



Llywodraeth Cymru
Welsh Government

IMPACT ASSESSMENT

Economic Resilience Fund (ERF) phases 1, 2 and 3: integrated impact assessment

An assessment of how the COVID-19 specific fund is being used to benefit businesses across Wales.

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Contents

[What action is the Welsh Government considering and why?](#)

[Conclusion](#)

What action is the Welsh Government considering and why?

How have you applied/will you apply the five ways of working in the Well-being of Future Generations (Wales) Act 2015 to the proposed action, throughout the policy and delivery cycle?

The Economic Resilience Fund (ERF) supports businesses, including social enterprises and includes the following phases:

Funding*	Date	Amount
ERF phase 1	April 2020	£400,000,000
COVID-19 Wales Business Loan Scheme Development Bank of Wales (providing loans between £5,000 to £250,000)	April 2020	£100,000,000
ERF phase 2	June 2020	£300,000,000
ERF phase 3	October	£100,000,000

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Funding*	Date	Amount
	2020	
ERF phase 3 Non Domestic Rates Lockdown	October 2020	£199,500,000
Non Domestic Rates Restrictions Business Fund	December 2020	£160,000,000
ERF Sector Specific Fund (Hospitality, tourism, leisure and supply companies)	January 2021	£180,000,000
ERF Sector Specific Fund Phase 2	March 2021	£30,000,000
Non Domestic Rates support for hospitality, tourism, leisure and non-essential retail sectors.	March 2021	£150,000,000
	Total	£1,619,500,000

*Excludes Business Rates relief in 2020/21 and smaller bespoke funds.

The DBW fund supports businesses trading for over two years. With no arrangement/monitoring fees, interest is fixed at 2%, with interest/capital repayment holiday for the first year.

The ERF grant provides support to businesses/charities to deal with impacts of COVID-19 and seeks to mitigate cash flow pressures not addressed by other support. Eligibility for phase 1 can be found here: [Economic Resilience Fund applications process opens](#). Criteria is the same for phase 2 except the micro scheme enables non-VAT registered limited companies to apply. Phase 3 'Lockdown Business Fund' provides financial assistance to businesses that are facing operational and financial challenges caused by the national lockdown for

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Wales. Details and eligibility can be found here: [COVID-19: Support for business](#).

The Non Domestic Rates (NDR) element is administered by Local Authorities and provides eligible businesses with support for their business rates.

Discretionary based grant for the period to end of March 2021 is also available through applications via local authorities. The package of support, is targeted at the sectors most severely impacted by lockdown restrictions.

Businesses registered for NDR can receive payments of between £3,000 and £5,000 and businesses not registered for NDR with an annual turnover of less than £50,000 are eligible to apply for grants of up to £2,000. Further details on the fund can be accessed here: [COVID-19: Support for business](#).

Long term

Evidence suggests there will be significant impacts on the economy in light of COVID-19. Whilst ERF was a quickly developed, short-term measure to keep businesses afloat and safeguard jobs, it has positive impacts for the longer-term survival of businesses, thereby safeguarding the longer-term economic needs. Phase 3 supports businesses with cash flow support to help them survive the economic consequences of the national lockdown restrictions in place, and the NDR element provides support for business rates.

Our Economic Contract helps create shifts in business behaviours so responsible business and employment practices become the norm in Wales. It requires businesses seeking investment to demonstrate:

- growth potential
- fair work
- promoting health, including mental health, skills, and learning in the workplace
- progress in reducing carbon footprint

This will have positive impacts over the longer-term. We continue to monitor Wales' economic conditions which can help inform future policies.

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Prevention

Wales has substantial employment in sectors classed as at risk of 'significant immediate adverse impact' by the UK Government. Whilst it is not possible to prevent the full impact of COVID-19, ERF helps keep businesses afloat and safeguard jobs, resulting in fewer negative impacts than would otherwise have been the case.

Economic Development is devolved to Wales. Part of this role is to help create a stable, favourable business environment and address market failures. ERF contributes to these objectives. Monitoring information can be used during the delivery and after closure of ERF to inform future policies.

Integration

ERF was developed to fit within the wider policy context, including the policy framework set out in the Welsh Government's **Economic Action Plan**.

Proportionate consideration is given to the need to deploy public investment with a social purpose as set out in the Economic Contract.

ERF sits alongside other interventions and addresses gaps in available support. It fits the **well-being objectives** of a resilient Wales and prosperous Wales.

Collaboration

The Economy Minister meets regularly with stakeholders to share/receive intelligence. This helps shape our economic response and inform policy direction. Stakeholders include:

- Trade Unions
- Ministerial Advisory Board
- Local Authorities
- Business representative organisations and trade bodies
- Council for Economic Development

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During the pandemic the Economy Minister arranged the following meetings:

- Banks round table discussions
- CBI
- Third Sector Partnership meeting
- TUC
- Business Representatives
- Engagement with ABI/major insurance companies

The complexity and pace of activity during the early phase of COVID-19 presented significant challenges to engage effectively with stakeholders on ERF. Best efforts were made to incorporate emerging issues. Our Chief Regional Officers (CROs) and sector teams, including in Culture, Sport and Tourism continued to engage with stakeholders ahead of the different phases. Feedback resulted in changes made to the criteria to micro scheme.

ERF plugs gaps in support and was developed to assist as many business as possible within the remit.

Our regional relationship managers have engaged with businesses throughout the development and implementation of the ERF. Our CROs have engaged with regional stakeholders – a critical element in reaching out (particularly to hard to reach locations). Monitoring information will help assess impacts of ERF support. A survey will be completed as part of the EIS research work (due for completion by Summer 21) will and repeated at relevant stages of the ERF and used to inform future policies. DBW's and Welsh Government's monitoring systems will also survey recipients and the CRM systems used combined with research provide data to review the demographics of those seeking support and monitor success of the scheme.

Involvement

By collecting real time intelligence from businesses/stakeholders, we gathered evidence to identify gaps and fine-tune the different phases of the ERF as a result of the lockdown restrictions. We continue stakeholder engagement during ERF's delivery which can inform future policies.

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In addition to the five ways of working above, consider the following areas:

Impact

The Welsh Government's **COVID-19 and employment: analysis of protected characteristics** identifies that in 2019 around 230,000 people were employed in industries in Wales that were initially closed, representing around 16% of the total workforce. Women, young people and BAME employees are more likely to be employed in those industries. We wrote to Equality, Diversity and Engagement contacts on 22 September 2020 to collate feedback and identify any positive/negative impacts of phases 1 and 2 of the ERF which can inform future policies. A response was received from the Equalities & Human Rights Commission who informed us that evidence shows that COVID-19 is having a disproportionate impact on some people. In the context of the ERF they specifically highlight the unequal impact on ethnic minorities, disabled people, young people, women and people experiencing socio-economic disadvantage. The ERF was revised to try to mitigate these impacts. As a result additional measures have been taken to address via schemes including the Discretionary Fund, additional budget to the Discretionary Assistance Fund and bespoke schemes such as Start Up and Freelancer funds.

Closed sectors have seen a collapse in demand and other sectors are expected to be heavily impacted. The widespread nature of impacts of falling demand will permeate all sectors at a substantial scale. Other impacts will manifest through the supply chain, reduced workforces and cash flow issues. The range of business experiences during this crisis will be varied, including those that:

- have to cease trading
- go into medium term hibernation
- are able to adapt to remote ways of working
- continue trading because their business is critical to the functioning of the nation
- need to maintain operations through lockdown in spite of sales disappearing

ERF provides invaluable support to businesses to help keep them afloat and safeguard jobs.

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Costs and savings

The total funding provided amounts to £1,619.5 million. Should further resources become available this figure may increase for example £200 million has been identified in the 2021-22 budget for future funding and further proposals will follow as needed.

Mechanism

DBW has processes in place for businesses to make applications and systems to monitor the success. The grant element, delivered via Business Wales, has processes in place to receive enquiries, assess applications and issue offers. Welsh Government's systems will be used to record information and provide monitoring information to assess the ERF's effectiveness. This information can be used to inform future policy.

Conclusion

How have people most likely to be affected by the proposal been involved in developing it?

Due to the need to act quickly to ensure support is in place in light of the pandemic, it was not possible to discuss the ERF with stakeholders prior to the development/launch of the scheme, however, a wide range of stakeholders were briefed on 9 April. On 22 September 2020 we wrote to Equality, Diversity and Engagement contacts to gather feedback on the positive and negative impacts of phase 1 and 2 for people with protected characteristics. This information can be used to inform future policies. A response was received from the Equalities and Human Rights Commission who informed us that evidence shows that COVID-19 and responses to it are having a disproportionate impact on some people. In the context of the Economic Resilience Fund (ERF) they specifically highlight the unequal impact on ethnic minorities, disabled people, young

people, women and people experiencing socio-economic disadvantage. In addition, we will involve and engage with a wide range of stakeholders in shaping an effective economic reconstruction strategy for Wales. We will seek views on the strategy and any potential impacts it may have for those with protected characteristics and Welsh language speakers.

What are the most significant impacts, positive and negative?

The ERF delivers mainly positive benefits for the majority of people with protected characteristics who are employed in the sectors affected. However, there are aspects which have the effect of benefitting some groups less:

- Gender: some sectors, such as hair and beauty providers, are unlikely to meet the threshold for being VAT registered and typically, there are more females employed in these sectors. Following feedback received on Phase 1, this requirement was removed for micro businesses in further phases.
- Race: application forms are only available in Welsh or English. People who are unable to speak Welsh/English may find it difficult to complete the application process. The numbers of businesses falling into this category is considered to be low and the impacts minimal. Business Wales would seek to find a solution if someone was unable to communicate in Welsh or English.
- Age: the application process for ERF is online. Some people (e.g. older people) may not have access to IT equipment in order to submit the application. As the number of these businesses are considered to be low mitigating factors were not implemented.
- Religion: in Abrahamic religions, there are traditionally rules around 'usury' – the lending of money at interest. This could therefore be a barrier for some followers of Judaism, Islam and Christianity from taking out loans, however, they would be able to apply for the grant element of the scheme.

In light of the impacts identified, how will the proposal:

- maximise contribution to our well-being objectives and the seven well-being goals; and/or,
- avoid, reduce or mitigate any negative impacts?

The ERF supports the **Well-being of Future Generations** and fits with the wellbeing objectives of a Resilient Wales and Prosperous Wales.

What action can the Welsh Government take to promote biodiversity, children's rights, equalities, the Welsh language or another of the areas covered by your impact assessments?

The Economic Contract requires businesses seeking investment from us to demonstrate the following as a minimum requirement: Growth potential, Fair Work, Promotion of health, and Progress in reducing carbon footprint. This will help change behaviours over time so that responsible business and employment practices become the norm in Wales.

It is not considered that the ERF will have any direct impacts in relation to children's rights, although safeguarding jobs will mean that parents/carers remain in employment.

The ERF will be administered through Business Wales, which provides a fully bilingual service. There are 12 Welsh for Business officers who can help businesses use more Welsh free of charge and provide a bespoke service offering practical advice and tools as well as helping businesses to find further relevant support.

What action can the Welsh Government take to strengthen its contribution to a particular goal or to contribute to additional goals?

The ERF directly contributes to the wellbeing goals of a Prosperous Wales and a Resilient Wales. It also has an indirect contribution to a Globally Responsible Wales and a More Equal Wales via the Economic Contract. The ERF was developed to ensure as many businesses as possible can access support (including Arts and cultural organisations) which also has an impact on Wales of Vibrant Culture and Thriving Welsh Language.

The ERF provides temporary support during the pandemic. Further phases provides financial assistance to businesses that are facing operational and financial challenges caused by the national lockdown restrictions in Wales. The fund helps to support businesses with cash flow to help them survive the economic consequences of the restrictions put in place.

The NDR fund provides a package of support, linked to the Non Domestic Rate system and is delivered through the Local Authorities.

What action can the Welsh Government take to avoid, reduce or mitigate a negative impact?

The ERF is considered to have mainly positive impacts for businesses, owners and employees in those sectors most affected by COVID-19. There are aspects of the fund which benefit some groups less but these are considered to be minimal and no action has been taken.

If no action is to be taken to avoid, remedy or mitigate a negative impact then please explain why

It was not possible to get around the issue of online applications while the country was in full lockdown. Even as the lockdown restrictions were eased, the

majority of the Welsh Government's offices remained closed and there was a limit of 20% capacity in the buildings that were opened. As the number of people unable to apply online was considered to be low, mitigating measures were not implemented. Mitigating measures were implemented in terms of the requirement to be VAT registered which removed in further phases of the fund.

How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?

Both the DBW and Business Wales have systems to record and monitor performance information which will be critical in determining the effective delivery of the ERF. The data will be a key tool in terms of monitoring and evaluation, it has and will continue to inform management decisions in terms of deciding how future resources should be allocated. Regular reviews are undertaken to monitor uptake and administrative capability. The performance information helps to inform these reviews.

Key performance indicators include: Number of Jobs Safeguarded, number of Jobs Safeguarded for 12 months, number of Businesses Assisted and number of Business Survivals after 12 months. Other longer-term monitoring criteria could include: Count of business in Wales, GDP, and credit rating of businesses. In addition, the Welsh Government's Knowledge and Analytical Services (KAS) are developing a dashboard to monitor the impact of economic interventions.

The preferred language of the applicant is asked for in the second round of ERF applications. We will undertake geographical analysis at local authority level. Our evaluation will cover the impact of ERF and we will analyse data to determine how many businesses supported, sector, geography, jobs retained. We can provide analysis of business owner by demographic groups, where we have this data. The Welsh Government has launched a community survey into the impact of the restrictions imposed by COVID-19 on volunteering through the medium of Welsh and use of the Welsh language. This closed on 2 October 2020.

The NDR element provides **support to businesses to help with their**

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business rates.

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