

Date 12 June 2002
Time 2.00 - 5.30 pm
Venue Committee Room 1, National Assembly for Wales, Cardiff Bay
Title Welsh Affairs Select Committee Report: Objective 1 European Funding for Wales.

WELSH AFFAIRS SELECT COMMITTEE REPORT: OBJECTIVE 1 EUROPEAN FUNDING FOR WALES.

Summary

1. This paper is an initial response by the Welsh Assembly Government to the issues raised by the Welsh Affairs Select Committee report into Objective 1 European funding. A considered response will be submitted to the Welsh Affairs Select Committee by the 22nd July.

Recommendation

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

Background

3. The Welsh Affairs Select Committee conducted an enquiry into Objective 1 between December 2001 and April 2002. The report published on 22nd May made a number of recommendations.

Response to the Recommendations

4.a Relationship between the different tiers of government

The Department for Trade and Industry (DTI) hold regular meetings with Devolved Administrations and Whitehall Departments dealing with Structural Funds. Regular contact is also made between desk officers involved in the Objective 1 Programmes.

b. The size of the Assembly's block grant.

We made the case successfully in the 2000 Spending Review and are making our case

vigorously again in the current Spending Review. We are pursuing the commitment made in the Partnership Agreement and we have revisited the forecast level of EU grants for the structural funds programmes over the period 2003-2004 to 2005-2006 to revise our requirements.

c and d. The application process

The time taken to process applications depends on the quality and complexity of the applications. WEFO is working with partnerships to improve the quality of applications. 42% of applications were processed within 90 days. The average time taken was 103 calendar days.

WEFO welcome the Committee's acknowledgement that fairness is more important than meeting targets and agree that the pre-application stage is important. Advice to project applicants is available from a wide range of organisations, including WEFO, local and regional partnerships, private sector unit and the voluntary sector unit.

Wales has committed 30% of the Objective 1 Programme in just over 18 months. We welcome the Committee's comment that Wales compares favourably with the other Objective 1 regions in the UK.

e. Match funding

The Welsh Assembly Government is committed to ensuring adequate match funding is available to support the Structural Funds programmes. In the first instance, match funding is the responsibility of the applicant – this ensures local ownership of, and commitment to, projects.

There are numerous sources of match funding – local authorities, ASPBs, the voluntary sector, Assembly Government schemes, lottery funding and the private sector. There is also a range of specific match funding pots available in Assembly budgets for applicants who are unable to obtain match funding elsewhere.

However, we recognise that all applicants may not be aware of the full range of opportunities for match funding and are considering how we can make information more widely available. To assist applicants identify suitable sources of match funding, a guide is currently being put together - this will be available on the WEFO web-site and in published information.

WEFO can be flexible with revenue projects and applications are approved as long as the first year's funding is in place, and match funding for subsequent years can be

reviewed after approval.

The co-financing scheme developed in England was previously considered in Wales but has not been introduced.

f. Involving the private and voluntary sectors.

WEFO welcome the Committee's comments on the strength of the partnership system in Wales and our success in achieving gender balance.

The Voluntary and Private sector members of Programme Monitoring Committees and Strategy Partnerships are able to claim travel and subsistence costs when they attend meetings. WEFO have advised local and regional partnerships that they may wish to introduce similar arrangements. WEFO follows Welsh Assembly Government's policy on reimbursement, and does not currently pay compensation for attending meetings. The Welsh Assembly Government is currently reviewing its policy.

WEFO has established a Private Sector Unit to assist the private sector to access the funds. The Wales Social Partners Unit will provide support for individuals representing social partners on various committees. Voluntary Sector Unit has also been established and is located within the WCVA and provides information and advice on the Objective 1 programme. Wales does more than other regions for the voluntary sectors as it has introduced advanced payments for the voluntary sector and non-profit making organisations.

Structural funds can seem complex to those who are not involved on a regular basis – the Commission uses a lot of legal and technical terms. WEFO are preparing a series of simple and informative Factsheets that will provide information about a range of issues relating to Structural Fund programmes in Wales. These will be available by the end of July.

g. Progress of the programme: rate of commitment and spend.

WEFO welcome the Committee's comments on Wales' progress on commitment and spend. We have successfully launched the biggest Structural Fund programme seen in Wales. Objective 1 is worth over £2.4 billion, which includes £1.4 billion of EU grant.

Over £320 million Objective 1 EU funds have been committed to over 530 projects. This

means that investment of over £727 million has already been secured for Wales.

h. State aids

The Welsh Assembly Government is committed to securing the maximum use of fiscal variations to stimulate the Welsh economy and we have an action plan in place, following the Pricewaterhouse Coopers report. However, many of the measures are non-devolved and we will continue to lobby the UK Government on those measures which would be of benefit to Wales.

Objective 1 status does not automatically allow the Assembly greater flexibility in providing State Aids to promote economic development, although consideration can be given to using the article 87(3)(a) derogation to use tax credits, loans or similar policies as tools of economic regeneration. However, granting operating aids which provide support for the running of a business, as opposed to providing investment aid, can only be given to address a very specific and serious problem. Operating aids are considered by the EC as the most distorting form of aid and therefore extremely unlikely to be granted.

i. What happens after Objective 1?

We look forward to working as part of the UK on this important question. In the main, our direct contribution will be at the UK level because structural funds policy is not devolved, but the Assembly Cabinet have, even at this early stage, discussed the future with both UK government and Commission representatives. The First Minister, along with other members of the European & External Affairs Committee, met Commissioner Barnier last December. First Minister met Commissioner Barnier again in May, and he also recently met Foreign Office minister, Peter Hain MP, where this issue was discussed.

WEFO
May 2002