

ECONOMIC DEVELOPMENT COMMITTEE EDC-04-99(p.1)

Date: 26 July 1999

Venue: Committee Room 1, National Assembly Building

Title: **IMPLEMENTATION OF NEW EUROPEAN STRUCTURAL FUNDS PROGRAMMES**

ISSUE

1. European Task Force's interim recommendations on the implementation arrangements for Structural Funds programmes in Wales for the period 2000-2006.

THE EUROPEAN TASK FORCE'S RECOMMENDATIONS

2. The Task Force has yet to agree its detailed recommendations on the arrangements that should be established for the management of new programmes, but it has reached broad agreement on the principles to be followed.

3. In its proposals for a National Economic Development Strategy, published for public consultation on 14 July, the following principles are set out for consideration:

- the present system of bidding rounds on the basis of a multiplicity of applications for individual projects should not be continued under the new programmes;
- it should be replaced by a more strategic approach comprising national and local "packages" or strategies;
- the "national" strategies would normally comprise themed packages e.g. support for tourism marketing, which would be assessed by the partnership and funding agreed for a period of years. The sponsors would normally be bodies operating at a national level in Wales e.g. the Wales Tourist Board. Proposals for national strategies would be required to demonstrate the linkages with action at the sub-regional or local level;
- that "local packages might focus on sub regional themes or geographical areas and be prepared by local partnership groups. Local packages might also be granted funding for delivery of strategies over a period of years;

- that it would be essential to establish a strong central Secretariat to carry out the detailed administration and monitoring of programmes, serving a Monitoring Committee. The Secretariat would have a pro-active function, including working with partners in the discussion and preparation of strategy proposals.

BACKGROUND

4. A report by the Secretariat of the European Task Force, which was considered by the Task Force in formulating its recommendations, is attached as an Annex to this paper. The report sets out the background to the Task Force's recommendations and outlines the technical and policy issues which have still to be resolved.

FINAL RECOMMENDATIONS

5. Much detailed work remains to be done, to turn these broad proposals into workable arrangements. The European Task Force will submit to the Assembly in the Autumn a paper setting out its considered proposals for the future administration of Structural Funds programmes in Wales.

July 1999 European Affairs Division

EDC-04-99(p.1) ANNEX 1

IMPLEMENTATION ARRANGEMENTS

REPORT OF TASK FORCE SECRETARIAT

Background

1. With the major changes taking place post 1999, there is a real opportunity and need to review the way in which Structural Funds have been implemented in the past and to put in place a structure which will meet Wales' needs in the new Millennium.

2. This Paper develops the matters raised in the March Paper to the Task Force and puts forward a possible structure and series of issues for further consideration.

Current Position

3. The current independent Secretariat WEPE Ltd was established in 1997 to manage E.U. Programmes throughout Wales. It evolved from a solely Welsh Office administration and reflected the views and wishes of the regional partnership for a Structural Funds management regime which would be both more responsive and accountable.

4. The Independent Secretariats approach had been established for some time in Scotland and its adoption in Wales was strongly advocated by the European Commission and fully welcomed and endorsed by all partners.

5. The main strengths of the complex system and WEPE's multiple accountable relationships are seen as:

- Independence from specific partner/sectoral interests
- Owned by and accountable to the partnership
- Open access to all applicants
- Geographic presence across Wales
- Its procedures for project selection are transparent
- Extensive partnership participation in decision making
- A growing body of experience and expertise.

6. However, there are some weaknesses :

- The system is primarily reactive
- Its competitive project based processes engender pepper potting
- Appraisal and assessment of applications is time consuming and ultimately
- partly wasteful.

Need for Change

7. The scale of the Structural Fund programmes to be implemented in Wales over the coming 7 years is far in excess of that managed in the current programming period.

8. Whatever other changes may be required in the implementation process, the sheer scale of resources to be utilised and the major challenge to increase economic growth requires a sophisticated approach.

9. The current Programme Executive has processed just over 3,400 applications in the past two years of which almost 60% were approved.

10. The scale of the Objective 1 SPD will thus present a major challenge but also, as with the Objective 2 and other Programmes, etc the opportunity to achieve a better application/approval ratio. The current ratio is no criticism of the assessment procedure or of the standards required from sponsors but rather a reflection that more time spent in developing projects would result in better quality applications and thus more effective approval rates.

Fundamental Needs

11. With the introduction of a new Structural Funds regime post 1999, especially with the scale of Objective 1 resources, any new implementation structure should have the following characteristics :

i. Effective Value for Money

All management systems have a cost and it is essential that future systems present good value for money and be operated at as low a cost base as reasonable;

ii. Transparent Decision-Making

An essential requirement of Structural Funds management is that decisions are taken in a transparent, fair and objective manner ;

iii. Ownership

The driving force behind the current Independent Secretariat was the aim to have the Funds' dedicated management and administration owned by the whole Welsh partnership rather than one specific partner.

Ownership, staff totally dedicated to the function and independence from influence, remain major features for future management, etc systems and the whole partnership's requirements need to be met by the future arrangements;

iv. Speedy Decision-Making.

Decisions need to be taken in a reasonable time span, which match sponsors' requirements for prompt assessment with the need for due diligence in financial, eligibility and transparency terms;

v. Accountability.

The implementation process should be accountable to the Assembly, the Monitoring Committees, the European Commission and sponsors;

vi. Financial Control, Monitoring & Evaluation.

Management systems should enable sound financial control to be practised throughout the implementation process.

The system needs to provide sound material for effective monitoring and evaluation, the importance of this function is growing and should be progressed from its current rather Cinderella status;

vii. Accessibility.

It is essential that the implementation process is accessible to all sectors and parts of Wales. Historically there have been some difficulties for a variety of small organisations and particularly the private sector in accessing the Funds and the future implementation process needs to be proactive in addressing these difficulties;

viii. In Place.

The management system should be in place well in time to begin implementation of the SPDs as soon as they are approved.

12. A new implementation structure demonstrating all the characteristics identified in Paragraph 7 needs to incorporate the important balances of sound financial and eligibility control with greater ownership and speedy decision making.

13. In addition to the identified characteristics, cost is of paramount importance in shaping the implementation structure, particularly as doubts have been expressed about the continuation of Technical Assistance towards Programme administration expenditure.

Possible Structure.

14. As currently with Structural Funds management, there is a cascade of interests and responsibilities.

15. The establishment of a structure which has both strong central financial control and locally based implementation would be the most effective in meeting the Welsh partnership's aspirations.

16. The structure to be adopted needs a number of features:

- the basis for seeking and awarding Structural Funds support and arrangements for appraisal and assessment
- arrangements for management , monitoring and evaluation
- methods of financial support

Basis for Seeking and Awarding Structural Funds Support.

17. There is almost universal support for moving away from the current individual project application system to a strategic, packaged approach. The scale of resources available and the level of challenge Wales faces, demands a strategic view if the Nation's aims are to be achieved.

18. The words "strategic" and "packages" can, and do mean different things to different people, but an approach adopting a true strategic way forward will be the most effective for Wales.

19. In the Structural Funds context a package is seen as a group of projects which together provide a coherent and integrated response to a specified need/problem and deliver identified outputs.

20. These could be organised as:

- Packages of projects on a national "theme" basis managed by one (probably a national) organisation
- Packages of projects focused on sub regional "themes" and/or on geographic areas

National Packages

21. Organisations, likely to be national e.g. WDA, WTB, etc could prepare "theme" packages for their actions across Wales denoting where specific activities would operate in specific areas e.g. actions in West Wales, the Valleys etc.

22. A critical factor for these national Packages would be their linkages with local actions and it would be important for the national Packages to have a small advisory group including expert representatives of the partnerships to ensure the relevant linkages are in place.

23. This would build on existing practice where partnership arrangements are in place e.g. the Entrepreneurship Action Plan, Agri-Food Partnership, etc.

24. Each "themed package" would have a strategic context together with a component number of projects to be implemented over a 3-7 year period. Each would be assessed and a rolling programme approach adopted, with the strategic context and Year One projects approved initially together with indicative financial planning assumption figures for future years.

25. Annual reports on progress against specified targets in the strategic context would then be used to consider further approvals for Years Two, Three and beyond on a rolling basis

Local Packages.

26. To increase integration between different actions, responding to local circumstances and achieving greater ownership a series of local packages should be considered for sub regional themes or focused geographic areas to complement the national "themed packages".

27. There is a large body of evidence that locally driven regeneration is very successful and it is essential that these packages and their strategic context are prepared by all-sector partnership groups. Once identified the process for implementation would be the rolling programme approach adopted for the National packages.

Devolved Powers.

28. All expenditure within packages on component projects needs to meet Structural Funds eligibility criteria and specified outputs. The role of assessing and appraising packages is covered later in this Paper but if pre determined criteria in respect of financial integrity and competence can be fulfilled and a national/sub regional/local partnership package manager wishes, delegated powers in the delivery of strategies, etc within packages could be devolved.

Other Projects

29. Within any system there must be scope to cater for projects which, for a variety of reasons, do not sit comfortably within a package e.g. a large flagship, innovative community pilot actions, etc. There should be scope for these, perhaps in an annual competition, to bid for Funds through the National Secretariat/Monitoring Committees.

30. There are a number of key issues to be considered for a package approach:

- *the Taskforce in consultation with the regional partnership will need to consider what "themed packages" will be covered on a national basis and by whom;*
- *each SPD area will need to consider what "themed packages" and/or geographic packages will be covered on a sub regional or area basis and by whom;*
- *a mechanism needs to be put in place to determine how and on what basis the allocation of Funds are to be made to each national/sub regional/local package;*
- *criteria need to be established to identify the extent and circumstances where delegated powers to national/sub regional/local package managers can be devolved. These bodies must display a partnership approach, need to avoid parochialism and favouritism, and would be agreed by the relevant Monitoring Committee;*
- *if devolved package manager status is progressed, the requirements in terms of staff, IT*

systems, etc will need to be identified as will the sources of financial support for packages' administration which will undoubtedly be needed.

Arrangements for Management, Monitoring & Evaluation.

The Assembly.

31. The role of the Assembly is only just starting to evolve but it is inconceivable that it will not have a strong interest in the utilisation of significant European funds and the outputs achieved or otherwise. What will be the role of the Assembly's Regional Committees is also not known but they may become a feature as the Assembly begins its work in earnest.

Monitoring Committees.

32. There is a requirement for Monitoring Committees for each SPD plus probably one for the Objective 3 Operational Programme, the Community Initiatives and the Rural Development Programme. With this "confusing overload", the long held view that the Committees should be more concerned with monitoring performance and determining the strategy changes which may be needed, should be seriously progressed post 1999.

The respective roles of the Assembly, its constituent Committees and the various Monitoring Committees will need to be considered in more detail later. The possibility of Assembly representation on Monitoring Committees may be a consideration.

National Management Secretariat.

33. Currently the Funds Secretariat is a company limited by guarantee, with a Board comprising representatives of its owners (the Welsh regional partners).

34. It has an arms-length relationship with the Welsh Office yet is intrinsically linked and a proportion of the Secretariat's functions are non-negotiable obligations on the Member State.

35. Current functions such as servicing the Monitoring Committees' requirements, providing effective management information systems, publicity, financial control, advice on eligibility, processing of payment claims and closing the current Programmes will remain in the future.

36. Under the proposed new structure the Secretariat would also be responsible for:

- assessing and appraising packages for Funds' support (this task may need the utilisation of specialist consultants to assist with certain appraisals);
- recommending appropriate packages to the relevant Monitoring Committees for approval;

- approving individual projects within previously approved packages which do not have devolved powers;
- providing pro active support to sponsors to assist them to develop quality packages and projects. This animateur function is particularly important if the private sector is to be engaged effectively and may be enhanced by utilising technical assistance to build the capacity within sectors to utilise Structural Funds.

37. Experience has shown that Structural Funds programmes are specialist actions which require experienced staff who are 100% dedicated to the required tasks on an ongoing and lengthy basis.

38. With the proposed change in the Secretariat's functions to a more policy orientated, coherent, pro-active approach the Assembly can have a greater role in Programme management than the present Welsh Office position.

39. These conditions lead to the need to establish a National Secretariat of dedicated specialist staff who are clearly accountable and accessible to the Assembly, the Monitoring Committees and all partners.

40. There will be a need to establish a "Secretariat Board" comprising representatives of the Welsh Monitoring Committees to oversee the Secretariat's roles.

The current "company limited by guarantee" Secretariat status may no longer be appropriate to meet the new requirements of ownership and control, and consideration should be given to what may be the most appropriate status for the future.

41. Any management system stands or falls on the quality of staff and the availability of adequate resources, and over the past couple of years WEPE Ltd has built up a body of experience and expertise, together with a raft of management information systems.

42. The key feature for the instalment of a new regime is that it will be up and running from day one and at as low a cost as possible, it is therefore essential that if the Funds management is to start on time existing skills and experience are effectively utilised.

At an early stage the Assembly will need to consider the financing of the new management arrangements as the current mixture of technical assistance and sponsors' fees is unlikely to be available post 1999.

Evaluation and Monitoring.

43. Consideration should be given to establishing a separate quasi independent Unit within the Secretariat to be responsible for monitoring, evaluation and the preparation of annual reports.

Nature of Financial Support

44. Whilst the obvious source of support is grant assistance, there are other financial instruments which could be considered e.g. operating aids, loan funds, pre-matched funds (the Key Fund initiative appears worthy of consideration), etc and the package approach docs provide opportunities for these to be developed.

Conclusions

45. The move away from the current competitive bidding process to the strategic package approach is far from straightforward but potentially offers an effective way of maximising the use of significant levels of Structural Funds across Wales.

46. This paper puts forward a radically different approach and raises a series of questions. There is undoubtedly "devil in the detail" but if the broad principles can be agreed further work can be progressed whilst the public consultation exercise is undertaken. By the time the documents are revised and are presented to the Assembly, the proposed management system needs to be more robust and the initial stages ready for implementation.

EUROPEAN TASK FORCE SECRETARIAT