

**Economic Development Committee**

<b>Date:</b>	<b>1 November 2000</b>
<b>Venue:</b>	<b>Committee Room 2, National Assembly Building</b>
<b>Title:</b>	<b>Objective 2 Programme</b>

**Purpose**

1. The Objective 2 Single Programming Documents (SPD) was submitted to the European Commission on 26 May. Negotiations involving the Commission, the East Wales Partnership and Assembly officials started in August and were expected to be completed on 26 October. The East Wales Partnership are due to present a complete version of the SPD to the Assembly on 31 October ahead of Plenary on 9 November.
2. This paper provides an update on negotiations and the development of the documents. Members of the East Wales Partnership have agreed to attend the Committee to help answer questions members may have. Committee members are invited to make comments on the draft SPD and seek clarifications from officials and members of the East Wales Partnership

**Background**

3. Objective 2 supports the economic and social conversion of areas facing structural difficulties. In Wales the emphasis is on declining rural areas and urban areas in difficulty. The main programme covers most of Powys, and parts of Cardiff and Newport, with Transitional funding available for the rest of Powys, and parts of Wrexham, Cardiff, Newport and the Vale of Glamorgan,
4. Funding for the programme is based on euros per capita which has resulted in an allocation to Wales of 81.39 million euros for the main programme to the end of 2006, and 39.73 million euros for the Transitional areas to the end of 2005 (at the July exchange rate of 0.6323, £51.46 million and £25.12 million respectively). With match funding the overall amount is expected to be around 172 million euros for the main programme and 84 million euros for transitional. Based on population figures the rural areas will receive around 40% from the main programme and 30% from the transitional, and the urban areas will get around 60% and 70% respectively.

5. The SPD was "received" by the European Commission on the 26<sup>th</sup> of May. An initial response to the programme was received from the Commission during August and the formal response on the 4<sup>th</sup> September. There followed a number of meetings between the Commission and the Partnership. The SPD will be laid before plenary on the 9<sup>th</sup> of November.

6. The main issues coming up in negotiations were

### Transitional Strategy

The Commission were keen to see funds for transitional areas utilised in a sustainable manner reflecting the declining resources available to these areas. The Partnership's initial work on a transitional strategy was felt to be a good start but required developing.

The final version of the SPD outlines a coherent strategy for use of the funds in transitional areas. The core elements of the strategy are:

\* Support for capital projects. The short term nature of transitional funding makes it unsuitable for mainstream revenue type projects: ERDF should be seen as a short term additional resource to normal domestic budgets which provides added value over a fixed, limited, period. Capital projects in this sense are investments which are one-off in nature and support will cover revenue costs directly associated with the direct capital investment (i.e. on a one-off basis).

\* Support for innovative projects. Innovation is defined as an activity that has not been done before by these people in this area. The key elements will be that projects supported should offer a new type of working and a commitment from sponsors that if successful they would be built upon and mainstreamed by beneficiaries using domestic resources (from any source).

\* Capacity building. Capacity building is about organisational and institutional development; it covers community capacity building but also includes capacity building for businesses and business organisations and networks.

### Targeting for Community Development

The Commission were keen to see funds for Community development targeted at the most needy areas. The partnership have accordingly identified, using the index of Multiple Deprivation and local knowledge, those parts of the urban area recognised

as being most deprived. The list of areas was drawn up by the affected local authorities; Cardiff, Newport and the Vale of Glamorgan.

The rural Priority does not tackle community development in the same way; the Priority makes more explicit links to rural economic development and is targeted at the rural areas as a to make the necessary links between local centres and outlying villages required for effective provision of services.

7. Attached to this paper is the SPD though the Finance section Chapter 9 merely contains the headline information.

8. Following the Committee hearing the SPD will go to Plenary on 9 November. If the Assembly approves the document in plenary it will be passed to the European Commission for formal approval. This process may take place in mid December or mid January depending on internal Commission procedures. Once the Commission formally agree the programme it will be able to begin and start accepting bids.

### **Financial Implications**

9. The estimated public expenditure implications of this programme are shown in the attached financial tables, covering both ERDF and public sector match funding. These amounts have been included in all of the calculations for the additional public expenditure for Structural Funds programmes which culminated in the SR 2000 settlement. Financial Planning Division has noted the contents of this paper.

European Affairs Division