxford Economics](#) (an economic consultancy firm) have updated their forecasts of economic growth for the regions in light of the referendum decision. The chart below is from the Oxford Economics analysis.

The chart shows that Oxford Economics' forecasts for growth have been degraded in all regions by between 0.25 percentage points, and 0.35 percentage points. London remains the fastest growing, and the North East remains the slowest growing. **The impact on Wales is expected to be around 0.25 percentage points.** The data underlying this chart can be found in the Library briefing, [Regional and National Economic Indicators](#).



In its analysis, the OBR highlights a number of **possible** effects of exiting the EU that may impact Welsh businesses. These include:

- lower business investment
- lower population growth from reduced net migration
- the impact of a less open economy on productivity
- a reduction in investment in research and development
- costs associated with adjustments to new regulations or new markets¹

EU funding in Wales

Welsh businesses benefit from EU funding programmes that support their activities in line with EU priorities. The majority of EU funding is administered in partnership with national and regional authorities in Member States, though a share of EU funding is directly administered by the European Commission (see box 1).

Box 1: Types EU funding

Broadly speaking, EU funding takes two different forms:

- **Funds allocated to member states to manage** – this covers over 76% of the EU budget which is dispersed in partnership with national and regional authorities. In the UK, this is largely done through the European Structural & Investment funds.
- **Funds allocated directly by the European Commission** – These funds are not allocated to member states. In general, organisations (including small businesses) apply directly to the European Commission for funding from these streams, often on a competitive basis following calls for applications.

Funding allocated to the Welsh Government

Wales has been allocated around €5 billion of funding from the EU for the period 2014 – 2020:

- €3.1 billion – provided from the European Structural and Investment (ESI) Funds – is to grow economic activity and employment, and increase the living standards of EU citizens.
- €1.9 billion is for providing direct support for farmers under the Common Agricultural Policy (CAP). This support is often referred to as Pillar 1 of CAP.

The funding is allocated to the Welsh Government who administer the programmes. The public, private and third sectors are all involved in delivering projects from the funding.

¹ OBR, [Economic and Fiscal Outlook November 2016](#), Box 3.1

EU funding allocations for Wales and UK comparison, 2014 - 2020

	Wales € billion	annual average, € per person ¹	
		Wales	UK
European Structural and Investment Funds			
European Regional Development Fund	1.4	65	13
European Social Fund	1.0	46	11
European Agricultural Fund for Rural Development	0.7	30	11
European Maritime and Fisheries Fund	0.0	1	1
European Agricultural Guarantee Fund (Pillar 1 of CAP)	1.9	89	49

¹ based on 2015 population

sources:

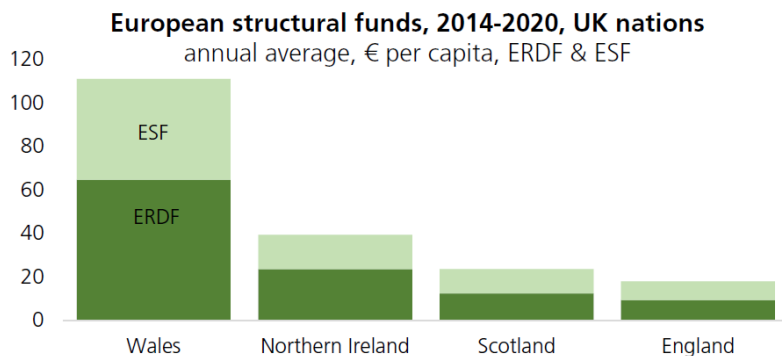
European Commission, Structural and Investment Funds Open Data; House of Commons Library, CAP reform 2014-20: EU Agreement and Implementation in the UK and in Ireland (updated); www.nomisweb.co.uk

Wales’ allocations for the seven year period equate to an annual average of around £230 per head, greater than the £85 per head across the UK as a whole.

The per capita benefits of the €3 billion ESIF component are shown below, broken down into the European Regional Development Fund (ERDF) which supports local economic growth and the European Social Fund (ESF) which aims to improve employment and education opportunities by funding training and skills projects.

Wales receives more than six times the ESIF funding per capita than England.

Per head, Wales receives more funding from the EU than the UK as a whole



ESI funding from the EU must be supplemented with funding from other sources. This means that the total investment supported by Structural Funds will be greater than the funding from the EU alone.

Some approved projects under the EDRF/ESF for the current funding period are set out below along with the relevant contact points for further information.

Programme	Title	Description	Objective	Contact
ERDF	Entrepreneurship Support – Business Wales	Deliver entrepreneurship promotion and support to Wales based entrepreneurs and young growth businesses	To increase the number of SME start-ups through the provision of information, advice and guidance	Fiona Hay Fiona.Hay@wales.gsi.gov.uk
ERDF	Superfast Broadband Business Exploitation	Increase the economic return of superfast broadband infrastructure by escalating its use by SMEs.	To increase the take-up and exploitation of NGA networks and ICT infrastructure by SMEs	Bethan Evans bethan.evans2@wales.gsi.gov.uk
ESF	Active Inclusion Fund - WWV	Reduce the number of economically inactive and long term unemployed people across West Wales and the Valleys.	To increase the employability of economically inactive and long term unemployed people aged 25 and over, who have complex barriers to employment.	Poverty and Youth Branch WEFOEmploymentYoungPeople@Wales.GSI.Gov.UK

Source: [Welsh Government, Approved Projects 2014-2020](#)

In response to [a parliamentary question from April 2016](#), the Government has said that:

The number of jobs estimated to have been created in Wales through European Regional Development Fund projects from the start of the 2007-2013 programmes to the end of February 2016 is 36,400. The number of businesses created in the same period is 11,900.

Direct funding

Businesses in Wales can also bid directly to the European Commission for funding from other programmes such as Horizon 2020, which provides funding for research and innovation.

It is difficult to quantify the funding for Wales from each of the European Commission's direct funding programmes. That said, the Horizon 2020 programme, running during 2014-20, has awarded €40 million of grants to organisation in Wales, as at 23 February 2016. The predecessor to Horizon 2020 – the 2007-2013 'Seventh Framework Programme' – allocated €145 million to organisations in Wales.²

Post-Brexit guarantees

The UK will continue to receive funding from the EU as long as it is a member state – this will still be the case after Article 50 has been triggered and negotiations are ongoing. Contract and grant agreements are legally binding documents between project partners and the managing authority, meaning that despite the decision to leave the EU, these agreements would continue to require the European Commission to finance all UK partners should they apply for, and be successful with securing EU funding.

² [WQ 30220 EU Grants and Loans: Wales](#)

The UK's access to EU funding programmes will be subject to negotiations during the EU withdrawal process. It is possible that the UK may still receive funding from certain EU programmes even after it has left the EU. Some minor programmes already include countries that are not EU member states, such as the Interreg Europe programme which is open to [Norway](#) and Switzerland. However, these funds are relatively small and both Norway and Switzerland are net contributors to them. No country that is not an EU Member State receives money through the ESI funds.

On 13 August 2016, [the Chancellor gave a number of assurances](#) relating to the replacement of any lost EU funding. These include:

- all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU.
- where UK organisations bid directly to the European Commission on a competitive basis for EU funding projects while we are still a member of the EU, for example universities participating in Horizon 2020, the Treasury will underwrite the payments of such awards, even when specific projects continue beyond the UK's departure from the EU

[In his Conference speech](#), the Chancellor announced that beyond the Autumn Statement, the Treasury will offer a guarantee to bidders whose projects "meet UK priorities and value for money criteria". It is unclear as to what these priorities and criteria will entail and to what extent these will cover projects currently funded by the EU. [A PQ tabled by Tim Farron MP on 10 October 2016](#) received the following response:

The Chancellor announced that the Treasury will provide a guarantee for all new structural and investment fund projects, signed after Autumn Statement, and before we leave the EU, where they provide value for money and support domestic strategic priorities.

Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending. The Treasury will work with departments to embed this approach.

[Various other PQs](#) have been asked on the subject of the ESI funds, to which the Government has reiterated these commitments.

Trade with the EU

Wales exported £5.0 billion of goods to the EU and £7.2 billion of goods to non-EU countries; the EU thus accounted for 41% of total goods exports from Wales.

This is below the UK average of 48%, with only London and Scotland exporting a lower proportion of their total goods exports to the EU.

Goods exports by UK country and region, 2015 (£ billions)

	Total exports	Exports to EU	EU exports as a % of total
Wales	12.2	5.0	41%
North East	12.2	7.0	58%
North West	24.9	11.7	47%
Yorkshire and the Humber	16.6	7.8	47%
West Midlands	29.0	12.0	42%
East Midlands	29.0	8.7	30%
East	21.4	11.5	54%
London	32.3	12.6	39%
South East	40.6	19.1	47%
South West	15.3	9.7	64%
England	211.5	100.1	47%
Scotland	17.5	6.7	39%
Northern Ireland	6.3	3.5	55%
Unknown region	32.0	18.1	57%
Total UK	279.5	133.4	48%

Source: HMRC, UK Trade Info

5 of Wales' top 10 goods export markets are EU member states – Germany, Ireland, France, the Netherlands and Belgium. In total, these five countries accounted for 31% of all Wales' goods exports.

The USA was Wales' single largest goods export market, accounting for 23% of all Welsh goods exports.

Welsh goods exports by destination

2015, £ billions

USA	2.8	23%
UAE	1.0	9%
Germany	1.0	9%
Ireland	1.0	8%
France	0.7	5%
Netherlands	0.6	5%
Belgium	0.5	4%
Singapore	0.3	2%
Qatar	0.3	2%
Japan	0.3	2%
World Total	12.2	100%

Source: HMRC, UK Trade Info

Business regulations

The EU has various powers that affect businesses directly. Through successive EU Treaty amendments, the policy areas in which the EU has competence to legislate have been gradually expanded, although the volume of new 'hard' law (regulations and directives) emanating from the EU has declined from a peak in the early 1980s.

New EU aims and areas of activity, for example in social protection and sustainable development, have raised concerns about the impact of EU membership on business and the wider economy. Regulation in these areas, some argue, has little to do with the EU's founding purpose of establishing a common market between Member States, imposing burdens that offset the trade benefits of membership.

The EU legislates in a number of areas that impact directly on businesses. These include:

- Product specifications, e.g. Directive 2000/36/EC on cocoa and chocolate products intended for human consumption
- Competition, e.g. Council Regulation 139/2004 on the control of concentrations between undertakings (also known as the merger regulation)
- Employment terms, e.g. Directive 2008/104/EC on temporary agency work
- Health and safety, e.g. Directive 2009/148/EC on exposure to asbestos at work
- Consumer protection, e.g. Directive 93/13/EC on unfair terms in consumer contracts.

There are thought to be both costs and benefits of EU regulations to businesses. For a discussion of these, see p38-39 of the Commons Library Briefing Paper [Brexit: impact across policy areas](#).

2. Press Articles

The following is a selection of recent press and media articles which may be relevant to this debate. Please note: the Library is not responsible for either the views or accuracy of external content.

[Brexit: David Davis urges 'cool heads' in CBI Wales speech](#)

Sarah Dickins

BBC, 1 December 2016

[Financial services in Wales – how would banks leaving the UK following Brexit impact Wales?](#)

Mark Powney

Business News Wales, 1 December 2016

[Businesses fear tipping off Brexit cliff edge, warns CBI president](#)

South Wales Guardian, 20 November 2016

[What does Brexit mean for business funding in Wales? From social businesses supporting poor areas to a fast-growing manufacturer, EU funding has been vital to Welsh communities and enterprise](#)

Amy Pay

Guardian, 11 November 2016

[Brexit Article 50 certainty needed by firms, Cairns says](#)

BBC, 4 November 2016

[Welsh small businesses speak out about Brexit: 'customer confidence will be key'](#)

Amy Pay

Daily Telegraph, 14 October 2016

[Brexit: How has the vote affected firms in Wales?](#)

Sarah Dickins

BBC, 5 September 2016

[EU funding guarantee 'not enough', says Carwyn Jones](#)

BBC, 13 August 2016

[Wales told not to expect same level of funding as it got from the EU - despite voting Brexit](#)

Adam Lusher

Independent, 14 July 2016

[Here's how much money Wales gets from the European Union and how it is spent](#)

Steffan Rhys

Wales Online, 26 June 2106

[How Welsh business has reacted to the EU referendum leave result](#)

Sion Berry

Wales Online, 24 June 2016

[Brexit: Business in Wales looks for assurances on way ahead](#)

Brian Meechan

BBC, 24 June 2016

[Where does Brexit vote leave Welsh economy?](#)

Sarah Dickins

BBC, 24 June 2016

3. Press releases

[CBI Wales Annual Dinner: Secretary of State for Exiting the EU, David Davis, addresses CBI Wales' Annual Dinner](#)

CBI

2 December 2016

Over 400 business people from across Wales dined at Cardiff City Hall on Thursday evening and heard from the Secretary of State for Exiting the European Union, the Rt. Hon David Davis MP. Guests also heard from the First Minister for Wales, the Rt. Hon Carwyn Jones AM and the BBC's John Pienaar.

In his speech, the Secretary of State reaffirmed the government's strategic aims for the EU negotiations: control over legislation and immigration to the UK, maintaining strong security co-operation with the EU, and establishing the freest possible market in goods and services with the EU and the rest of the world.

On immigration and access to skills, the Secretary of State revealed to delegates that while freedom of movement would not operate in the manner it currently does, the government will not seek changes that are contrary to the national and economic interest, adding that "no-one wants to see labour shortages in key sectors". This follows CBI interventions following the Conservative Party Conference on the business need to secure access to skills in the post-Brexit migration system. A system allowing people from the EU to have access for work where there are both skills and labour shortages is essential for growth across the country.

[Welsh Business Barometer Reveals Slowdown in Economic Growth Following Brexit Vote](#)

Business News Wales

10 October 2016

The Welsh business community has reported a slowdown in economic growth following the Brexit vote, but the immediate economic impact is not as severe as many had predicted, according to the latest results from the Welsh Business Barometer.

The South Wales and Mid Wales, West Cheshire and North Wales Chambers of Commerce, in partnership with the University of Wales Trinity St David's Business School, have released the findings of the first major survey of its members since the result of the referendum on the UK's future relationship with the EU. The number of businesses reporting growth in export sales and orders, a rise in revenues from domestic markets and increased investment in equipment and training have all fallen in the third quarter of 2016, compared to the corresponding survey results from Q2.

The Barometer findings also suggest that business confidence has taken a hit following the Brexit vote and the subsequent fall in the value of the pound. Although the difference between those who expect revenues to increase over the next 12 months and those who predict a fall remains relatively unchanged, the same figure for profitability was down more than 5% on the previous quarter's survey, conducted prior to the 23rd June poll.

The Welsh Business Barometer is an independent survey of business performance and confidence, which acts as an early indicator of the market in Wales. The latest findings will be presented this afternoon at the Aberavon Beach Hotel in Port Talbot, with the Welsh Cabinet Secretary for Economy, Infrastructure and Skills, Ken Skates AM, in attendance. Mr Skates will provide his reaction to the survey results and address businesses on the Welsh Government's plans to support businesses and boost economic performance in Wales.

Of all the surveyed areas showing a slowdown in growth, it was investment in training and equipment that fell most sharply, with only 6.6% more employers investing more than those cutting back – down nearly 10 percentage points on quarter two. Should this trend continue, the number making cuts will outweigh those investing by the end of the year.

The positive trend in employment found throughout 2016 has also remained steady, with the survey finding that more than 24% of businesses increased their workforces during the third quarter; more than double those reporting a reduction. The amount of businesses reporting difficulty in recruiting staff (58.8%) also fell by 2.85% in Q3 and by 3.9% since the end of 2015. However, this figure has nonetheless remained well above 50% since the beginning of 2014 as Welsh employers in a range of industry sectors continue to grapple with a significant skills gap.

Commenting on the latest figures, Liz Maher, president of the South and Mid Wales Chamber of Commerce, said:

Although it's unsurprising to see that businesses are feeling uncertain about the future, it appears that fears surrounding the immediate economic impact of the Brexit vote have been largely unfounded, with many respondents reporting business as usual. The potential cut-backs in investment do provide some cause for concern but it is encouraging to see that most of the businesses surveyed are still predicting a year of revenue growth.

We must, however, not rest on our laurels. Earlier this week, the Chancellor of the Exchequer warned that the Brexit vote may cause "turbulence", and business confidence would be on a "bit of a rollercoaster". The government and businesses must now work together to ensure that the Welsh economy continues to grow.

Many business leaders feel that there has been a lack of activity from both the Welsh and UK governments and, while there have been positive words about support for businesses, very little has been done to provide firm answers on timescales and the approach towards negotiating renewed trade agreements between the UK and the rest of Europe.

We are therefore pleased that the Prime Minister has given an indication of when she plans on activating Article 50 of the Lisbon Treaty, but for most businesses, getting Brexit right is far more important than doing it quickly. Now that the Prime Minister has set a timescale, the government must demonstrate to businesses that it has a clear and coherent strategy, to defend the UK's economic and business interests in the negotiations that lie ahead.

In Wales last week we saw the inaugural meeting of the Welsh Government's EU Advisory Group. This meeting is a positive step in ensuring action from the Welsh Government but we must not think that holding a meeting in itself is enough. The Welsh Business Barometer shows that more needs to be done to encourage Welsh businesses to invest and help them to export.

I am also worried that the group is largely dominated by politicians and the public sector, with only two representatives from private sector business. SMEs are at the heart of the Welsh economy and make up around 94% of all businesses in Wales, so it is vital that the EU Advisory Group ensures that issues directly affecting the SME sector are heard to inform policy negotiations going forward.

We're happy to hear that many Welsh businesses are, for the time being, continuing to see positive growth, but unless they are given more clarity about the post-Brexit future, my fear is that this may come to a halt sooner rather than later.

[£136m Fund and Development Bank will help support businesses in Wales post EU referendum, says Economy Secretary](#)

Finance Wales

21 September 2016

A pro-business package that includes a new £136m fund and the establishment of the Development Bank for Wales will transform the financial support on offer to Welsh businesses, in the wake of the vote to leave the EU.

This was the message from Economy Secretary, Ken Skates as he launched the new Wales Business Fund at an event in Cardiff.

The Economy Secretary said the new fund, which is backed by Welsh Government and the European Regional Development Fund, was the largest EU funding announcement in the UK since the referendum and would offer £136m worth of flexible funding solutions to businesses based in Wales, helping them to accelerate their plans for investment and growth.

The fund will be complemented by the establishment of the Development Bank for Wales which will ensure improved access to finance for SMEs and significantly drive up investment in Welsh

business.

The Economy Secretary announced that work to establish the Development Bank was progressing well and that the Welsh Government had received and was evaluating a detailed business case with a view to the Development Bank being up and running by the second quarter of 2017/18.

Ken Skates said:

I am committed to creating a fair and prosperous economy that benefits everyone in Wales - and that means increased support for our businesses.

The Wales Business Fund will mean Welsh SMEs can collectively access up to £136m of financial support over the next seven years, ensuring they are well placed not only to develop their home markets but also to compete internationally.

This support will be complemented by the establishment of the Development Bank for Wales which will further support Welsh businesses to access finance and ultimately help us to safeguard and create jobs right across Wales.

Our work to establish the Development Bank is progressing well and we have now received a fully costed business plan from Finance Wales which would see them evolve into the Development Bank for Wales.

Work is now ongoing to fully evaluate the costs and benefits of that plan with a view to the bank being up and running in the second half of next year.

I am committed to a Development Bank for Wales that transforms and improves access to finance for SMEs and is closely integrated with the advice and support services provided by Business Wales.

The key aim of the Development Bank is to increase investment levels to Welsh business and enable our economy to thrive. This is more important than ever as we seek to increase business confidence in the wake of the EU referendum and I will be looking to the Development Bank to drive up investment levels to £80m per annum within 5 years.

Giles Thorley, CEO of Finance Wales added:

The launch of the £136m Wales Business Fund and the exciting progress that's being made with plans for the Development Bank for Wales is a significant boost to the Welsh economy. Our new fund, part of more than £700m of funds managed by the Finance Wales Group, offers flexible investments to Welsh small and medium-sized enterprises (SMEs). SMEs are the lifeblood of the Welsh economy and we're proud to support them.

Funding remains available for Welsh businesses, despite the recent Brexit vote. EU structural and investment fund projects – like the Wales Business Fund – which have been approved prior to this year's autumn statement are guaranteed funding.

With this new fund and our evolution into a Development Bank for Wales in

the coming financial year we'll be able to build on our existing experience, offering flexible finance solutions to a range of businesses. The new package outlined by the Welsh Government will attract both international companies and help home-grown entrepreneurs. Wales is a great place to do business and we're committed to supporting a strong business environment.

The Future of Grant Funding in Wales post Brexit

Broomfield Alexander

28 June 2016

The result of the EU Referendum and the decision taken by the UK to leave the EU has sparked some debate over the future of grant funding in Wales. Over the last 30 years grant funding has been an important economic driver in Wales to support investment and job creation both by inward investors and indigenous businesses. Grant support has also been available in Wales to support major infrastructure projects, research and development and training and recruitment.

Welsh Government Grants

Grants which support job creation and capital investment by businesses in Wales are available from the Welsh Government via grant schemes such as Repayable Business Finance and previously the Wales Economic Growth Fund. These grants are funded from the Welsh Government's £15 billion annual budget which is allocated by UK Treasury. The amount of grant funding available is agreed as part of the annual budgetary process undertaken by Welsh Government.

There is no reason to suggest that grant funding from this source will disappear when the UK exits the EU. Brexit campaigners at a political level made it clear that 'Wales would not lose out' so in theory more money will be made available to Wales from UK Treasury to replace the EU funding which will be lost. It remains to be seen however whether this will be the case and how Welsh Government will decide to utilise any additional funding received from UK Treasury.

As a consequence of Brexit however Wales will no longer be governed by EU State Aid rules which place restrictions on the amount of State Aid that can be made available to businesses. This in theory will allow Welsh Government more freedom to provide support to businesses in Wales. It may be however that as part of any trade agreement with the EU, the UK will be required to continue apply EU state aid criteria going forward.

EU Funding in Wales

Wales has benefited from over £4 billion of EU structural funds since 2000 which has provided support for some of the poorest areas of Wales in particular West Wales and the Valleys. The latest round of European Structural Funding runs from 2014 to 2020 and amounts to

£1.8 billion in total. In addition there is a further £200m per annum of support for the agricultural sector in Wales.

A study undertaken by Cardiff University's Wales Governance Centre indicated that in 2014 Wales received £245m more in EU funding than it paid in, however the UK's net contribution to the EU was £9.8 billion. Projects which have received EU funding in Wales include the Swansea Bay University Campus, the Heads of the Valley Road Improvement Scheme and Town Centre Improvements in Merthyr and Pontypridd. EU funding has also supported programmes such as Jobs Growth Wales, Apprenticeships, SMART Cymru and the Finance Wales Jeremie Fund.

The current programme of EU funding runs from 2014 to 2020 and it is assumed that all EU funding will cease when the negotiations period ends and the UK formally leaves the EU. Part of the negotiations however may involve trying to secure the funding which has already been allocated under the current round of EU funding.

Potential Impact on Wales

The potential impact of Brexit on the Welsh economy is unclear but there is a risk to jobs and investment in the short term given the uncertainty created by the UK's decision to leave the EU. The Welsh Government has already identified this risk and has stated it will do all it can to secure jobs for Wales.

Many inward investors highlight access to the European single market as an important driver in any decision to invest in the UK and Wales may find it increasingly difficult to attract inward investment until there is some clarity as to the trading relationship going forward with the EU. There is also a risk that some inward investors already in Wales may choose to relocate their operations elsewhere.

The threat to jobs and investment could mean a renewed focus by the Welsh Government in the short term on making grant funding available to encourage companies to invest and grow in Wales whilst negotiations with the EU are ongoing.

In the longer term, post Brexit, the Welsh Government will need to ensure that additional funding is allocated to Wales from UK Treasury to make up any shortfall arising from the loss of EU funding. The Welsh Government will then need to develop a strategy to ensure this additional funding is used in the best way possible to support economic growth and investment in Wales.

4. Parliamentary material

4.1 Written questions

[HM Treasury: Public Expenditure: Written question - 55797](#)

Asked by Jim Shannon

Asked on 01 December 2016

To ask Mr Chancellor of the Exchequer, what his policy is on the geographical distribution of funding previously paid to the EU to regions and constituent parts of the UK after the UK has left the EU.

Answered by Mr David Gauke

Answered on 07 December 2016

We are working closely with the regions and constituent parts of the UK to ensure we get the best possible deal for all parts of the UK as we leave the EU.

There are a range of outcomes on EU exit and it would not be sensible to set out the costs, benefits and consequences of different scenarios in advance of the EU exit negotiation. But leaving the EU means we will want to take our own decisions about how to deliver policy objectives previously targeted by EU funding.

As we transition to longer-term arrangements we will ensure regions and Devolved Administrations continue to be engaged and local circumstances are taken into account.

[Wales Office: EU Grants and Loans: Wales - 906620](#)

Asked by Danny Kinahan

Asked on 11 October 2016

To ask the Secretary of State for Wales, what steps he is taking to ensure that Wales receives the maximum funding possible from the EU before the UK leaves the EU.

Answered by Alun Cairns

Answered on 19 October 2016

The Government is taking a practical approach to EU funding. As my Rt hon Friend the Chancellor has made clear, structural and investment funds projects signed before the date of exit will be fully funded by the Treasury even where payments fall after we leave the EU; in keeping with the devolution settlement, it will be for the Welsh Government to decide the conditions used to assess projects within its devolved competence.

[HM Treasury: Transport: South Wales - 48650](#)

Asked by Stephen Doughty

Asked on 13 October 2016

To ask Mr Chancellor of the Exchequer, what assessment his Department has made of the potential economic effect of the withdrawal of EU funding on the South Wales metro project.

Answered by Mr David Gauke

Answered on 19 October 2016

The UK Government will guarantee funding otherwise expected from the EU for structural and investment projects in Wales, including European Regional Development projects, signed before we leave the EU. It will be for the Welsh Government to make an assessment of which projects should be pursued in areas of its competence within its MFF allocations in this period, and this guarantee will apply to any such projects.

[HM Treasury: Public Expenditure: Wales - 46769](#)

Asked by Paul Flynn

Asked on 07 October 2016

To ask Mr Chancellor of the Exchequer, what plans he has to match the level of funding for Wales that is provided by the EU.

Answered by Mr David Gauke

Answered on 17 October 2016

The UK Government will guarantee EU funding for structural and investment fund projects in Wales, including agri-environment schemes, signed before we leave the EU. It will be for the Welsh Government to make an assessment of which projects should be pursued in areas of its competence, and this guarantee will apply to any such projects. The agricultural sector in Wales will receive the same level of funding that it would have received under Pillar 1 of CAP until the end of the Multi-Annual Financial Framework in 2020.

As a result of these steps taken by the UK Government, individuals and organisations in receipt of EU funds now have a greater degree of certainty about funding over the coming years. The UK Government will work with the Welsh Government to consider future funding arrangements for once the UK has left the EU.

[Department for Business, Innovation and Skills: EU Grants and Loans: Wales - 30220](#)

Mr Mark Williams

Asked on 08 March 2016

To ask the Secretary of State for Business, Innovation and Skills, which projects in Wales have received European Commission funding in each of the last five years; and how much each such project received in each year.

Answered by Anna Soubry

Answered on 16 March 2016

A list of all projects financed by the European Structural Funds in the 2007-13 period can be found on the Welsh Government website under 'Funding', 'European funds in Wales', 'Previous European Structural Funds programmes', 'Approved project database 2007-2013'.

Implementation of the 2014-2020 European Structural Funds programmes is at an early stage. A list of projects to be financed in Wales by the Structural Funds for 2014-2020 can be found on the Welsh Government website under 'Funding', 'European funds in Wales', 'European Structural Funds 2014-2020', 'Approved projects and ideas under development'.

The Seventh Framework Programme 2007-2013 has provided grants to research and innovation projects across the EU. The European Commission's figures show that the total value of grants awarded to organisations in Wales under this programme was €145,243,199 (up to and including 11 November 2015). For 2014-2020, the Horizon 2020 programme (the successor to the Seventh Framework Programme) has awarded grants with a total value of €39,932,431 to organisations in Wales (up to and including 23 February 2016).

4.2 Oral questions

[Rebalancing the Economy: HC Deb 13 July 2016 c 279](#)

Nick Thomas-Symonds: Central to rebalancing the Welsh economy are the metro projects and the city regions. Given that during the referendum campaign 13 Government Ministers signed a letter guaranteeing the continuation of EU funding, will the Minister ensure that none of those projects loses out as a result of our leaving the EU?

Guto Bebb: I think the hon. Gentleman is asking me to give a guarantee in relation to a future Government. That Government will be established by the new Prime Minister from this afternoon onwards. The key point is that the city deal was an initiative that showed the co-operation between the Westminster Government and the Welsh Government. It showed what could be done when Governments work together. The proposed investment in the south Wales metro is something that was not delivered by the previous Government during the 13-year period in which they could have made a difference.

[EU Membership, HC Deb 4 Mar 2015, c 929-30](#)

Mark Tami: What recent discussions he has had with business representatives in Wales on the importance of membership of the EU to the Welsh economy.

The Parliamentary Under-Secretary of State for Wales (Alun Cairns): Membership of the European Union's single market is good for businesses in Wales. However, businesses tell me that the burdens and costs imposed by the European Union are making it harder for them to grow. This Government are determined to renegotiate our membership with the European Union to get a better deal for Wales and for UK businesses, and to put that to the people.

Mark Tami: How many tens of thousands of jobs in Wales does the Minister think would be at risk if the UK left the EU?

Alun Cairns: A renegotiated European Union provides greater opportunities for businesses in Wales. I know that the hon. Gentleman shows great interest in Airbus, which says:

"Regardless of which decision the UK will make, we are strongly committed to our operations in the UK".

The British Chambers of Commerce also supports that position. I am absolutely confident that the growth in Wales will contribute to more jobs and provide more of the certainty that people want.

Mr David Jones: Does my hon. Friend agree that the issue of British membership of the EU is indeed of concern to the people of Wales, who have not had their say on the issue for 40 years? Does he further agree that the only way they will get that say is with the return of a Conservative Government, because Labour will not give it to them?

Alun Cairns: My right hon. Friend is absolutely right. We cannot pretend that this debate is not happening. We need to make the arguments for what the CBI wants—a reformed European Union of which the UK is a part.

Susan Elan Jones: I am intrigued. The Minister said earlier that businesses had told him various anti-EU things. Can he name a single business across the length and breadth of Wales—north, south, east or west—that has told him it would like Wales to leave the EU?

Alun Cairns: I am happy to point to the survey by the British Chambers of Commerce which showed that 77% of businesses support a referendum on EU membership, and said:

"British businesses remain determined to see a recalibrated relationship between the UK and the rest of the European Union, with more powers exercised from Westminster rather than Brussels."

I hope that the hon. Lady supports that comment from the British Chambers of Commerce.

Mr David Nuttall: Does the Minister agree that businesses do not always speak with one voice on this issue? While big businesses are often the most able to cope with the bureaucracy sent to us from

Brussels and might want to stay within the European Union, very often small businesses do not?

Alun Cairns: My hon. Friend makes an extremely important point. Many of the people who are scaremongering now are the same people who wanted to join the euro all those years ago. It is this party that stands up for the British economy and stands up for businesses, exactly as the British Chambers of Commerce, the CBI and Airbus say in the quotes I have given.

Chris Ruane: In 1998, I was successful in persuading my right hon. Friend the Member for Neath (Mr Hain) to accept Denbighshire and Conwy into the bid for objective 1 European funding. In that time, Denbighshire has had a quarter of a billion pounds of private sector and public sector funding from Europe. If Britain pulls out of the EU, my constituency and my county will lose £100 million over the next seven years. What does the Minister feel about that?

Alun Cairns: May I remind the hon. Gentleman that European structural funds are aimed at the poorest parts of Europe? It is no mark of celebration to say that his constituency succeeded in winning that money. This Government have a long-term economic plan to turn the economy around for the longer term rather than depending on the grants and handouts for which he makes the case. He also needs to be reminded that that is our money coming back with conditions attached.

Neil Carmichael (Stroud) (Con): Does the Minister agree that the reforms that the CBI and others are recommending for the single market, and for the European Union in general, are absolutely right for Wales and absolutely right for Britain, and that that should be a consideration for the referendum?

Alun Cairns: My hon. Friend is absolutely right. Opposition Members talk about some sort of so-called uncertainty, but that so-called uncertainty has given us the fastest-growing economy in the G7 and has made Wales the fastest-growing part of the United Kingdom, which we should be celebrating and marking.

4.3 Debates

[Political Consequences of the EU Referendum, HC Deb 13 July 2016, c 277-79](#)

[EU Membership: Economy, HC Deb 13 April 2016, c 341](#)

5. Further reading

[EU Transition FAQs](#)

Business Wales

[Wales after Brexit: an agenda for a fair, prosperous and sustainable country](#)

Bevan Foundation

[Brexit reading list: Legal and constitutional issues](#), House of Commons Library, October 2016

[Brexit in Wales – EU funding, research and Investment](#), National Assembly of Wales, External Affairs and Additional Legislation Committee, October 2016

[Brexit: impact across policy areas](#), House of Commons Library, August 2016

[Wales, already impoverished, is set to get even poorer](#), London School of Economics, August 2016

[Embrace Brexit](#), Andrew R.T. Davies, Institute of Welsh Affairs, July 2016

[What will Brexit mean for Wales?](#), Public Policy Institute for Wales, July 2016

[Wales and the EU: What does the vote to leave the EU mean for Wales?](#), National Assembly for Wales, Research Service, Legal Service and EU Office, June 2016

[Wales' response to the Brexit vote](#), Institute of Welsh Affairs, June 2016

[Wales and the EU Referendum: Estimating Wales' Net Contribution to the European Union](#), Wales Governance Centre, Cardiff University, May 2016

[Wales and the EU Referendum: Cohesion Policy](#), Wales Governance Centre, Cardiff University, May 2016

[Implications of Brexit on public services in Wales](#), Wales Public Services,
2025, May 2016

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