

Date 16 January 2002
Time 2.00 - 5.30pm
Venue Committee Room 3, National Assembly for Wales
Title European Structural Funds Programmes: Update

EUROPEAN STRUCTURAL FUNDS PROGRAMMES: UPDATE**Summary**

1. This paper reports on the latest available position of the main Structural Funds Programmes in Wales. The Programme Monitoring Committees for Objectives 1 and 3 met in December 2001 and the Objective 2 PMC met in January 2002. The Chairs of those Committees will also be present to report on the meetings.

Recommendation

2. That the Economic Development Committee notes the reports attached.

Main Developments

3. Objective 2 has made its first approvals, worth almost £325,000, to projects in Cardiff, Newport and Powys. A number of other projects are expected to receive formal approval in the next few weeks. Objective 3 has now approved over 270 projects with grant of £29.2 million.

4. Objective 1 has now approved more than 400 projects and grant of almost £290 million. Major approvals such as Finance Wales and smaller grants to communities across West Wales and the Valleys continue to be made across the region. The 400th approved project - Help2Wales, a University of Glamorgan project to increase collaboration between SMEs and higher education - will receive £1.5 million in grant over the lifetime of the project.

5. All the Community Initiatives working in Wales are now in place, with the European Commission approving the Single Programming Documents for Urban II (West Wrexham) and INTERREG 3. This means that £12 million in European Regional Development Fund support is available for Wrexham under Urban: INTERREG 3A will offer some £29 million to West Wales and the eastern counties of the Republic of Ireland, while Wales can also share in the UK allocation of over £100 million for INTERREG 3B and C.

6. Wales has also had its bid under the Innovative Action Programme approved, which will fund a €4million (£2.4million) project which will support Wales' sustainable development agenda.

OBJECTIVE ONE: WEST WALES AND THE VALLEYS

Financial position

The Objective 1 programme has continued to make progress over the final months of 2001. 447 projects had received offer letters as at 31 December, with commitments of almost £290 million.

Full details of commitment and payments by Priority, as at the end of November 2001, are attached.

Commitments

Projects approved	Commitments made at Dec 2001, £m	Indicative Financial Allocation at end 2001, £m (SPD)
447	288.5	347.92

A key factor in not yet allocating funds up to the level of the Indicative Financial Allocation set out in the SPD was the decision by the Infrastructure Partnership and the Business Assets Strategy Partnership to spend sufficient time developing an Infrastructure Strategy before allocating grant. Whilst it had been planned to commit £28.4m to projects in the six infrastructure measures in Priorities 2 and 6 by the end of 2001, the time taken to develop the Strategy has resulted in a lower commitment figure of £4.2m.

However, expressions of interest have been sought under these measures and progressed and projects are currently under development. It will be possible to catch up on the commitments in 2002 and it will be prudent to aim to overcommit in view of the timescale of most infrastructure projects.

In Priority 3, allocations have been made to each local partnership and to the regional partnership. This has ensured that partnerships determine their highest priorities within the funding available; it has meant, however, especially in areas where the allocation is small, that partnerships have had to take time to consider their priorities. The pattern of commitment within the ERDF Measures in the Priority is as planned, with a significantly higher percentage of the total grant committed in the Measure relating to capacity-building.

Several issues relating to Priority 5 (Rural development and the sustainable use of natural resources) also contributed to commitment not yet reaching the level of the SPD Indicative Financial Allocation. These included:

- An overdue application for an increase in grant of £2.1m from one large scheme. The increase had already been agreed by the PMC.
- Project applications could not come forward under Priority 5 Measure 8 (a sustainable countryside- enhancement and protection of the natural environment and countryside management) for areas that were not clearly rural until a definition of eligible rural areas had been agreed. This led to an under-commitment of £ 4.9m compared to the SPD figure. Now that the

definition of eligible areas has been agreed action is in hand to make up the ground lost.

- Nearly all of the budget for Priority 5 Measure 9 (FIFG) was uncommitted due to a slow start to the FIFG programme. WEFO plans to catch up on commitments in 2002 and there are project applications in the pipeline requesting grants totalling £6.8m.

Commitments and Payments by Fund, December 2001

Fund	Approved projects	Commitments, £m	Payments, £m
ERDF	195	150.6	34.4
ESF	229	118.95	24.6
EAGGF	22	17.9	0.6
FIFG	1	0.015	0.0
Total	447	288.5	59.6

Taking all the Structure Funds programmes together just over £97m had been paid out to projects in Wales by the end of 2001. WEFO continues to encourage projects and sponsors to claim in good time: this is being taken up with all major claimants and we will continue to monitor the position as the programmes progress.

Drawdown from European Commission

We continue to keep a close eye on the decommitment rule (N+2). We have already received advances of £79m and need to make claims on the Commission of about £96m before the end of 2002 to achieve the N+2 target (of €284,292 million). Claims for drawdown of funds from the European Commission to the value of £17.8m were made in December and given that payments already made or in the pipeline exceed £60m we are well on the way towards meeting this target .

Key issues

- **Finance Wales:** payment of £20.3m was made in December..
- **Priority 1 Measure 3** (developing competitive SMEs) is now open for applications that demonstrate that they are in line with the principles and proposals of the review of business support carried out by the Assembly. WEFO will work closely with WDA to ensure that projects continue to comply with these conditions and existing bids will be given the opportunity to re-profile their activities and spending.
- **Priority 2 Measure 1** (information and communications technology) has attracted seven expressions of interest: the Infrastructure Regional Partnership and the Business Assets Strategy Partnership are encouraging bids to come forward.
- **Priority 2 measure 5** (clean energy sector developments) is now open and projects are coming forward.
- **Priority 6** (strategic infrastructure development) is fully open for pro-forma development, following the agreement of regional priorities in the Infrastructure Strategy. WEFO is working closely with the WDA, local authorities and other partners to develop projects which meet the priorities and needs of the local and regional strategies. Interest in a number of these measures is quite high and the Business Assets Strategy Partnership will be giving particular consideration to bids in this priority.

OBJECTIVE 1 SINGLE PROGRAMMING DOCUMENT

Commitment and expenditure - November 2001

£ million	SPD Grant Allocation 2000-2006	SPD Grant Allocation 2000-2001	Commitments to Nov 2001	% of SPD Grant Allocation 2000-2001	Payments to Nov 2001
Priority 1 - Expanding and Developing the SME Base					
Total - Priority 1	284.83	86.62	100.31	115.81%	9.29
Priority 2 - Developing Innovation and the Knowledge Based Economy					
Total - Priority 2	182.94	55.64	40.43	72.66%	2.74
Priority 3 - Community Economic Regeneration					
Total - Priority 3	110.19	33.51	11.91	35.54%	1.86
Priority 4 - Developing People					
Total - Priority 4	288.89	87.85	89.38	101.74%	18.38
Priority 5 - Rural Development and the Sustainable Use of Natural Resources					
Total - Priority 5	131.48	39.98	21.96	54.92%	0.68
Priority 6 - Strategic Infrastructure Development					
Total - Priority 6	129.63	39.42	1.40	3.55%	0.82
Priority 7 - Technical Assistance					
Total - Priority 7	16.13	4.90	1.18	24.03%	0.06
Total - All priorities	1144.09	347.92	266.56	76.62%	33.83
ERDF	688.90	209.50	142.15	67.85%	11.53
ESF	365.26	111.07	109.14	98.27%	22.06
EAGGF	80.56	24.50	15.26	62.29%	0.25
FIFG	9.38	2.85	0.02	0.53%	0.00

OBJECTIVE TWO: EAST WALES

Latest position

The first formal approvals of Objective 2 projects in East Wales were issued before the end of December. Three projects have now received offer letters as follows:

Priority	Measure	Organisation	Project	Grant
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2	2	Rhayader & District Community Support	Rhayader One-Stop Community Centre	£92,925
3	1	Cardiff County Council	Ruperra Square Environmental Improvements	£86,000
3	1	Newport County Borough Council	Ringland Centre Regeneration (Transitional)	£145,657
				£324,582

A total of 81 projects have received endorsement from the seven East Wales Partnerships, which (if approved) will commit £19.26 million to projects across the region. This represents some 25% of the value of the Programme. The technical review of the endorsed projects is proceeding: 60 have so far been received by WEFO.

Drawdown From European Commission

We have already received an advance of £5.26m: claims on the Commission of about £22m will be needed before the end of 2003 to achieve the N+2 target.

OBJECTIVE THREE: EAST WALES

Financial position

276 projects have been approved as at the end of December 2001: full details of commitment and payment by Priority, as at the end of November, are attached.

Commitments and payments, December 2001

Approved Projects	Commitments, £m	Payments, £m
276	29.21	6.73

Levels of commitment continue to grow. There is some difference in the level of commitment between partnerships but overall commitment is satisfactory.

Drawdown from European Commission

We continue to keep a close eye on the decommitment rule (N+2). We have already received an advance £5.64m and will need to make claims on the Commission of about £8m before the end of 2002 to achieve the N+2 target (of €21.8million). A claim for drawdown of funds from the European Commission to the value of £2.63m was made in December.

Key issues

- Commitment on most measures is satisfactory, but the PMC has identified a number of measures where further activity is needed. Partnerships are being encouraged to increase their activity in these areas during the next bidding rounds and the PMC and WEFO will review closely the outcomes in these measures.

- Partnerships are developing increased communications at local level, using website, information sessions and workshops. These vary between Partnerships and the PMC has encouraged all Partnerships to pool expertise to raise the levels of communication across the region.

OBJECTIVE 3 OPERATIONAL PROGRAMME 2000-06

Commitment and Expenditure 2000-06

£ Million	OP Grant Allocation 2000-2006	OP Grant Allocation 2000-2001	Commitments to November 2001	% of OP Grant Allocation 2000-2001	Forecast Commitments to end 2001	Payments to Nov 2001	Forecast Payments to end 2001
Priority 1 - Developing Active Labour Market Policies to Prevent and Combat Unemployment							
Total - Priority 1	20.40	6.54	6.04	92.45%	7.09	1.42	1.73
Priority 2 - Equal Opportunities for All and Promoting Social Inclusion							
Total - Priority 2	17.14	5.49	6.20	113.02%	6.27	1.81	2.30
Priority 3 - Lifelong Learning							
Total - Priority 3	17.95	5.75	5.81	101.04%	6.81	0.96	1.29
Priority 4 - Promoting Business Competitiveness							
Total - Priority 4	18.77	6.01	6.01	99.99%	7.40	1.65	1.93
Priority 5 - Promoting Gender Equality within the Labour Market							
Total - Priority 5	5.71	1.83	0.84	45.84%	1.09	0.22	0.24
Priority 6 - Technical Assistance							
Total - Priority 6	1.63	0.52	0.00	0.00%	0.08	0.00	0.00
Total all priorities	81.61	26.14	24.91	95.28%	28.75	6.06	7.50

COMMUNITY INITIATIVES

URBAN II community initiative programme for West Wrexham.

The URBAN II programme for West Wrexham was given formal approval by Commissioner Barnier on 5th December 2001. The programme is worth £13.3 million over the period 2000-2006 and is financed from the European Regional Development Fund. The overall aim of the URBAN programme is the "economic and social regeneration of cities and of neighbourhoods in crisis in order to promote sustainable urban development".

West Wrexham, which consist of nine wards, is the only area in Wales participating in URBAN II. It suffers from a range of economic, social and physical problems. The West Wrexham programme aims to tackle these problems through two priorities: Entrepreneurship and business development and Community participation.

A Shadow Programme Monitoring Committee has been set up and has met twice so far. The Committee is made up of members representing the public, voluntary and business sector as well as community representatives. Karen Sinclair AM is the chair.

EQUAL community initiative (all Wales)

EQUAL is a new initiative designed to find new ways to reduce disadvantage and discrimination in Wales' labour market. Three strategic Development Partnerships in Wales have been approved to investigate ways to promote equal opportunities and inclusion in the labour market, and to improve entrepreneurship amongst disadvantaged groups: £1.25 million has been made available to these partnerships over the next three years.

INTERREG III

The European Commission has now approved the Single Programming Document for the Ireland/Wales Programme under INTERREG 3A, which covers west Wales and eastern counties of the Republic of Ireland. The aim of the Programme is to promote the sustainable development of the cross-border region through an integrated approach to economic, social and environmental development.

Its priorities are firstly to encourage the economic, social and technological development of the cross-border area, and secondly to achieve sustainable growth by enhancing the overall quality of the cross-border area. The total budget is €65.5 million (over £40 million), of which the European Union is contributing €47.6 million (some £29 million). The Programme covers the period to the end of 2006.

Wales is also eligible for funding under elements of INTERREG 3 B and C, which deal with wider aspects of cross-border co-operation. The UK proportion of the programmes for which Wales is eligible totals over €170 million (over £100 million).

LEADER+

LEADER+ is designed to pilot innovative approaches to rural development which will contribute to a more sustainable society, economy and environment for rural Wales.

Seven Local Action Groups were selected on July 10th 2001 to deliver the programme. LEADER+ will bring in approximately £9.23 m of European funds to the seven selected rural areas over the life of the programme. WEFO is currently assessing Business Plans submitted by the Groups. Once approved, the Business Plans will attract a total of £2.9 m of European funding to the Groups over the three- year period 2001 to 2003.

INNOVATIVE ACTION PROGRAMME

Approval of the Welsh bid for European funding under the Innovative Action Programme was announced on 9 January.

The European Commission Innovative Action scheme invited bids for experimental projects incorporating a number of themes, including the promotion of regional identity and sustainable development, particularly in the areas of innovation and technology. Following extensive consultation, the Welsh Assembly Government submitted plans for a €4 million, two-year programme to create a regional laboratory that can test and demonstrate the way towards a sustainable knowledge based economy in Wales.

The four projects approved will encourage economic development based on knowledge and technological innovation, exploitation of the information society serving regional development, and promotion of sustainable development and regional identity.