

European & External Affairs Committee

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Date: 12 October 2005

Time: 09:00 - 12.00

Venue: National Assembly for Wales, Cardiff Bay

Title: Post 2006 Structural Funds Update: Negotiations and Community Strategic Guidelines

Purpose

1. The Committee is asked to note the content of the paper for information.

Summary

2. The paper has been requested by the Committee. It contains a brief overview of the following areas:

- Negotiation of the draft Structural Funds regulations, which were published in July 2004, and the Financial Perspective;
- The Welsh context;
- Welsh policy framework;;
- The EU Commission's Community Strategic Guidelines (CSGs);
- The National Strategic Reference Framework chapter for Wales (NSRF);
- Agreed principles for post 2006 regional development programmes;
- Post 2006 External Stakeholder Group and Workstream arrangements.

Background

3. The current round of European Structural Funds are due to finish at the end of 2006, though expenditure will continue into 2008. The EU Commission's proposals for a new round of Structural and Cohesion fund programmes for the period 2007 – 2013, were published in July 2004, and since then negotiations have taken place simultaneously on the Financial Perspective (EU budget) and the

Structural Funds regulations.

4. The UK Government's view has consistently been that the overall budget proposals made by the European Commission for 2007-13, are too high. It is one of six Member States to have opposed any budget proposals exceeding 1.0% of EU GDP. It also maintains that there should be a smaller budget for structural and cohesion funds, with the focus on new Member States, while wealthier states take responsibility for funding their own regional policy priorities. The Secretary of State for Trade and Industry set out the UK Government's position for Structural Funds reform in two written statements to Parliament of 17 September and 11 December 2003.

Negotiation of draft Structural Funds Regulations and Financial Perspective

5. Negotiations on the draft Structural Fund regulations are already well advanced. It is likely that the UK will be able to secure agreement on the technical details between the Member States during its Presidency, in anticipation of any agreement on the Financial Perspective. This will ensure the package can be finalised as soon as any budgetary agreement is reached, allowing Member States to put their programmes in place as quickly as possible.

6. There has been no further change in the position regarding the Financial Perspective since the paper discussed at the previous meeting of the Committee on 22nd September. The UK Government is continuing with discussions with EU Member States on a range of issues, with a view to putting forward proposals at the Council of Ministers due to be held in December, before the end of the UK's EU Presidency term.

The Welsh Context

7. Subject to the outcome of any decision on the Financial Perspective, the draft Structural Fund regulations envisage that there may be up to five future programmes in Wales: with West Wales and the Valleys potentially being eligible for Convergence Programmes (both ERDF and ESF), and East Wales retaining eligibility for Competitiveness and Employment Programmes (again both ERDF and ESF). If the regulations are agreed it would be highly likely that parts of West Wales will be eligible for a cross-border programme with the East of Ireland, and Wales would also be able to participate in transnational programmes. The Agriculture and Rural Development Funds have moved over to become part of the Agriculture pillar.

8. In terms of content, the regulations envisage that Programmes should demonstrate how, taking account of local and regional need, they are delivering to the Lisbon and Gothenburg agendas for a more competitive, innovative, and knowledge-driven European economy. It is therefore expected that there will be a smaller and more focused set of programmes.

Welsh Policy Framework

9. The Welsh policy framework for any new programmes will be driven by the revised version of our national economic development strategy "A Winning Wales" on which we will be consulting this Autumn. The key priorities which will influence the focus of any Structural Funds support will be identified within this document, along with other strategic plans such as Wales: A Better Country, Making the Connections, the Skills & Employment Action Plan 2005, Our Environment, Our Future, and the Wales Spatial Plan.

Community Strategic Guidelines (CSGs)

10. Adopted by the EU Commission on 6 July 2005, the Community Strategic Guidelines set out a framework for new programmes supported by the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (which does not apply to Wales). The Commission held a public consultation on the Guidelines, which closed on 30th September, asking for comments from across the European Union. The document was circulated to all members of this Committee, the Economic Development & Transport Committee, the Education & Lifelong Learning Committee, members of the Post 2006 External Stakeholders Group, and key Assembly policy officials. The document can be accessed on the EU Commission's Directorate General Regional Policy website at:

http://europa.eu.int/comm/regional_policy/sources/docoffic/2007/osc/index_en.htm

National Strategic Reference Framework – Wales Chapter

11. The Guidelines require each Member State to produce a National Strategic Reference Framework (NSRF) outlining its strategy for delivering the funds in its operational programmes, and the contribution this will make to the Community objectives. At present my officials are preparing a draft Welsh chapter for the NSRF. The major themes and priorities of the Wales NSRF will be drawn from the revised national economic development strategy, the Skills & Employment Action Plan 2005 and other relevant strategies e.g. Our Environment, Our Future, the Wales Spatial Plan etc. A bilateral meeting between the UK Government and the EU Commission was held on 03 October to discuss the draft document and the focus of the UK framework.

12. Some of the strategic priorities of the Wales chapter of the National Strategic Reference Framework (NSRF) are improving knowledge and innovation for growth; creating a favourable business environment; building sustainable communities; increasing employment and reducing economic inactivity, and improving skill levels.

Principles for Post 2006 Programmes

13. Cabinet has agreed a set of 'principles' for any new regional development programmes, should we have them. These were presented to the Post 2006 External Stakeholder Group for comment and have been discussed with key external stakeholders in a series of meetings with WEFO officials, since May this year. The principles were published as Annex A of the Post 2006 Structural Funds Update paper

presented to the Economic Development & Transport Committee on 14th July 2005.

14. These set out the vision for a more focused set of programmes, with fewer, larger projects. I plan to simplify funding streams with more pre-match funding and co-financing.

Post 2006 External Stakeholder Group and Workstream Arrangements

15. The secretariat for the External Stakeholder Group was passed to the Welsh European Funding Office (WEFO) in August. The group will now specifically be a sounding board for the development of any new programmes, should Wales be eligible. The primary focus of the group is to provide strategic oversight to the new workstream groups being established to drive forward the preparations for any new programmes. Representatives from Fforwm, the Welsh Language Board, Niace Dysgu Cymru and the youth sector have been added to the membership, to cover the spread of any possible future programmes. The first meeting of the revised Post 2006 External Stakeholder group was held on 15th September in Cardiff.

16. WEFO is in the process of setting up five workstream groups to progress the more detailed preparations. These groups are now being populated by a range of experts from policy divisions and external organisations. The key objectives and products which will need to be produced by the groups details of the workstreams are set out in Annex A below. The first meeting of the Operational Programmes group was held on 22nd September, with the Territorial Co-operation Group to follow shortly afterwards in October. The other three groups will commence on a staggered basis during October to January 2006.

Financial implications

17. There are no financial implications arising directly from this paper. The costs of running the workstreams will be met out of existing administration costs budgets and through Objective 1 Technical Assistance funding. Programme Budget Planning officials are in discussion with WEFO's Finance Division, and once the funding allocations and implications of any new programmes are known, briefing will be provided.

Cross Cutting Themes

18. The cross cutting themes of equal opportunities, sustainable development and information communication technology are applied to all Structural Funds activity. All projects which apply for, and receive funding under the current programmes must address each of the three themes, demonstrating how they influence or are taken account of, by individual projects.

19. The draft regulations for any new regional development programmes envisage a role for Sustainable Development and Equal Opportunities, as now. A research project looking at the impact of the three themes on projects during the current round of programmes commenced in early July, and one of its

objectives is to produce recommendations for any future programmes. The results of this research project are expected in early 2006.

Action for Subject Committee

20. To note the content of the paper for information.

Rt Hon Rhodri Morgan, AM
First Minister

Annex A

Post 2006 Regional Development Programme Workstreams

Background

1. The aim of the post 2006 project is to develop any future regional economic development programmes and their implementation arrangements.
2. To shape the content and direction of this work, it is intended to work closely with internal and external stakeholders. This will enable us to learn lessons from past experience and identify the best practice as well as any fresh, innovative ideas that can be incorporated into any new programmes to make them more effective and efficient.
3. Since the introduction of the current programmes in 2000, a number of important changes have taken place or are emerging over the next few years and these will have a significant bearing on the implementation and delivery of the new round of programmes. These include:
 - a. a more strategic approach to delivering the EC cohesion agenda;
 - b. the creation of the Welsh Assembly Government and the delivery of strategic policies contained in Wales: A Better Country; A Winning Wales; the Spatial Plan; the Skills and Employment Action Plan 2005 and a variety of other policy documents;
 - c. Making the Connections and the drive for improved delivery of public services, including the merger of the WDA and WTB with the Economic Development and Transport Group and ELWa and ACCAC with the Education and Lifelong Learning Department of the Welsh Assembly Government; and
 - d. the WEFO Grants project to update and improve the WEFO IT system.

Assumptions

4. This project makes certain assumptions about the shape of the post 2007 regional economic development programmes based on possible future Structural Fund scenarios and the European

Commission's draft regulations. These of course depend on the outcome of any decision on the Financial Perspective, but anticipate that parts of Wales may be eligible for up to 5 main European Structural Funds programmes:

- West Wales and the Valleys could potentially be eligible for the Convergence Programmes (both ERDF and ESF);
- East Wales (or parts of East Wales) may be eligible for the Competitiveness and Employment Programmes (again ERDF and ESF), and
- Wales may be eligible for Programmes under the Territorial Co-operation Objective including trans-national and inter-regional programmes (ERDF). Parts of West Wales may also be eligible for a cross-border programme with parts of South-East Ireland.

5. Ministers have also agreed a number of "key principles" that set out the emerging Assembly Government's thinking on the form and content of the new programmes.

The Approach

6. The Commission's requirement for a more strategic focus provides us with an unique opportunity to stand back and take a holistic approach to how the new Structural Funds programmes might be delivered more effectively and efficiently, with a concentration of resources, beyond 2007. Preliminary discussions with staff and stakeholders have identified a range of common issues that need to be addressed and tackled in a consistent way if we are to make the most of the next round of programmes. WEFO has prepared a project plan for how the preparations for any post-2006 programmes should be managed.

7. A number of work streams are being proposed to assist in the preparations for any new programmes. As far as possible, the work streams will involve multi-skilled teams so that we can build on a broad range of expertise and ideas. The teams will need to include or draw on specialist advice (e.g. state aid; information technology; financial and audit advice) as and when necessary. Each work stream will be responsible for considering a specific set of key issues and making recommendations to Ministers, on a range of products that have been identified. It is intended that membership will be drawn from nominations from Assembly Government officials and the External Stakeholders Group (but will be wider than the membership of both). From this list of nominations, selection will be made on the basis of the strategic and functional experience individuals can bring to the work of each group. The precise mix of members will differ for each area of activity.

Post 2006 External Stakeholder Group

8. Ministers have agreed that this ad-hoc Group should be incorporated into the structures established to undertake the more detailed preparatory work for the post 2006 programmes. It is proposed that under

the work stream arrangements the Group should provide over-arching advice and guidance on the key deliverables that will be produced by each of the work streams. The group will also act as a point of reference to test emerging ideas.

9. Membership of the Group will be at senior official level and will be chaired by the Director, Economic Development and Transport. Terms of Reference and the membership will be reviewed and agreed by the First Minister before work starts. The various stakeholders will be asked to provide nominations for each of the work streams. It is intended that the Group will meet approximately every quarter until the work on the new programmes is completed by 31 December 2006. Programme Monitoring Committees will need to be established within three months of approval of any new programmes.

Work Streams

10. It is proposed to have 5 main related work streams although it may be necessary to establish some additional groups or sub-groups in order to take some of the more detailed work forward. The main work streams proposed are:

(1) Operational Programmes

Membership

EDT Department including WDA and WTB; Education & Lifelong Learning Department including ELWa; Environment, Planning and Countryside Department; and Social Justice and Regeneration Department, other public sector, private sector and voluntary sector representatives.

Products

- i. Welsh Assembly Government chapter for the National Strategic Reference Framework and the socio-economic analysis (from A Winning Wales 2)
- ii. Programme documents for Convergence and Competitiveness objectives

Key Issues:

- i. identifying priorities including spatial and/or thematic;
- ii. cross-cutting themes;
- iii. performance indicators; targets and outputs;
- iv. match funding/co-financing arrangements (close links with the Programme Management group);
- v. activity analysis and the identification of major projects;
- vi. state aid (again close links with the Programme Management group);
- vii. PMC and partnership arrangements;
- viii. communication and publicity.

By the nature of the work involved here, this group is likely to be somewhat larger than the others and may be split into a number of sub-groups.

(2) Territorial Co-operation Programme

Membership

EDT Department including WDA and WTB; Education and Lifelong Learning Department, including ELWa; other Welsh Assembly Government policy departments, public and private sector representatives.

Products

- i. Contribution to Welsh Assembly Government Chapter for the National Strategic Reference Framework;
- ii. Contribution to Programme documents for any Co-operation Programmes.

Key Issues:

- i. identifying priorities including spatial and/or thematic;
- ii. performance indicators; targets and outputs;
- iii. activity analysis and the identification of major projects;
- iv. match-funding and state aid issues (taking the lead from the OP group)
- v. partnerships and PMC arrangements (taking the lead from the OP group)
- vi. communication and publicity (where different from programmes as a whole).

(3) Programme Management

Membership

WEFO together with other public sector, private sector and voluntary sector acting as quality assurance / customer representatives.

Products

- i. Operational guidelines; procedures; desk instructions; training etc;
- ii. Information for potential applicants and beneficiaries (e.g. guidance; application forms; claim forms etc).

Key Issues:

- i. eligibility;
- ii. state aid;
- iii. revenue generating projects;
- iv. processes and procedures, and
- v. system documentation.

(4) Governance and Compliance

Membership

WEFO plus Wales Audit Office and Internal Audit Service (perhaps as Chair)

Products

- i. Audit Strategy;
- ii. Guidance on project monitoring arrangements for management and control systems;
- iii. Rules on relationships between Managing Authority/ Certifying Authority/ Audit Authority;
- iv. Procedures for retention of documents, and
- v. Standards and procedures for the verification of operations.

(5) Evaluation and Reporting

Membership

WEFO, Economic Advice Division, other EDT policy divisions as required, other public sector, private sector and voluntary sector representatives acting as quality assurance.

Products

- i. Ex-Ante evaluation;
- ii. An evaluation plan for the convergence programmes;
- iii. Evaluation arrangements for the competitiveness and territorial co-operation programmes, and
- iv. Arrangements for programme monitoring reports.

Working Arrangements

11. Nominations will be taken from the current Programme Monitoring Committees, Thematic Advisory Groups and other Steering Groups, the External Stakeholder Group and Assembly Government officials. WEFO will provide the Chair and secretariat support for each workstream although it is suggested that the Chair for the work stream on Governance and Compliance should come from an external stakeholder. Each work stream will meet regularly over the life of the project until 31 December 2006,

or as necessary. Terms of reference for each work stream will be agreed by the respective workstream and reported to the Post 2006 External Stakeholder Group, and will include specific milestones as well as a list of product deliverables. The work of the groups will be discussed at the meetings of the Post 2006 External Stakeholder Group and progress reports and recommendations will be made to Ministers.

Communication and Publicity

12. Parallel arrangements for publicity and communication will be put in place to ensure that others have the opportunity to contribute to this work.

Welsh European Funding Office