

Enterprise and Business Committee

Meeting Venue:
Committee Room 3 – Senedd

Meeting date:
11 January 2012

Meeting time:
09:15

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Siân Phipps
Committee Clerk
029 2089 8582
enterprise.committee@wales.gov.uk

Agenda

Informal Meeting (9:15 – 9:30)

1. Introductions, apologies and substitutions

2. Inquiry into the Draft Legislative Proposals for EU Structural Funds 2014–2020 : Evidence Session (9:30–10:30) (Pages 1 – 28)

Iestyn Davies, Federation of Small Businesses

Professor Richard B. Davies, Higher Education Wales

Greg Walker, Higher Education Wales

Berwyn Davies, Higher Education Wales

Professor Phil Gummett, Higher Education Funding Council Wales

3. Inquiry into the Draft Legislative Proposals for EU Structural Funds 2014–2020 : Evidence Session (10:30 – 11:30) (Pages 29 – 60)

Judith Stone Welsh Council for Voluntary Action

Phil Fiander Welsh Council for Voluntary Action

Katy Chamberlain Chwarae Teg – Welsh Council for Voluntary Action

Lowri Gwilym Welsh Local Government Association

Neville Davies Welsh Local Government Association

Peter Mortimer Welsh Local Government Association

4. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

5. Inquiry into the Regeneration of Town Centres : Discussion of Draft Report (Pages 61 – 115)

6. Papers to note (Page 116)

Procurement Task and Finish Group: Change to Terms of Reference



WALES OFFICE
1 Cleeve House
Lambourne Crescent
Cardiff CF14 5GP

Tel: 029 2074 7406

Dr Siân Phipps
Committee Clerk
Enterprise and Business Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

25 November 2011

Dear Dr Phipps

Inquiry into the draft legislative proposals EU Structural Funds for 2014-2020 – an initial submission from the Federation of Small Business in Wales

The Federation of Small Businesses is grateful to the Enterprise and Business Committee for the opportunity to submit evidence to the inquiry. The FSB represents the views of 10,000 small businesses and the self employed as well as the interests of all those individuals, partnerships and companies which together make up the largest section of the Welsh economy. I understand that we will be invited to give oral evidence as part of a Business Panel in the Committee meeting earmarked for the 11 January 2012. We will have by then, been able to collect wider evidence on this matter.

In assessing our response to the inquiry, at present, we can only provide an overview or the experience of our members in relation to the impact of the last two rounds of EU Structural Funds. In particular, we focus in this letter on the involvement of the business community in the strategic and local planning of investment and whether the approach in general benefited both the business

community and the Welsh economy as a whole or has acted to further entrench the concept of a 'resource drain', with people, product and manufacturing bases in particular seeking to move away from the areas most in need of assistance via structural funds.

Having spoken to a range of members who each have individual experience of the effectiveness, or otherwise, of EU structural funds, the overarching message is that investment had been largely successful in terms of physical regeneration, particularly in infrastructure but that this was not driven by local communities (including the private sector) in a balanced way.

EU Structural Funds have clearly delivered in making populations more mobile along regional spatial planning although this has had the effect of generating greater out-migration from communities rather than serving as a positive shift towards sustainable localised economies, for example in the Heads of the Valleys and along the A55 corridor. One particular response described these large infrastructure projects an *'escape route out and definitely not a route in'*.

Despite Structural Funds, for the period 200-2006 and 2007-2013, being accessible to the private sector, the bureaucratic process involved has made it difficult for small business' to make feasible applications, including working with partners on match funding objectives. Members are therefore likely to be aware of European Funded projects and indeed can often find themselves benefitting from the services, infrastructure and training they have provided, without having a direct stake in the early formation of the schemes or their application.

It is likely to be received wisdom within the small business community that strategic investment planning in the last 12 years has been driven by the public and voluntary sectors, with no lasting outcomes in terms of increased GDP per

capita and sustainable employment. However, it is also hard to point to real examples of any lasting and meaningful engagement with the sector to counteract this perception. Any future funds that will be made available will need to be more focused on improving the business environment, with intermediaries being facilitators rather than obstacles. They will also need to demonstrate that the business community is a real and meaningful collaborator in formation and delivery or funding programmes and not as one respondent commented, rely on plaques logos and road signs, to communicate what the funding programme is achieving.

The FSB is aware of the extent to which the lay person – businesses included – are not always familiar with the specific challenges facing the regulation and implementation of complex programmes such as the Structural Funds. Responses from members thus far appears to demonstrate that they are aware of effective areas of *'EU haves and Have nots'*. Areas characterised by new developments funded by EU resources sitting alongside areas or facilities that are clearly remnants of an early industrial era.

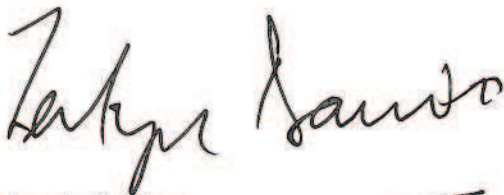
If initial soundings are correct, we would welcome the shift to focus on results and systematic conditionalities on investment, which included milestones and a shift from spend absorption towards production and outputs. This environment would suit the business community and it is an approach that they would understand. It would also lend itself to a holistic focus on areas rather than on the development of what one respondent termed 'set-piece' projects, particularly when in the eyes of business these projects and buildings were more likely to take place within the public or third sectors.

Other evidence evaluated by the FSB in the process of preparing this initial response would leads us to believe that other stakeholders within the various and

multileveled mechanism for managing structural funds would equally feels as dislocated from the process as those within the business community. The future structural funds will therefore in our opinion need to address these issues if they wish to overcome existing social divisions by developing more inclusive policymaking solutions and grant programmes and thereby leverage greater support for the principles of cohesion funds and ultimately better economic prospects for the regions concerned.

We very much look forward to participating in the ongoing inquiry and hope that the initial points we have raised in this letter are of interest to the committee.

Yours sincerely,



Iestyn T Davies
Head of External Affairs
Federation of Small Businesses, Wales



THE EUROPEAN COMMISSION'S DRAFT STRUCTURAL FUNDS

REGULATIONS FOR 2014-2020

A submission to the Enterprise & Business Committee from HEW and WHEB

About Higher Education Wales & Welsh Higher Education Brussels

Higher Education Wales (HEW) is the representative body for Wales's Higher Education Institutions and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales and the Director of the Open University in Wales. HEW provides an expert resource on higher education in Wales.

Welsh Higher Education Brussels (WHEB) has been established to promote the interests of the Welsh Higher Education sector in Europe. WHEB works to:

- Enable the HE sector to engage more fully with European priorities such as the Europe 2020 Strategy, Horizon2020 and the Bologna Process; and,
- Facilitate stronger relationships between Welsh Higher Education Institutions (HEIs), European Institutions and Regional Partners from the EU, and beyond.

By placing itself at the heart of Europe, WHEB aims to build closer links with a wide range of other stakeholders, promoting Welsh excellence in pursuit of Europe-wide goals.

2014-2020 – AN OPPORTUNITY TO TRANSFORM WALES'S ECONOMY

Universities in Wales believe that the next round of Structural Funds should shift to a focus on interventions which will have long term and beneficial outcomes for the Welsh economy and away from the current approach centred on predominantly transactional outputs. *The transformation of the Welsh economy from a low value, low employment economy to a high value, full employment economy can only be secured through a new 'whole system' approach to research and development (R&D), knowledge exchange and innovation.*

This shift is explicitly recommended by the European Commission itself in its landmark report 'Connecting Universities to Regional Growth: A Practical Guide'.¹ This important

¹ *Connecting Universities to Regional Growth: A Practical Guide*, A Guide to help improve the contribution of universities to regional development, with a view to strengthening economic, social and territorial cohesion, in a sustainable way. September 2011.

document aims to improve the contribution of universities to regional development and has outlined four key areas (elaborated below) where universities need to play a central role. **We recommend that the next round of Structural Funds in Wales prioritises actions which have the potential to have a transformational social and economic impact on Wales in generating jobs at all levels and sustainable growth.**

The four key areas include:

1. Enhancing regional innovation through research activity

Universities can play a key role in regional development by providing the knowledge base which will support business development in the region. Universities are focussed on increasing their role in working with business to translate its research into products and services that business develop and then take to market. Though this R&D process is not simple or linear university research can play a central role in the regional innovation ecosystem by responding to demand from the public and private sector for relevant expertise. This is an iterative process which includes not only technology-based activity but work by our business schools and world recognised social science and humanities faculties who will take a multi disciplinary approach to innovation and leadership and management (including social innovation).

2. Promoting enterprise, business development and growth

Universities are redoubling efforts in Wales in making an increased contribution to the business and entrepreneurial culture in Wales. We will build upon our existing enterprise programmes for students as well as supporting staff and students in setting up their own business. Our universities are ideally placed to support new clusters through their networks with companies, expertise in Intellectual Property rights as well as our long standing international links which have often been fostered through the current European Research Framework Programme (FP) funding.

3. Contributing to the development of regional human capital and skills

A key element for realising our potential for economic growth in Wales will be the development of skills and knowledge assets in the workforce. Our universities are keen to work with Welsh Government and business throughout Wales to invest in the skills of local people as well as attract external talent to Wales. The sector is keen to use the next period of structural funding to design training programmes which respond to local employers' needs. This will depend on effective future skills forecasting and will require strong partnership between universities, the Welsh Government and business. Building upon our experiences with our projects during the current programme, the university sector will want to prioritise greater exchanges between university staff, students and SMEs and larger businesses. This is aimed at generating significant job growth at all levels of the economy.

4. Improving social equality through regeneration and cultural development

One of the key tasks for our universities in the coming period will be to work with Welsh Government, schools, Further Education colleges, and businesses to address low skills levels in Wales. Building on our experience in leading innovative projects such as the University of the Heads of the Valleys Institute the sector wishes to extend further its efforts to widen access and raise aspirations of young people throughout Wales to participate in higher education. Furthermore, our universities recognise the central role that they play in providing a wide range of services for local people which enhance the social and cultural infrastructure of an area through projects such as PONTIO at Bangor University. Universities see it as one of their pivotal roles as making Wales a more attractive region for its own people as well as enticing businesses to expand and relocate here. Thus Welsh universities aim to steer investments in way that can have a beneficial impact beyond their immediate campus environment.

UNIVERSITIES TO PLAY A CENTRAL ROLE IN REGIONAL INNOVATION STRATEGIES

- The European Commission has clearly stated that all funding programmes during the new financial perspective will be linked to the objectives of Europe 2020 for *smart, sustainable and inclusive* growth. One of the Flagship Initiatives, the Innovation Union, outlines the importance of strengthening the knowledge base through investment in research and innovation in order to meet the objectives in Europe 2020. It also includes a self-assessment tool for regions to benchmark their approach against features of well performing national and regional research and innovation systems.
- The sector notes that the Commission has emphasised the need for regions to draw up their own regional innovation strategies as a condition for accessing Structural Funds. **Universities are enthusiastic about playing a central role in collaborating with the Welsh Government on formulating an innovation strategy for Wales.** The strategy should be put in place during the first half of 2012.
- The Commission has stated that the Regional Innovation Strategies should be based on Smart Specialisation whereby the regions identify their strengths and potential. Universities have responded positively to the Welsh Government strategy for higher education, *For our Future*, which identified the four main research priority areas for Wales. Universities also wish to work with the Welsh Government on realising the strategy outlined in *Economic Renewal: a new direction* and to participate in the Economic Renewal sector panels alongside colleagues from industry. The forthcoming *Science for Wales* strategy, launched in early 2012, will also be a pivotal document and which could provide part of the basis of the innovation strategy.
- **Universities strongly support the idea that regional innovation strategies should be peer reviewed in 2012.** Wales needs to look outwards to examine how and why successful regions have transformed their economies. Higher education itself can play an active role in peer review through input from specialist academics and contributions from university leaders. Furthermore, **universities in Wales encourage the Welsh**

Government to participate in the OECD programme of regional reviews and to work with academics in Wales who have a proven track record in studying regional economic development.²

- Article 5 of the General Regulation allows Member States to organise a partnership with regional authorities, economic and social partners and bodies representing civil society for the Partnership Contract. The higher education sector in Wales will be looking to see that universities are explicitly mentioned as key partners. In addition, the Commission is currently drawing up a European Code of Conduct laying down objectives and criteria to support the implementation of partnership. **The HE sector is keen to ensure that university participation is included as a key criterion in the Code.** WHEB and HEW will be monitoring the development of this Code of Conduct in early 2012.

Research and Innovation is a priority in all funds

- Article 9 of the General Regulations places research, technological development and innovation as the first of the priorities. Commission officials have stressed research and innovation as the first priority for the next period.
- Article 9 also states that all the priorities listed can be funded through all the structural funds. **Research and innovation therefore is a priority also for the European Social Fund as well as the ERDF.** The sector welcomes the specific references to investing in education, skills and lifelong learning and in particular strengthening research, technological development and innovation in the ESF regulations.³
- The university sector welcomes the thematic concentration which includes at least 80% in East Wales and 50% in West Wales and the Valleys of ERDF dedicated to research and innovation, SME competitiveness and renewable energy. Whilst respecting the special limits allocated to renewable energy, **the HE sector is keen to work with the Welsh Government to ensure that a high proportion of ERDF is allocated to research and innovation.**
- Universities in Wales should be consulted on any research and innovation activities as potential lead sponsors, as well as beneficiaries of projects. In the current round of funding there was limited consultation by the Welsh Government on its research and development schemes, such as A4B.
- The higher education sector in Wales is in a position to make a significant contribution to the other two priorities. The Low Carbon Research Institute (LCRI), for example, is

² Professor Kevin Morgan of Cardiff University, for example, is a member of the Smart Specialisation Platform and has co-authored the Guide to Smart Specialisation on behalf of the Commission.

³ ESF regulation COM (2011)614.

Art 3 1 (b) (ii) Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels.

Art 3 2 (c) Strengthening research, technological development and innovation, through the development of post-graduate studies, the training of researchers, networking activities and partnerships between higher education institutions, research and technological centres and enterprises.

uniquely placed to work with the Welsh Government and SMEs to translate its research into green products and thus into green jobs.

- The university sector also notes that the thresholds in the draft regulation are for *minimum* expenditures and that there will be many opportunities for additional investment in research and innovation above these baseline thresholds. Where this happens economic progress often accelerates, for instance the region of Saxony (in the former East Germany) is investing over 40% of ERDF in strengthening of innovation, science and research and improving educational infrastructure - and the same proportion of ESF in improving human capital. For the next programming period, parts of Saxony will have moved from a Convergence region to a Transition region. We recommend to the Welsh Government that Saxony is taken as a key case study on how a European region can make real progress in raising its GVA through radical policies to enhance research, innovation and high level skills.
- With a greater emphasis on research and innovation the university sector strongly supports a more positive interpretation of the ERDF regulations *which would allow research to be included as a valid output*. The focus on research and innovation should be reflected in the type of targets set for the programme so they would **recognise university related outputs including patents registered by HEIs, investment induced, external research income attracted** – which lay the foundation for job creation at all levels. In the current programme reporting is geared to transactional outputs of/investment in/ jobs created by SMEs/industry, whereas relevant university activity and outputs are, to a large extent, going unreported and yet generate tangible medium to long term benefits for Wales.

Synergies with other EU funds

- The sector wishes to see much greater cross-linkage between EU programmes and notes that this is also an objective of the Commission. For HE this will clearly focus on synergies between the Structural Funds and Horizon2020, the proposed new programme for research and innovation (and successor to the seventh Framework Programme). The Partnership Contract as outlined in the General Regulations make specific reference for need to create:
“an integrated approach to territorial development supported by the CSF funds setting out:
(i) The mechanisms at national and regional level that ensure coordination between the CSF Funds and other Union and national funding instruments”⁴
- Long term sustainability of Structural Fund investments will depend on the success in building research and innovation capacity in the regions so that Wales is able to participate fully in Horizon2020 on the basis of excellence alongside the best in Europe and the world. *The HE sector therefore recommends that Welsh Government make a*

⁴ General Regulations: Art 14 (b) (i) Content of the Partnership Contract.

*direct linkage between the priorities of Horizon2020 in the operational programme for research and innovation allowing a clear alignment between the operational programme for the next round of structural funds and the societal challenges prioritised in Horizon2020.*⁵

- The university sector fully supports the ‘Stairway to Excellence’ concept promoted by the Commission whereby Structural Funds are invested in research infrastructure which builds capacity with the specific aim of engaging in competitive, excellence driven programmes such as Horizon2020 and Erasmus for All (the proposed new programme for lifelong learning, which will also have increased focus on university business collaboration).
- According to the current proposal for Horizon2020 the European Research Council (ERC) is set for an increase of 70% compared to the budget in FP7. The Structural Funds need to be invested in the university sector so that our universities can retain their best researchers and attract world leading researchers to Wales. This tallies well with the recommendation of the Chief Scientific Adviser for Wales, Professor John Harries, in his draft document *Science for Wales* (July 2011) that universities should attract and retain the best international research teams. These researchers would be in a position to then apply for funding through the ERC. Securing greater ERC funding would raise the profile of the Welsh higher education sector on a global stage and help promote Wales as a centre of excellence for research in key areas. This would create a virtuous circle by attracting more world leading researchers to come to work in our universities which in turn would generate more income and jobs for our communities.

UNIVERSITIES AT THE HEART OF A COLLABORATIVE NATIONAL APPROACH

- The university sector wishes to see a continuation in the collaborative approach pursued in the design and delivery of European Programmes. Major research partnerships involving a number of universities have been set up during the current programme and the sector will be keen to ensure that further investment is committed to innovative initiatives such as these beyond 2013.⁶
- These research partnerships have been complemented by a range of high level skills programmes which are run collaboratively between Welsh universities such as the Access to Masters and the Knowledge Economy Skills Scholarship programmes (see www.higherskillswales.co.uk). The university sector expects that strategic collaborative projects such as these to be prioritised in the future programme for ESF.

⁵ These priorities include i) health, demographic change and wellbeing, ii) food security, sustainable agriculture, iii) secure, clean and efficient energy, iv) smart green and integrated transport v) climate action, resource efficiency and raw materials vi) inclusive, innovative and secure societies.

⁶ Major collaborative research initiatives include the Low Carbon Research Institute, Climate Change Consortium for Wales and High Performance Computing Wales.

- The sector has already started to build upon these collaborative initiatives. Welsh Higher Education Brussels has set up four research priority groups made up of academics who are involved in Framework Programme 7 in order to increase the sector's capture of European research funding. The membership of some of these groups, such as the Low Carbon and the Advanced Manufacturing and Materials groups are based on existing partnerships established through the Convergence funded LCRI and ASTUTE respectively.
- With reference to the action on 'improving social equality through regeneration and cultural development', the university sector recognises that even though high level skills are important the HE sector in a strong position to work with Further Education partners and the voluntary sector to deliver on a range of skills relevant to the labour market across Wales.
- The university sector notes that the role of the lead beneficiary has been included again but HEIs need to ensure that the administrative burden of applying for funding to lead partners who operate bidding rounds is recognised. Costs associated with an additional administrative layer within these projects which is claimed by lead partners need to be minimised in order that the maximum amount of funding is available for delivering the aims and objectives of the activities. An approach toward the funding of management costs in the Structural Funds could follow the FP7 example whereby funding for management is 100% plus an agreed/fixed indirect/overhead rate. This would make the lead sponsor role more attractive.

Issues relating to the negotiations on the draft regulations

- The sector is keen to provide support for Welsh Government in influencing the UK Government to designate at least one urban conurbation in Wales for the City-Region approach.
- Higher Education Wales will be feeding into the Welsh Government's 'reflection exercise' in the coming weeks to ensure we make the right preparations for the Convergence and Competitiveness areas beyond 2013.
- The university sector is keen to work with partners in liaising with EU institutions during key negotiations on the draft regulations including the Welsh and UK Governments and MEPs. Liaising with the Welsh and other MEPs will be increasingly important given their wider powers to decide on the Commission's proposals. The WHEB office in Brussels will be working with colleagues in Wales House to promote the interests of Wales and its university sector. Higher Education Wales's Pro Vice-Chancellor Research Group will also be visiting Brussels for meetings with EU officials on this and other topics in early spring 2012.

CONCLUSION

Universities in Wales are determined that the period 2014-2020 is the last period in which Wales receives structural funds, on the basis of an improved economic performance during that period. The role of universities in securing that economic revival will be pivotal. The right approach to European Structural Funds and its interplay with other EU funding streams will be a key way in which economic prosperity and social cohesion is built in the next eight years. The university sector will play a full role in the coming period in developing a fresh and successful approach to structural funds with the National Assembly for Wales and the Welsh Government.

HIGHER EDUCATION WALES & WELSH HIGHER EDUCATION BRUSSELS

DECEMBER 2011

EBC(4)-01-12 Paper 3

11 January 2012

Enterprise and Business Committee Inquiry into the draft legislative proposals EU Structural Funds for 2014-2020

Response by the Higher Education Funding Council for Wales (HEFCW)

About HEFCW

- 1 HEFCW is a Welsh Government Sponsored Body established in 1992 under the Further and Higher Education Act. It assumed responsibility for funding higher education (HE) in Wales on 1 September 1993. It administers funds made available by the Welsh Government in support of the provision of education and the undertaking of research at higher education institutions (HEIs), and the provision of prescribed HE courses at further education institutions (FEIs). It also accredits providers of initial teacher training for school teachers.

Purpose

- 2 This paper presents initial responses to the issues under discussion by the Committee as background to our appearance on 11 January. There has not been time to seek approval of HEFCW's Council for this paper, which must therefore be regarded as a submission from officers only. A Welsh language version will follow early in January.

Conclusions

- 3.1 The key points from this submission are:
 - a. The proposed legislative proposals present a significant opportunity for Wales to transform its economy.
 - b. A more strategic approach which embraces 'smart specialisation', and better aligns the different EU funding programmes (such as Horizon 2020 (H2020) and the European Social Fund (ESF)), could help to ensure success in Wales. It should also develop linkages between Structural Funds programmes and the Framework Research programmes in particular.
 - c. The higher education (HE) sector in Wales is well placed to make a significant contribution to all of the proposed thematic objectives, especially in their areas of current and emerging strength.
 - d. For there to be a 'step change' in the economy of West Wales and the Valleys, and in the Welsh economy more widely, the capacity of HE to be competitive on a wider stage could be improved through support under the new programme.

- e. Through partnership between the Welsh Government (particularly the European Programmes Directorate in the Department for Business, Enterprise, Technology and Science (BETS)) and the HE sector, especially in the development of the research and innovation (R&I) Strategy for smart specialisation, could help to ensure success in Wales.
- 3.2 There are a number of **priorities** that would help to ensure a beneficial outcome for Wales including:
- a. Adequate resources being agreed under the EU's Financial Perspective 2014-2020 to deliver the new programmes, and linked programmes, such as H2020.
 - b. The UK Government's approach to the negotiations being cast in the interests of the whole of the UK's economy.
 - c. The levels of support proposed for energy efficiency and renewable, R&I and SME support under the European Regional Development Fund (ERDF) being maintained or exceeded.
 - d. R&I remaining a significant investment priority, not only under the ERDF, but in other programmes, including the ESF.
 - e. A change in focus on performance indicators, consistent with the new ERDF regulations, which includes research itself as an output for Wales.
 - f. Better integration between EU funding instruments in Wales, specified in the Partnership Contract.
 - g. HE-led collaborative projects, such as the Knowledge Economy Skills Scholarships (KESS), Access to Masters, Graduate Opportunities (GO) Wales, Academic Expertise for Business (A4B), and research consortia, to be supported and enhanced under the new programme.
 - h. Adoption of a simpler way of demonstrating compliance, particularly for schemes that have already proven they work in the current programme.
- 3.3 More effective and regular partnership with the HE sector throughout the development process of the new programmes would also help to ensure that early, well tested views from Wales inform the negotiation process.
- 3.4 We trust that the information in this submission is of help to the Committee's inquiry, and we stand ready to assist further in any way that the Committee requires.

Issues under consideration

We address in turn below each of the areas that the Committee has signalled it wishes to consider in the course of its inquiry.

What the European Commission's proposals could mean for Wales

A Smart, Sustainable and Inclusive Economy

- 4.1 The European Commission (EC) is determined to ensure that the next round of EU structural funding boosts the total economy of Europe, and not just less advantaged regions. It highlights a more strategic approach which embraces 'smart specialisation', and which will require better alignment of the different EU funding programmes (such as H2020 and Education Europe).¹
- 4.2 In terms of geographical coverage, it is likely that in the next phase of EU Structural Funding, West Wales and the Valleys, as a 'less developed region' with a GDP per capita less than 75% of the average GDP of the EU-27, will remain an important priority for support.² The EC highlights that 'the catching up process of economically and socially lagging regions will require long-term sustained efforts in a world of increasing uncertainty.' The longer duration of the new programming period (2014-2020) will underpin this longer term perspective.³
- 4.3 East Wales, as a 'more developed region', whose GDP is above 90% of the average GDP of the EU-27, will nonetheless have important challenges to tackle that arise in all Member States, including the 'global competition in the knowledge-based economy, the shift towards the low carbon economy and addressing the social polarisation exacerbated by the current economic climate'.⁴
- 4.4 In order to maximise the impact of the cohesion policy, the EC proposes to reinforce the strategic programming process. This involves defining 11 thematic objectives in the Regulations.⁵ **Higher Education in Wales could make a significant contribution to the delivery of each of these priorities in Wales**, particularly to the first and, in the EC's view, the most important of these⁶: 'research, technological development and innovation'.⁷ **The Regulations emphasise that a focus on R&I is required throughout cohesion policy**⁸, and not only under ERDF.⁹ In Wales, our universities are among the principal means available for delivery of this requirement.¹⁰
- 4.5 These themes are in line with, and will underpin the implementation of, the *Europe 2020 Strategy*¹¹ which provides a vision for EU's social market economy for 21st century¹². This strategy has a strong focus on developing an economy based on knowledge and innovation and sets out a number of challenging targets.¹³ In introducing this strategy, the EC has stated: 'In a changing world, we want the EU to become a **smart, sustainable and inclusive economy**. These three mutually reinforcing priorities should help

the EU and the Member States to deliver high levels of employment, productivity and social cohesion'.¹⁴

- 4.6 The EC emphasises that **a R&I Strategy for smart specialisation is an ex-ante condition for the new programmes.**¹⁵ It emphasises that these strategies will be essential for regions to raise their game in regional development and to improve the effectiveness in their use of structural funds. These strategies will also allow regions to better leverage and increase synergies with other private and public funds.¹⁶
- 4.7 Wales already has well-defined areas of academic and business strength suitable for what the EC terms 'smart specialisation'. The new draft *Science Policy* for Wales (due for final publication in early 2012) emphasises that transformational science-led economies succeed because 'they are focused on a few areas, done really well'. It identifies these areas as 'Life Sciences and Health', 'Environment, Energy and Low Carbon', and 'Advanced Engineering and Materials'. These areas coincide with the research priorities in the Welsh Government's strategy for HE, *For Our Future*¹⁷, which highlights an additional strand, 'Digital Economy', where Wales also has expertise and potential.
- 4.8 Guidance from the EC stresses that from now on, **the emphasis will be on transformational programmes rather than transactional projects**¹⁸. This means that the previous series of separate projects focused narrowly on hitting transactional targets (such as the number of beneficiaries or firms assisted) will need to be supplemented and superseded by strategic programmes with longer term outcomes.
- 4.9 This approach again chimes with the draft *Science Policy* for Wales which explicitly highlights the need to use Structural Funding 'in a more transformational way'.
- 4.10 The HE sector has been central to efforts to use structural funds to regenerate the economy of Wales both in the 2000-2006 programming period and in the current funding round.¹⁹ These projects have helped to build a platform on which Wales is now beginning to develop a successful knowledge-based economy.²⁰
- 4.11 The HE sector in Wales believes, and we agree, that **only change in the very structure of the Welsh economy, with the development of a knowledge-based economy, will realistically begin to meet the targets set by *Europe 2020*.**²¹
- 4.12 We encourage the sector to ensure that their work directly benefits Welsh businesses and communities on a regional basis²², while at the same time maximising the potential for international competitiveness and inward investment to Wales more widely.

- 4.13 A strong knowledge-based economy encourages inward investment, and the development of other industry sectors (such as services).²³ It will also help to attract and retain the anchor companies in Wales sought under the Welsh Government's economic policies. Supporting the development of a knowledge economy in all parts of Wales will help to combat unemployment and imbalances in respect of incomes and social cohesion.
- 4.14 The development of a thriving knowledge economy requires both the development and the application of new technologies, otherwise the economy will stagnate and not be innovative or attractive to inward investors.²⁴ Inward investors will seek out 'centres of excellence', which is why the UK Government in its new *Innovation Strategy for Growth*²⁵ is committing £150 million to supporting university and business interaction in England.

Enhanced Research and Innovation Infrastructure

- 4.15 Fundamental to a thriving knowledge-based economy is a robust R&I infrastructure. The draft ERDF Regulations stipulate that specific investment priorities will include '**enhancing research and innovation infrastructure capacities to develop R&I excellence and promoting centres of competence**'^{26 27}
- 4.16 *For Our Future* highlights that 'excellence in research has a vital role to play in both delivering social justice and economic prosperity'.²⁸ Although we have a number of centres of real excellence in Wales, on the whole Welsh HEIs are still underperforming in research income, including Framework Programme 7 (FP7)²⁹, compared to the UK average.³⁰
- 4.17 We therefore advise that, in future, structural funding should be used strategically to help build capacity in ways that would, for example, position Wales better for competitive processes such as Research Council, H2020 and European Research Council (ERC) bids.
- 4.18 To achieve this, we would suggest there needs to be a clearer focus on areas for capacity building that involve companies as well as HEIs, though not necessarily in the same project, in areas of perceived economic importance (such as those highlighted in the draft *Science Policy* and the Welsh Government's programme for economic renewal³¹). **The need to build greater capacity within HE itself should also not be overlooked.**
- 4.19 We also recommend a change in focus over the measurement of performance, where we hope that a more flexible approach, **consistent with the new ERDF Regulations, can include improvements in research capacity itself as an output in Wales**.³²

- 4.20 HEFCW advocates a continuation and deepening of the collaborative approach that HEIs in Wales are already pursuing in the design and delivery of European Programmes.³³ Under the current ESF and ERDF programmes we see this clearly in some of the major research partnerships such as the Low Carbon Research Institute, the Climate Change Consortium for Wales and the High Performance Computing Wales project. Another recent success story, which will help to drive forward design and innovation in Welsh industry, is the Institute of Sustainable Design.³⁴
- 4.21 These research partnerships have been complemented by a suite of high level skills programmes which are run collaboratively between Wales's HEIs such as Access to Masters³⁵ and the KESS.

Greater Impact through Integrating EU Funding

- 4.22 The EC proposals call for 'a more integrated approach for joined-up strategies with other EU policies and financial instruments'.³⁶ In our view there is significant potential for interaction between the EU funding streams for regional policy, and for research, and education, enabling a greater and more sustained economic impact of these funds in Wales.
- 4.23 This approach chimes with the NAW European and External Affairs Committee's 'Second Report of the Enquiry into the Future of Cohesion Policy' (July 2010)³⁷ which highlighted the role of the Welsh Government in supporting the building of competitiveness and excellence of applied R&D in Welsh Universities and **ensuring that future EU funding streams to Wales are aligned towards supporting these strategic priorities** (Recommendation 11). This recommendation was accepted by the First Minister in his response to the report.³⁸
- 4.24 It is also consistent with the Committee's report on *Welsh participation in EU Research, Innovation and Lifelong Learning Programmes* (February 2011)³⁹, which recommended that '**A more concerted effort should be made to develop linkages between Structural Funds programmes and the Framework Research Programme in particular...to stimulate future FP7/FP8 and Research Council bids from Wales**'.⁴⁰
- 4.25 The report also emphasised that '**There is a strong need for a top-level strategic overview of how Wales is accessing and implementing all EU funding programmes**, and how the various programmes can dovetail to achieve Welsh policy objectives'.⁴¹ These points were also accepted in the Welsh Government's response to the report.⁴²
- 4.26 The HE sector is already co-ordinating its efforts on the current Framework Programme (FP7) through the officers of Welsh Higher Education Brussels (WHEB) who have set up groups of leading academics in Wales to look at where the sector might establish international research partnerships in the Welsh Government's key priority sectors. They are also working to strengthen the potential for success of Wales in FP7, and its successor, H2020. The

resources at stake are clear: around €10bn is available annually from the current FP.

- 4.27 Winning resources in H2020 will likely be a test for Wales. For the HE sector it will mean raising its game and successfully building proposals for major international research and innovation partnerships of the highest quality. This in turn will require a more competitive R&I infrastructure than is presently in place.⁴³
- 4.28 In the current programming period, there has been limited progress in exploiting the opportunities that arise from linking structural funding to FP7. There are a few *ad hoc* examples in Wales to date.⁴⁴ In the new programming period, we think that it will be critical to create the conditions that enable interaction in a strategic way and on a scale that makes a real impact to Wales.
- 4.29 Structural funds in Wales could be used to attract world leading researchers to Welsh HEIs and industry, which in turn could boost the success rate of ERC applications and the retention of these staff. The need to attract research stars to Wales is a core theme in the draft *Science Policy* in the new programming period.
- 4.30 The new programme proposals also encourage inter-territorial investment and the opportunity to combine programme funds where appropriate (e.g. ESF and ERDF).⁴⁵ This should enable the development of more strategic and sustainable approaches, and better integration with H2020. There will also need to be sufficient in-built flexibility to develop projects on either or both a pan-Wales and regionally focused basis.⁴⁶ This is underpinned by the EC's new proposals.⁴⁷

Economic Growth through University and Business Partnerships

- 4.31 One of the reasons for needing greater flexibility to run projects on an all Wales basis is so that companies in adjacent areas to West Wales and the Valleys can participate in core elements of the programme. A key way to build economic growth will be to stimulate greater collaboration between HE and large scale industry.
- 4.32 Large companies aren't currently involved in structural funds programmes in Wales because of State Aid implications, although the EC's programme regulations may also have a bearing. Their current proposals state that 'the case for investing in large enterprises ...is much weaker'.⁴⁸ This is problematical for Wales, but a transformational approach could in future perhaps enable open tenders for industry-HE collaborative research projects, on an all-Wales basis.
- 4.33 Small, medium and micro- businesses play a fundamental role in Wales' economy. Their support is highlighted in the EC's proposed legislation under the key thematic priority 'Enhancing the competitiveness of SMEs'. Our HEIs

have the expertise to play a vital role in both of the related investment priorities, 'promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms', and 'developing new business models for SMEs, in particular for internationalisation'.⁴⁹

- 4.34 Academic Expertise for Business (A4B) is a Welsh Government initiative, supported by European Convergence funds, that aims both to facilitate and enhance the capacity of Welsh HE (and FE) institutions to interact with businesses for the economic benefit of Wales.⁵⁰ Continued support for this programme and its strategic deployment alongside HEFCW's Innovation and Engagement Fund (IEF) could enhance its capacity to contribute to the further development of Wales' R&I infrastructure, as outlined above.

Enhanced Skills and Employability

- 4.35 Two more of the EC's key thematic objectives for the new programme where we anticipate that HE will play a major role are 'Education, skills and lifelong learning' and 'Employment and supporting labour mobility'. The legislative proposals also emphasise that ESF will contribute to 'Strengthening research, technological development and innovation, through the development of post-graduate studies, the training of researchers, networking activities and partnerships between HEIs, research and technological centres and enterprises'.⁵¹
- 4.36 The importance of a strong postgraduate community is highlighted in *For Our Future*⁵² and our current remit letter.⁵³ We therefore need to support and sustain postgraduate study in Wales, and continue to build and extend successful programmes like KESS and Access to Masters and similar projects geared towards the specific sectors identified by the Welsh Government. The development of these high level skills is vital to Wales' economic growth and health. There exists great capacity under the new proposals to extend such programmes to help build research capacity within industry (e.g. through ERDF). This in turn could be used to attract H2020 and other research funding to Wales.
- 4.37 We would also suggest we need to encourage schemes which give students and graduates of Welsh HEIs 'the extra edge' in terms of enhanced employability and up-skilling, as referred to in HEFCW's current remit letter. This could include increased numbers of sandwich courses, placement opportunities (potentially both in Wales and further afield, e.g. through the transnational opportunities that are proposed in the EC's draft regulations) and the greater availability of employment/ enterprise related curriculum modules.
- 4.38 GO Wales⁵⁴ is our Flagship programme for graduate employability. We believe that continued structural funding for this programme is essential; it has a strong fit with EU2020, WG priorities, and delivers strong and measurable outcomes for individuals, businesses and the economy. In line with the more

transformational approach being encouraged by the EC, consideration could be given to developing GO Wales into a 'one stop shop' for graduate work experience and employability so that economies of scale can be achieved without a proliferation of initiatives.

What the Welsh Government's priorities should be in its negotiations to ensure a beneficial outcome for Wales

Budgetary Negotiations

- 5.1 We believe **there will need to be adequate resources to deliver the new EU structural fund programmes in a way that will transform Europe's regions**. The budget negotiations leading to the agreement of the EU's Financial Perspective 2014-2020 could have a significant impact on the level of funding that Wales will receive, not only through structural funding, but also through strategically linked programmes such as H2020.⁵⁵
- 5.2 We also believe that a key priority should be to influence the UK Government to ensure that **its negotiating position is in the best interests of the whole of the UK's economy and regions**. We also think that influencing the European Parliament, which has co-decision powers in this area, will be important.
- 5.3 In the broader context of the discussions on the Eurozone crisis, and the UK Government's current stance, we also consider that it will be important for Wales to build strong alliances with European partners and institutions in Brussels.

Investment Priorities

- 5.4 The EC's proposed regulations for structural funding call for a greater concentration of investments in order to maximise the impact of policy in delivering the EU priorities - a principle supported by the Welsh Government⁵⁶ and by HEFCW.
- 5.5 The ERDF proposals call for a thematic concentration on energy efficiency and renewables, research and innovation and SME support.⁵⁷ For both West Wales and the Valleys and East Wales, this would provide essential support for the development of a smart, sustainable and inclusive economy. **We advise that the levels of support proposed for these priorities should be maintained or exceeded.**
- 5.6 We also advise that in both regions, **these funds would need to be apportioned by the Welsh Government so that a significant percentage was allocated to R&I.**⁵⁸

- 5.7 There is increasing emphasis being placed by the Welsh Government on R&I (in all its forms)⁵⁹, and a clear focus on the low carbon agenda.⁶⁰ Structural Funds represent, in our view, an important opportunity in Wales to build upon earlier efforts to support the continuing development of these activities.
- 5.8 High level skills help to drive a knowledge-based economy, and we recommend **an enhanced focus on high level skills, as already highlighted in the ESF regulation proposals.**
- 5.9 HE in Wales is already leading a number of programmes which support the development of skills and employability, and help to build research excellence in Wales. We believe **it important for these projects to be supported and enhanced under the new programme.**

Co-ordination between EU-funding Instruments

- 5.10 The EC proposals emphasise that each Member State shall prepare a Partnership Contract which will set out ‘an integrated approach to territorial development supported by the Common Strategic Framework (CSF) Funds setting out – the mechanisms at national and regional level that ensure **co-ordination between the CSF and other Union and national funding instruments**’.⁶¹ **The development of the Wales-specific element of the UK’s Contract could incorporate the Welsh Government’s priorities in this respect.**

Simplification

- 5.11 We are pleased that the EC is aiming for ‘a simplified and streamlined delivery system’⁶², as this will assist efficient implementation and a reduction in administrative burden for beneficiaries. **In particular there needs to be a simpler way of demonstrating compliance, and we suggest that there be a lighter touch for schemes that have already proven they work in the current programme.**
- 5.12 While the EC has proposed that Managing Authorities should increase interaction between different EU funding programmes, including in particular through the Partnership Contract, differences in auditing requirements, legal wording and structure also represent a barrier to taking advantage of synergies between programmes. Therefore, we suggest that better communication between the different parts of the EC responsible for these programmes will also be required.

How Wales can ensure that its views inform the negotiation process.

Effective Partnership with the HE sector

- 6.1 The EC has emphasised that Managing Authorities apply the Partnership Principle and a code of conduct⁶³ for consulting stakeholders. Through *For*

Our Future, universities in Wales are charged with ‘delivering social justice’ and ‘supporting a buoyant economy’. For several years we have encouraged the HE sector to develop plans to make full use of the new Structural Fund programmes, and **HEIs remain key ‘economic and social partners’⁶⁴ which need to be involved in the planning, implementation and management processes of the new structural funding programmes.**

- 6.2 We advise that the HE sector continues to be strongly represented on the European Programmes Partnership Forum, chaired by Mark Drakeford AM. The views of this group are formulated against the backdrop of wider EU and international economic developments, and these directly inform the decisions of Welsh Government Ministers and the Cabinet.⁶⁵
- 6.3 We also advise that the HE sector will need to have a significant role in the expert working groups which will be formed to plan and prepare the new programmes.
- 6.4 We believe that it would be advantageous for the European Programmes Directorate (in BETS) to work in partnership with the HE sector, as it develops its remit to ensure stronger integration between EU funding programmes.
- 6.5 We consider that **the HE sector has a key role to play in the development of the Welsh Government’s R&I Strategy for smart specialisation**, which will be used to inform the negotiation process, and the development and delivery of the new Operational Programme in Wales.
- 6.6 This approach is already well embedded in strategic thinking across the Welsh sector. HEIs already produce Innovation and Engagement Strategies, which play to their particular strengths to support a buoyant economy and help to deliver social justice.
- 6.7 The Deputy Minister for Agriculture, Food, Fisheries and European Programmes has indicated that he is committed to shaping and strengthening the UK’s position in their negotiations on the new programmes.⁶⁶ The Minister’s role in this will ultimately influence the Council of Ministers at EU level, and we believe that it will be important for him to be briefed on HE priorities.
- 6.8 Now that the European Parliament has an enhanced role in cohesion policy, we suggest that it will also be important to inform and influence MEPs. There is a need to liaise not only with MEPs from Wales, but to make alliances with those from other regions who sit on the Committee on Regional Development (REGI). This is an area where we believe WHEB can help, in concert with the other Wales House partners.

NOTES

¹ Highlighted by David Sweet, Special Adviser, DG Regional Policy, speaker at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea

² *Proposed Regulations (Common Provisions)*, Article 82, p.85. See: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/general/general_proposal_en.pdf

³ *Proposed Regulations (Common Provisions)*, p.10 (our emphasis)

⁴ *Proposed Regulations (Common Provisions)*, p.10

⁵ *Proposed Regulations (Common Provisions)*, p.35

⁶ Highlighted by Wolfgang Streitenberger, Adviser, DG Regional Policy, speaker at *Looking behind the metaphors. How to build stairways to excellence in EU regions*, 29 November 2011, European Parliament

⁷ *Proposed Regulations (Common Provisions)*, p.7

⁸ *Proposed Regulations (Common Provisions)*, Article 9: *Thematic objectives*, p.35

⁹ *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, Welsh Government, December 2011, and the Welsh Local Government Association's response to this Inquiry, seem to indicate that R&I is only a priority in ERDF. See: <http://wales.gov.uk/docs/wefo/publications/111129reflectionexerciseen.pdf>

¹⁰ Despite the significant changes underway in the funding of HE, the Welsh Government's strategy for higher education, *For Our Future*, already requires a strong focus on R&I.

¹¹ *Proposed Regulations (Common Provisions)*, p.7

¹² *Europe 2020. A European Strategy for Smart Sustainable and Inclusive Growth*. See: http://europa.eu/press_room/pdf/complet_en_barroso_007_-_europe_2020_-_en_version.pdf

¹³ Including 3% of the EU's GDP invested in R&D, more than 40% of younger people to get a tertiary degree, and 75% of the population 20-64 employed.

¹⁴ See: http://ec.europa.eu/europe2020/index_en.htm

¹⁵ *Proposed Regulations (Common Provisions)*, p.137, ANNEX IV

¹⁶ Highlighted by Wolfgang Streitenberger, Adviser, DG Regional Policy, speaker at *Looking behind the metaphors. How to build stairways to excellence in EU regions*, 29 November 2011, European Parliament

¹⁷ *For Our Future. 21st Century Higher Education Strategy and Plan for Wales*. See: <http://wales.gov.uk/docs/dcells/publications/091125hedocen.pdf>

¹⁸ *Connecting Universities to Regional Growth: A Practical Guide. A guide to help improve the contribution of universities to regional development, with a view to strengthening economic, social and territorial cohesion, in a sustainable way*. European Commission. September 2011. The Knowledge Economy Skills Scholarships (KESS) project is used as an example of good practice. See:

http://ec.europa.eu/regional_policy/sources/docgener/presenta/universities2011/universities2011_en.pdf

¹⁹ EU regional funding won by Welsh universities in the 2000-2006 programming period was at least £135m, of which £79.4m came from the European Regional Development Fund (ERDF), and £55m from the European Social Fund (ESF).

²⁰ In the current programming period a number of key projects are well advanced, including pan-Wales strategic level projects promoting High Level Skills, Work Based Learning and Foundation degrees (under the ESF). Some of these projects are highly innovative and have attracted praise and recognition from EC. For example, the KESS project is unique in Europe in the way it uses ESF support to deliver collaborative research projects and higher-level skills training in partnership with employers. More information is available at:
<http://www.higherskillswales.co.uk/kess/index.php.en?menu=0&catid=0>

²¹ Professor Richard Davies speech to *Wales Forum in Europe*, 15 November 2011, Millennium Stadium, Cardiff

²² HEFCW requires HEIs to submit Regional Strategies, e.g. see:
http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2011/W11%2029HE%20The%20Regional%20Dimension%20to%20the%20Planning%20and%20Delivery%20of%20Higher%20Education%202011_12.pdf

HEFCW also requires HEIs to submit Innovation & Engagement Strategies e.g. see:
http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2011/W11%2010HE%20Innovation%20and%20Engagement%20funding%20arrangements%202011_12%20to%202013_14.pdf

²³ This is an underpinning principle of the Welsh Government's *Economic Renewal: A new Direction*. See: <http://wales.gov.uk/docs/det/report/100705anewdirectionen.pdf>

²⁴ The Welsh Government states in its document: *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.12 - 'It is important to note too much emphasis is placed on the relatively low share of R&D expenditure undertaken in Wales. Programmes would likely yield better results if focussed on exploitation of technologies and provision of appropriate infrastructure where there is clear market failure'.

²⁵ *Innovation and Research Strategy for Growth*. See:
<http://www.bis.gov.uk/assets/biscore/innovation/docs/i/11-1387-innovation-and-research-strategy-for-growth>

²⁶ *Proposed Regulations (Specific Provisions concerning the ERDF)*, p11, para 1a. See:
http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/erdf/erdf_proposal_en.pdf

²⁷ *The Proposed Regulations (Specific Provisions concerning the ERDF)*, p.11-12: Investment Priorities under the R&I theme are a) Enhancing R&I infrastructure and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest; b) Promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation; c) Supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production in Key Enabling Technologies and diffusion of general purpose technologies.

²⁸ p.13, para 47

²⁹ Framework Programme 7 (FP7) enables trans-European consortia of researchers apply competitively for grant funding from the EU. Under the new multi-annual financial framework from 2014 this programme will become 'Horizon 2020'.

³⁰ This is highlighted in a number of recent documents, including, the Chief Scientific Adviser for Wales' draft *Science Policy*; the Welsh Government's *R&D Review Panel Report*, see: <http://wales.gov.uk/docs/dcells/publications/100909rdreporten.pdf>; HEFCW's Research and Innovation Committee, *Research Sub-Group Report*, see: http://www.hefcw.ac.uk/documents/council_and_committees/committees/RIEC/Research%20Sub-Group%20Report.pdf

³¹ *Economic Renewal: a new direction*. See: <http://wales.gov.uk/docs/det/report/100705anewdirectionen.pdf>

³² The performance indicators in the draft ERDF regulations include: 'area of newly built or equipped research infrastructure facilities' (in square meters) and 'number of research jobs created in assisted entities' (ERDF Annex). There is no requirement by the EC to include enterprise/ commercialisation activity, which we believe is helpful.

³³ Professor Richard Davies, speech to *Wales Forum in Europe*, 15 November 2011, Millennium Stadium, Cardiff

³⁴ Swansea Metropolitan University is working along side Cardiff Metropolitan through this £2.7m ESF funded project to support a range of new developments such as low carbon vehicle designs and improvements in architectural glass.

³⁵ Led by Swansea University on behalf of the HE sector this £12.3m ESF programme is helping graduates to further their studies through research projects within Welsh businesses.

³⁶ *Proposed Regulations (Common Provisions)*, p.4

³⁷ See: <http://www.assemblywales.org/cr-ld8125.pdf>

³⁸ See: http://www.assemblywales.org/bus-home/bus-third-assembly/bus-committees/bus-committees-other-committees/bus-committees-third-eur-home/eur_inquiries/eur3_inq_futureofcohesionpolicy/eur3_inq_cohesion_wagresp-2nd.htm

³⁹ See: http://www.assemblywales.org/eur_3_eu_funding_final_report-e-4.pdf

⁴⁰ p.29, para 56

⁴¹ p.29, para 57

⁴² See: http://www.assemblywales.org/eu_welsh_government_response_e_.pdf

⁴³ Christine Chapman (AM and Political Coordinator of the EU2020 monitoring platform of the Committee of Regions) spoke on a related theme at: *Looking behind the metaphors. How to build stairways to excellence in EU regions?* 29 November 2011, European Parliament.

⁴⁴ For example, Professor Tim Claypole of Swansea University (a winner of an EU RegioStars award in 2009) presented at two EU seminars on how a Convergence project on printing technologies progressed into a successful FP7 consortium.

⁴⁵ Highlighted by David Sweet, Special Adviser, DG Regional Policy, speaker at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea

⁴⁶ *Proposed Regulations (Common Provisions), Article 14*, p. 38, outlines how the Partnership Contract addresses the thematic objectives.

⁴⁷ *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.11, states: 'In general it is worth emphasising that policies should not be limited by the boundary that separates West Wales and the Valleys from East Wales. West Wales and the Valleys in particular functions in an economic sense as a part of a wider region and so programme spending that aims to promote integration with the wider economy should be pursued'.

⁴⁸ *Proposed Regulations (Specific Provisions concerning the ERDF)*, p. 6-7

⁴⁹ *Proposed Regulations (Common Provisions)*, p. 35

⁵⁰ More information is available at: <http://wales.gov.uk/topics/businessandconomy/a4b/?lang=en>

⁵¹ *Proposed Regulations on the ESF, Article 3*, p13, para 2c. See: http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/esf/esf_proposal_en.pdf

⁵² *For Our Future*, page 13, para 46

⁵³ Para 24, see:

http://www.hefcw.ac.uk/documents/about_he_in_wales/wag_priorities_and_policies/2011-12%20Remit%20Letter.pdf

⁵⁴ See: <http://www.gowales.co.uk/>

⁵⁵ We gather that the UK Government, and others such as Netherlands, Finland and Sweden, want to reduce the H2020 budget from the 80b€ proposed by the EC in June to around 50b€. Negotiations continue.

⁵⁶ *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.18

⁵⁷ The proposed Regulations for ERDF, p.4, state: at least 80% of resources must be focused on energy efficiency and renewables, research and innovation, and SME support in more developed regions (e.g. East Wales) of which 20% for energy efficiency and renewables. At least 50% of resources must be focused on energy efficiency and renewable, research and innovation, and SME support, in less developed regions (e.g. W. Wales and Valleys) of which 6% for energy efficiency and renewable.

⁵⁸ In the current structural funding programme, we gather that Saxony has committed 40% of ERDF to 'strengthening of innovation, science and research' (two of its three regions, Dresden and Chemnitz, are currently Convergence regions, and likely become Transition regions in the new programme).

⁵⁹ Including the Appointment of a Chief Scientific Adviser, a draft *Science Policy*, and sector panels promoting innovation.

⁶⁰ Referred to in *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.18.

⁶¹ *Proposed Regulations (Common Provisions), Article 13* p.37-38

⁶² *Proposed Regulations (Common Provisions)*, p.5, para 2.2.3

⁶³ We gather that the Code of Conduct for consulting with stakeholders is currently being refined by the EC.

⁶⁴ *Proposed Regulations (Common Provisions), Article 5*, p.33, para 1(b) states: 'For the Partnership Contract and each programme respectively, a Member State shall organise a partnership with the following partners...'economic and social partners'.

⁶⁵ Mark Drakeford AM speech at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea.

⁶⁶ Speech at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea.

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Inquiry into the draft legislative proposals for EU Structural Funds for 2014 - 2020

Evidence from Wales Council for Voluntary Action (WCVA)



Background

The third sector is a key stakeholder in the design, monitoring and delivery of the Structural Funds programmes in Wales:

- WCVA and other third sector organisations are represented on the All Wales Structural Funds Programme Monitoring Committee and associated working groups, as well as on the EU Programmes Post-2013 Partnership Forum and expert work streams;
- Over £96.4 million of EU funds have been committed to 35 projects led by the third sector under the Structural Funds programmes 2007-2013. Through volunteer time and other forms of match funding, this will generate a total investment of £176.1m. This will help 76,600 individuals, including 18,800 to gain qualifications, 7,100 into work and create almost 700 jobs;
- The third sector is also involved in the delivery of activities of EU projects led by public and private sectors, having won over £77.9m worth of contracts under the 2007-2013 programmes' procurement arrangements.

The sector is involved in delivering a wide range of European Social Fund (ESF) and European Regional Development Fund (ERDF) projects, including providing specialist, innovative approaches to helping the most disadvantaged to overcome barriers to employment, engaging with and raising the aspirations of young people who are not in employment, education and training (NEETs), supporting the advancement of women in employment, taking forward the digital inclusion agenda, building walking and cycling route networks, restoring community buildings, and developing the social economy in Wales.

As such WCVA, as the umbrella body for the third sector in Wales, welcomes the opportunity to respond to the Enterprise & Business Committee's inquiry into the draft legislative proposals for EU Structural Funds 2014-2020.

The third sector European Forum (3-SEF), facilitated by WCVA's third sector European team (3-SET) is a network of over 660 third sector EU project sponsors and contract delivery organisations. This response presents key issues and opportunities for the third sector in moving forward into any successor Structural Funds programmes in Wales post-2013, and the principles contained in this response have been endorsed by the network.

Responses to questions posed by the Enterprise & Business Committee's Inquiry

1. What the European Commission's proposals could mean for Wales

1.1 A continued focus on the poorest regions

WCVA welcomes the Commission's continued focus on support for the EU's less developed regions (West Wales & the Valleys) as well as proposals for fair transitional arrangements for regions with a GDP of 75-90% of the EU average (East Wales).

1.2 Harmonisation of EU funding streams and opportunities for multi-fund projects

The harmonisation of the rules for ERDF, ESF, the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), presents a significant opportunity for Wales to take an integrated approach at the highest level to planning the new programmes to ensure their priorities are complementary and mutually re-inforcing, and that a balanced investment across urban and rural areas may be achieved.

In order to bring this to fruition in programme implementation, *the Welsh Government must bring together the departments concerned in an integrated structure to design the programmes, and to have a clear focus on streamlining and simplifying the application process* to ensure that project sponsors are able to develop and implement multi-fund projects, which meet economic development needs in the most comprehensive and rounded way possible.

For example an ERDF regenerating communities/local development priority targeted at the areas of greatest needs, with EAFRD capital investment in facilities, closely aligned to ESF social inclusion and employment priorities would be the best route to develop social capital and empower communities with new skills and employment prospects and as a vehicle to promote community regeneration. This could result in greater impact at project and programme levels.

The third sector welcomes the European Commission's legislative proposals for 5% of funds to be ring-fenced for LEADER projects, but believes that this should be a *minimum level*, with consideration given to ring-fencing a higher proportion of the budget for LEADER activities in order to facilitate community involvement in rural development. Without this higher level of investment, opportunities for multi-fund projects to bring about a genuine impact will be limited by budgetary constraints within the Rural Development Programme (RDP).

1.3 Procurement vs. grants

WCVA welcomes the Commission's proposals which provide scope for greater use of global grants, lump sum payments up to 50,000 Euro's (which are also permitted in theory, but not used in practice, under the current Welsh National Rules on Eligibility) and simplified costs (such as the 'flat rate' apportionment methodology), as well as an opportunity to ring-fence ESF for social innovation. These mechanisms could significantly reduce the administrative burden for both project sponsors and deliverers, and make the funds more quickly accessible to smaller third sector organisations working on the ground.

We believe that the Welsh Government should encourage and enable project sponsor's to use the most appropriate approach, either procurement or grants, depending on the scale, level and type of activity. For example, large scale procurement is appropriate for road and transport schemes, whereas grants are more appropriate for small scale, local ESF interventions that are designed to provide tailored solutions for participants with complex needs.

Case study: WCVA's Engagement Gateway Scheme

An amendment to the current ESF programme in October 2010 permitted projects to competitively award grants, rather than contracts for activity. WCVA took this opportunity for our Engagement Gateway scheme, changing in March 2011 from a procurement to a competitive grants approach.

We retained the same systems and processes, terms and conditions, and simply changed the language we used and were permitted to take a more supportive approach to addressing queries, which meant the assessment and negotiation processes could commence at an earlier stage. From our own experience this saw a huge increase in the responsiveness of third sector organisations to bidding opportunities:

- 44 tender rounds were run under the procurement approach, which resulted in 354 contract awards (an average of 8 contracts awarded per round);
- Whereas only 6 rounds have been run under the competitive grants approach, which has resulted in 138 awards (an average of 23 grants awarded per round).

Typically contracts took five times longer to reach the point of 'sign off' for the contract award, owing to charities taking a more cautious approach to getting involved. This initially caused significant delays in getting money out to the sector and spending on activities on the ground. If we had used the competitive grants process from the outset, funds would have been released more quickly, enabling match funding opportunities to be maximised, and the processes would have been more efficient.

1.4 Ring-fenced funding for promoting social inclusion and combating poverty

WCVA particularly welcomes the high priority and funding allocation (minimum 20% of ESF, as well as an ERDF optional investment priority) to 'promoting social inclusion and combating poverty'. This must be accompanied by an outcomes framework that recognise not only jobs but more importantly, progression towards employment focussing on social capital, positive outcomes, distance travelled and volunteering outcomes, rather than hard job outcomes.

Project sponsors and contract delivery organisations must be given incentives that reward outcomes appropriate to the most disadvantaged, in order to avoid the 'cherry picking' or 'creaming and parking' of those hardest-to-help in favour of interventions focussing on those closest to the labour market.

WCVA envisages that the third sector will play a pivotal role in delivering a future social inclusion and anti-poverty priority, and to facilitate this, asks the Committee to recommend that the Welsh Government considers:

- Introducing a competitive or global grants programme to fund social innovation that is written into the Operational Programme, with a high intervention rate;

- Reducing the administrative burden on projects by utilising the possibility to make lump sum payments up to 50,000 Euro's; and
- Bringing a close alignment between ESF, ERDF and EAFRD priorities to facilitate multi-fund projects that create local social capital.

1.5 Financial instruments

WCVA supports the European Commission's intention to increase the use of loans as well as grants as a means of reducing grant dependency and to create a legacy for the programmes. The current instruments are targeted predominantly at the private and public sector (JESSICA and JEREMIE) and are not appropriate to meet the growing needs of the third sector. An exception to this is WCVA's ERDF funded Communities Investment Fund (CIF), which is designed specifically to meet the needs of the third sector, by offering a mix of grant and loans with flexible repayment plans. The use of such innovative financial instruments that meet the particular needs of the sector should be expanded in the post-2013 programmes. However questions remain about the logistics and practicalities of increasing suitable number of loans to the sector, and it must be recognised that loans are not appropriate for all third sector organisations.

WCVA asks the Committee to recommend that the Welsh Government ensures not only access to financial instruments but a full suite of investment, grant, start up, business and intellectual support is made available to enterprising third sector organisations and social enterprises. The effect would be twofold: to increase jobs and prosperity but also enable third sector organisations to become more self-sufficient and less reliant on grant funding and donations.

1.6 Proposed urban focus

WCVA has concerns about the proposed focus on urban areas and what this might mean in a Welsh context, possibly in a city-region strategic approach. It is recommended that the maximum flexibility should be secured in terms of the definition of 'urban areas' to ensure that we are able in Wales, to direct Structural Funds to the areas of greatest need in relation to their ability to drive economic growth in the region. *If a city-region approach is adopted, WCVA seeks assurances from the National Assembly for Wales and the Welsh Government that the third sector will be engaged in planning and delivery to secure community involvement in the processes and benefits from the delivery of priorities.*

1.7 Community led local development approaches

The third sector welcomes the inclusion of community led local development as an overarching theme. A general feeling exists that the 2007-13 programmes have become too far removed from the local level and that Objective One had an improved local profile, ownership and perceived impact owing to the high level of local buy-in to both the processes of applying for funds as well as project implementation. This has been a key feature lacking from the current programmes and if the involvement of local communities is facilitated effectively in the new programmes, for example through community hubs, this could help to promote buy-in and ownership to enhance the implementation of projects at a local/regional level.

1.8 Transnational co-operation

The opportunity to undertake transnational activity within the context of ESF and ERDF projects has been significantly under-utilised and feedback from third sector project sponsors indicates that more could be done by the managing authority to simplify and facilitate access. *It is recommended that the status of transnational co-operation is enhanced by creating either specific ERDF and ESF Priorities for transnational co-operation or alternatively, a strand within each Programme Priority.* Technical Assistance

should also be available to external stakeholders to assist project sponsors with developing and implementing their transnational activities.

1.9 Capacity building and Technical Assistance for the third sector

The specific mention of the need to promote the involvement of the third sector by ensuring that an appropriate amount of ESF resources are allocated to capacity-building for the sector, as well as the possibility for the sector to secure ERDF Technical Assistance funding, are considered to be essential to advancing and supporting the sector's role in as a key stakeholder in the programmes.

WCVA's third sector European team (3-SET) has secured Technical Assistance funding through the ESF and ERDF programmes in the current round to provide information, advice and training to third sector organisations seeking to benefit from Structural Funds, as well as to promote partnership working between the public and third sectors. This type of support is critical to under-pinning the involvement of the sector in programme monitoring arrangements as well as both a project sponsor and contract deliverer.

1.10 Legacy of the 2014-2020 programmes

Planning should begin now for the landscape post-2020, when the level of European interventions is likely to be greatly reduced. This means that more must be done to encourage and incentivise financial sustainability within key areas. One barrier to projects developing income streams, especially under ESF, is that organisations are penalised for generating an income through a reduction in grant. To genuinely promote and encourage financial sustainability *the National Assembly for Wales is asked to encourage the Welsh Government to scope opportunities to improve flexibility in EU funding rules to incentivise, rather than hinder, sustainable financial models such as loan and legacy funding.*

2. What the Welsh Government's priorities should be in its negotiations to ensure a beneficial outcome for Wales

2.1 Recommended negotiating points

It is recommended that the Welsh Government includes the following points as priorities for negotiations for the new programmes:

- Ensure the full engagement of the third sector as a key stakeholder in the design, monitoring and delivery of the future programmes, including in Partnership Contract arrangements at UK level.
- Look at ways of standardising systems and processes for the Structural Funds and Rural Development Programmes (RDP) in order to promote simplification and enable project sponsors to design and implement multi-fund (ERDF/ESF/EAFRD) projects.
- Promote simplified access to the funds through competitive and global grants approaches, as well as utilising the facility for lump sum payments of up to 50,000 Euro's.
- Utilise opportunities within the draft legislative proposals to create specific funding priorities for:
 - Capacity building to promote the involvement of the third sector
 - Technical Assistance for the third sector

- Social innovation - through ring-fenced ESF, possibly in the form of a global grants programme
- Transnational co-operation
- Retain the maximum possible flexibility around the definition of 'urban areas' as part of a city-region approach and any proposals to ring-fence funding for urban areas.
- Promote the use of loans as a means of reducing grant dependency, ensuring loans are accessible to third sector organisations as part of a suite of grant and intellectual support.
- Explore ways of encouraging and incentivising financial sustainability, to avoid organisations being penalised for income generation.
- Look at ways of applying European State Aid rules to take a more proportionate approach to the degree of State Aid scrutiny in relation to the nature and scope of services. In the main, third sector activity does not affect trade between Member States and in most cases, warrants a lighter touch approach.
- Retain advance payments to provide cash flow to third sector project sponsors and expand this to third sector organisations that are delivering contracts on behalf of public bodies.
- Maintain volunteer time as an eligible source of in-kind match funding.

2.2 Retain delivery models that work

WCVA urges the Committee to advise WEFO to undertake an urgent review of projects funded through the 2007-2013 programmes, to identify projects and delivery models that could be adapted to help deliver on some of the priorities for the future programmes. Many projects were slow off the ground under the current programmes due to the complexity involved in creating new procedures and processes for procurement as well as up-skilling project workers to manage and deliver projects in a tight audit and control environment.

The thematic objectives and investment priorities contained within the Commission's draft legislative proposals are broadly in line with the priorities of the current programme. In order to facilitate a seamless transition into the new programmes, it is imperative that WEFO seeks to retain and work with project sponsors that have built sophisticated project infrastructures, processes and expertise during the current programmes to ensure that this intellectual capital is not lost in the short term, only to be re-built again with huge (unnecessary) delay at the beginning of the next programmes.

3. How Wales can ensure that its views inform the negotiation process.

3.1 UK Partnership Contract with the European Commission

The draft legislative proposals state that *"For the Partnership Contract and each programme respectively, a Member State should organise a partnership with the representatives of competent regional, local, urban and other public authorities, economic and social partners, and bodies representing civil society, including environmental partners, non-governmental organisations, and bodies responsible for promoting equality and non-discrimination"*.

WCVA would like to state its interest in being part of any resulting Partnership arrangements at UK level, as well as any devolved arrangements. This would help to promote third sector ownership of the programmes, and enable WCVA to contribute its significant experience in the design, monitoring and delivery of Structural Funds in Wales to the Partnership arrangements, and to act as a monitoring function regarding the third sector's involvement in programme delivery.

WCVA's interest in being involved in the UK Partnership Contract is under-pinned by significant experience with Structural Funds includes:



- Membership of the All Wales Programme Monitoring Committee and RDP PMC (2000-2006 and 2007-2013);
- Active involvement in expert working groups for the Structural Funds programmes (2000-2006, 2007-2012);
- Providing third sector representation on the EU Programmes Post-2013 Partnership Forum and expert work streams;
- Management of the third sector European team (3-SET), which is part-funded through Technical Assistance as part of the Specialist European Team (SET) network;
- Sponsorship of six strategic projects in the 2000-2006 programmes, as well as managing a portfolio of five ESF and ERDF projects to the value of £66m in the current programmes; and
- Playing a key role in delivering strategic projects which aim to make Structural Funds more accessible to third sector organisations.

3.2 Welsh input into the UK Government's negotiating position



Welsh stakeholders should be given the opportunity to interact with the UK Government officials who will be leading negotiations with the European Commission, in order to ensure that our distinctive Welsh perspective is included in the overall UK position. The Welsh and UK negotiating positions will be strengthened by engaging experts from a range of sectors.

JS
10.11.11

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Ewrop & Chymru: Buddsoddi yn eich dyfodol
Cronfa Darblygu Rhanbarthol Ewrop
Europe & Wales: Investing in your future
European Regional Development Fund



Ewrop & Chymru: Buddsoddi yn eich dyfodol
Cronfa Gymerchysol Ewrop
Europe & Wales: Investing in your future
European Social Fund



Inquiry into the draft legislative proposals EU structural funds for 2014 – 2020

Chwarae Teg Consultation Response

November 2011

Introduction

Introduction

Chwarae Teg promotes, supports and develops the role of women in the Welsh economy. Established in 1992, we do this by raising awareness of the positive contribution women make to economy. We aim to sensitise Welsh Government strategy and policy to the barriers confronting women who wish to fully participate in the labour market. We are a small, charitable organisation with a long track record of delivering European funded projects with excellent results.

Our current project, **AGILE NATION: New ways of working in the 21st century**¹ is a good example of a project that has harnessed the European Social Fund to promote gender equality in employment. The Agile Nation project provides bespoke,

¹ Funded by European Social Fund and Welsh Assembly Government 2008 - 2014

accredited management training to help women progress into leadership roles. We also work directly with employers, referral agencies and training providers to support the design of gender sensitive employment and training programmes.

The improved financial independence and security of women that these interventions achieve, contribute directly to the European Commission's goal of smart, sustainable and inclusive growth which is key to the UK's emergence from the economic crisis and a corner stone of addressing poverty. Women's economic activity benefits families by increasing well-being overall and boosting aspirations amongst children.

In this response we take the opportunity to respond at a macro level and also on issues where we have particular expertise and insight.

Consultation Response

1. What might the European Commission's proposals mean for Wales?

Chwarae Teg welcomes the proposals for common rules and principles within European funding programmes as long as these reflect the differing nature of the funds and how they achieve their ends.

GENERAL REGULATIONS

Conditionality provisions

Chwarae Teg believes that a focus on performance will help to deliver the best results but we are concerned about how this will be measured. We believe that qualitative outcomes should be taken into account and that this should include the distance travelled by those accessing the project. Measurement of this type of performance is crucial if the funds are to be used to make the changes for which they are designed.

Chwarae Teg also supports the move to strengthen ex ante conditionalities but would stress that any changes to rules need to be made in the context of the sort of organisations from which the Commission is trying to stimulate projects. 'Payment by results' systems can prevent charities from accessing funding as they are unable to enter situations where they put their funds at risk. Therefore, we believe that provision for the advance funding of charities must remain intact.

Simplified and streamlined eligibility rules

Chwarae Teg also welcomes proposals to simplify and streamline eligibility rules. Cutting red tape for beneficiaries means cutting red tape for project sponsors and delivery agents. Risk might be assessed by considering the track-record of the organisation in respect of delivery and governance over the progress of the project and designing the level of scrutiny needed accordingly. Evaluating the effectiveness and governance of past projects would also be a helpful indicator of the risk related to current projects from the same provider.

Streamlining would also be enhanced if it were possible for administering agencies such as the Welsh European Funding Office (WEFO) to be able to exercise some judgement on the interpretations of definitions of eligible expenditure, in the light of realistic business practice and the overall purpose of the grant. If this facility already exists, it is important that organisations have access to the officials who can exercise this judgement.

Improving administrative capacity

Improvement of administrative capacity at WEFO level should enable this function to deal with projects of diverse models (e.g. collaborations) and sizes. It is also important to achieve a diverse range of projects and attract a good range of project sponsors – especially the third sector. Among other things, WEFO needs to be able to conduct fast, effective due diligence into project proposals from charity and other third sector organisations. This means making sure officials have the necessary skills in-house to assess the viability of different types of projects and organisations in this specialist area.

THE EUROPEAN SOCIAL FUND

Reinforcing partnership

Chwarae Teg welcomes the focus on provisions to strengthen partnerships with social partners and NGOs to encourage active participation.

Other comments

Chwarae Teg welcomes the simplification of processes to support smaller organisations. This is particularly important for Wales where third sector providers make a strong contribution to economic development. There is a strong link in Wales between the public and third sector through the good work of Wales' Council for Voluntary Action (WCVA) and the Third Sector Partnership Council (TSPC). The Welsh Government must make the most of the opportunities that this creates for the

effective use of European funds. The Government should also negotiate conditions which will enable the maximisation of funds in Wales. Chwarae Teg also supports the plans for increased use of financial instruments although we again stress that these instruments must be designed in a way that makes them accessible for charities.

2. What should WG's priorities be in its negotiations to ensure a beneficial outcome for Wales?

Sustainability and legacy

We would hope that this is the last time Wales is likely to be eligible as a less developed region. Focus must therefore be on the development of projects which will provide a legacy that can be embedded for the longer term. We believe that this can be achieved by focusing on projects that deliver actions that will promote cultural and attitudinal change. There should also be mechanisms in place to make mainstreaming or the continuation of projects to be achievable. These mechanisms might include the use of financial instruments that will promote sustainability of outcomes and actions. We also believe that there should be some consideration of the rules around income generation for EU funded activities. For example, whilst we recognise that profit generation for commercial purposes is inappropriate, the development of income generation to support sustainable activity in charities and not for profit organisations to support desirable outcomes beyond the term of EU funding is worthy of consideration.

Strengthening thematic concentration

Gender equality

Chwarae Teg strongly recommends that the promotion of equality between women and men remains a priority. In particular, in Wales, as it is such a small country, it is imperative that *all* talent is harnessed to achieve economic growth. A recent report by the UK Council for Employment and Skills (UKCES) demonstrated that many of the predicted future skills gaps are in areas where women are under-represented. Furthermore, the Davies report (2011) identifies the need for the development of a pipeline of women to ensure equal gender representation in decision making. Achieving gender equality in the economy is a very important part of achieving inclusive growth. A continued focus in Wales on promoting equality between women and men is crucial to Wales' economic recovery. The inclusion of women will also have a positive impact on reducing poverty which is another aim of Europe 2020.

Flexible working

The Welsh Government is committed to promoting flexible working and many Welsh employers have embraced alternative ways of working. However, there is still a long way to go. Flexible working can bring many positive benefits that support the aims of Europe 2020. For example, it can increase business performance, reduce carbon emissions and create opportunities for inclusion. As a result, Chwarae Teg believes that this should continue to be a focus for Wales. Flexible working is an important factor in generating sustainable change through innovative working practices to support growth and competitiveness. The public sector in Wales has led the way in implementing a flexible approach within the workplace but there is still much work to be done to promote flexible working to private sector employers.

OTHER ISSUES

State aid

It is Chwarae Teg's experience that officials struggle to understand and communicate the regulations pertaining to state aid and have difficulty resolving issues. This not only creates delays but can undermine projects. To make the most of interventions, it is important that Wales invests in people who really understand, can apply and communicate the rules.

Regeneration

Chwarae Teg believes that there should be greater support for projects to address regeneration in rural areas.

Transnationality

Chwarae Teg also welcomes the focus on transnational priorities. We believe that sharing best practice across nations is very positive. Innovation does not just come from original ideas; it comes from the introduction of new ideas from one country or sector into another. We believe that this part of the scheme could better supported with help to find partners and facilitate joint working.

Match funding

We strongly recommend that volunteer time continue to be recognised as a source of match funding. This is particularly important in such times of austerity where match funding in cash is hard to come by.

Accessibility

Chwarae Teg believes that all materials surrounding funding initiatives should meet recommended accessibility criteria. This would help to make regulations and procedures clear and easy to follow.

3. How can Wales ensure that its views inform the negotiation process?

Wales can ensure that its views inform negotiations by providing robust evidence and case studies from successful projects. Providing examples of what has worked in Wales will help to influence decisions.

Chwarae Teg's own Agile Nation project is an example of a specific project that has been delivered by a small, charitable organisation. We would be very happy to share our experiences in more detail with officials.

For further information from Chwarae Teg, please contact:

- Christine O'Byrne – christine.o'byrne@chwaraeteg.com
- www.chwaraeteg.com

Chwarae Teg, Anchor Court, Keen Road, Cardiff, CF24 5JW

Tel. 02920 478900

National Assembly for Wales Inquiry into the draft legislative proposals for EU Structural Funds for 2014-2020

Supplementary evidence from Wales Council for Voluntary Action (WCVA) December 2011

Background

In November 2011 WCVA, along with other third sector organisations, responded to the Enterprise & Business Committee's call for written evidence on the draft legislative proposals for EU Structural Funds for 2014-2020.

Following the invitation to provide oral evidence to the Committee on 11 January 2012, WCVA wishes to put forward further recommendations to inform the National Assembly for Wales' and Welsh Government's position for negotiation at EU and UK levels on the European Commission's draft legislative proposals.

1. WCVA's overarching impression is that the draft proposals represent a sound legislative package and it is hoped that they will not be subject to substantial changes following negotiation at EU level.
2. **Harmonisation of the rules**
WCVA welcomes the Commission's proposals to harmonise the rules for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), with the aim of simplification and ensuring that the funds strengthen their mutual impacts.

In interpreting these rules, Member States must ensure measures to promote simplification and cut bureaucracy are taken with the end beneficiary (project sponsors and contract delivery organisations) in mind. Likewise due diligence procedures for the managing authority to follow must be simplified so that they can be expedited efficiently.

This harmonisation makes it possible for Member States and regions to construct multi-fund programmes to invest in projects in a more holistic way. However the operational effectiveness of multi-fund programmes would rely on:

- Integrated strategic planning of the programmes at the highest level in the Welsh Government; and

- Expert technical advice for applicants to develop projects that maximise use of the different funds.

3. Allocation of resources

WCVA supports the Commission's proposals to ring-fence funding for specific priorities in order to achieve a better targeted use of the limited funds available.

However, WCVA recommends the following amendments to the draft regulations:

- The minimum allocation of ESF for more developed areas should be increased from 25% to a minimum of 40% (the current programme is at 47%), to ensure a balanced investment across ESF and ERDF priorities.
- The commitment to ring fence 20% of ESF for anti poverty and social inclusion should be at both Member State and regional (Operational Programme) levels.
- The minimum allocation for LEADER activities should be increased from 5% to 10%, in order to promote structural change to the rural economy.

4. Partnership Contract (General Regulation, *Article 5*)

WCVA welcomes the requirement for the Member State to organise a partnership involving bodies representing civil society, but recommends an amendment to the regulations to ensure that institutional arrangements are taken account of within each Member State. For example, organisations representing civil society in Wales (and Scotland, Northern Ireland and England) should be represented on the UK partnership. The Partnership Contract itself should also have a Welsh Chapter.

5. Performance reserve (General Regulation, *Article 18*)

WCVA welcomes the 5% performance reserve as an incentive for all stakeholders to achieve programme milestones, and hopes that the performance criteria and milestones place an emphasis on achievement of results and impact of the programmes, rather than simply the allocation of funds and spend.

6. Community-led local development (General Regulation, *Article 28*)

WCVA welcomes the inclusion of community-led local development as a theme within the General Regulation, and believes that if implemented effectively, this would help to improve buy-in to the new programmes at local level.

WCVA proposes an amendment to *Article 28.1 (b)* to read: “...community-led, by local action groups composed of representatives of public, private and civil society local socio-economic interests”. This would strengthen the role of third sector organisations in setting local development strategic priorities and secure the involvement of communities to drive community-led local development.

7. Financial instruments (General Regulation, *Article 32*)

WCVA supports the European Commission's intention to increase the use of loans as well as grants as a means of reducing grant dependency and to create a legacy for the programmes.

In particular we welcome *Article 37* of the General Regulation, which means that interest and other gains from a financial instruments can be re-invested for the same purposes as the initial support; and *Article 39* to use earnings or yields in accordance with the aims of the programme for a period of at least ten years after the closure of the programme. These facilities, already operated by WCVA's Communities Investment Fund, should be better utilised within the new programmes because they

help to promote a genuine legacy and sustainability of outcomes. However it must be recognised that grants remain an essential part of the funding mix for third sector organisations.

8. State Aid

Whilst not specifically mentioned in the draft legislative proposals, State Aid rules apply to Structural Funds projects and WCVA encourages Member States to look at ways of applying European State Aid rules to take a more proportionate approach to the degree of scrutiny in relation to the nature and scope of services. This issue is likely to escalate in importance with greater use of loans, and possibilities to generate income. In the main, third sector activity does not affect trade between Member States and in most cases, warrants a lighter touch approach.

9. Capacity building and Technical Assistance for the third sector (General Regulation, *Article 53*)

As a recipient of Technical Assistance for the third sector European team (3-SET), WCVA welcomes *Article 53* of the General Regulation, which states that Technical Assistance measures may be financed at a rate of 100%. Technical Assistance underpins the effective implementation of the programmes and the structure and quality of services provided by WEFO and external stakeholders through the Specialist European Team (SET) network, should not be compromised by the ability to source match funding.

WCVA welcomes the specific mention of the need to promote the involvement of the third sector by ensuring that an appropriate amount of ESF resources are allocated to capacity-building for the NGO sector (*ESF Regulation, Article 6*). This commitment, together with the possibility for the sector to secure Technical Assistance funding, are considered to be essential to under-pinning and advancing the third sector's role as a key stakeholder in the programmes.

10. Forms of grants (General Regulation, *Article 57*)

To promote simplification and reduce administration, WCVA endorses the use of flat-rate financing for indirect costs (*Article 58*) and lump sums not exceeding EUR 100,000 of public contribution. These two factors, if used in conjunction with a global grants approach, could provide simplified access to the funds to third sector organisations for local, small scale project delivery and could be ideally suited to the delivery of any future anti poverty and social inclusion priority.

Caution is urged at the proposal to use standard scales of unit costs, as this would be difficult to apply to ESF projects that work with participants with complex needs.

WCVA continues to support the provision of *Article 59* that permits the inclusion of in-kind contributions in the form of unpaid work (i.e. volunteer time), and believes that Wales represents a unique case study in Europe in its effective use of volunteer time to add value to programme delivery.

11. Global grants (General Regulation, *Article 113* and ESF Regulation, *Article 6*)

WCVA welcomes the proposal for "*The Member State or the managing authority may entrust the management of part of an operational programme to an intermediate body by way of an agreement in writing between the intermediate body and the Member State or managing authority (a 'global grant')*". Global grants have unfortunately not been used for the 2007-2013 programmes in Wales, despite the fact that they provide scope for simpler, faster access to small amounts of funding for grass roots activity.

Article 6 of the ESF Regulation states: “The involvement of the social partners and other stakeholders, in particular nongovernmental organisations, in the implementation of operational programmes, as referred to in Article 5 of Regulation (EU) No [...], may take the form of global grants as defined in Article 112(7) of Regulation (EU) No [...]. In such a case, the operational programme shall identify the part of the programme concerned by the global grant, including an indicative financial allocation from each priority axis to it”. WCVA welcomes this encouragement for NGO’s to use global grants and would like to explore with the National Assembly for Wales and the Welsh Government how this might be implemented in the Welsh context, perhaps for the anti-poverty and social inclusion priority and/or the theme of social innovation.

12. Rolling closure (General Regulation, *Article 131*)

WCVA welcomes proposals from the Commission for a new concept of ‘rolling closure’ whereby annual accounts will be considered closed allowing the three year document retention period to kick in at this point. This will enable projects to have a clearer understanding of the time frame for their obligation to keep documents, thus minimising the time and costs associated with document storage. WCVA would also encourage the Commission to work closely with managing authorities to agree electronic document retention criteria that meet EU and UK requirements that can be more readily satisfied by projects than the current guidelines.

13. Social Innovation (ESF Regulation, *Article 9*)

WCVA welcomes the inclusion of social innovation as a theme within the programmes, with the aim of testing and scaling up innovative solutions to address social need. However *Article 9* of the ESF Regulation could be strengthened to seek a commitment from Member States to report on the *implementation* of social innovation, otherwise the intended ‘scaling up’ of ideas that have been successfully piloted is unlikely to happen.

WCVA welcomes the possibility to fully finance 100% of costs for any priority axes dedicated to social innovation (and transnational co-operation) as provided for in the ESF Regulation, *Article 11*, or the ability to provide a higher intervention rate for these aspects as themes within other priorities. Both social innovation and transnational co-operation contain an element of risk, for which it can be hard to source match funding. By applying a higher intervention rate, barriers would be removed for organisations that may have innovative ideas but who may have difficulty in securing match funding.

In addition the opportunity to use a global grants approach (see point 11) could be ideally suited to implement the theme of social innovation.

14. Indicators

ESF Regulation, Article 5- WCVA welcomes the inclusion of ‘*inactive participants newly engaged in job searching upon leaving*’, and ‘*participants with an improved labour market situation 6 months after leaving*’ in the common indicator framework. However an enhancement is recommended to make provision for better acknowledgement of distance travelled, including further learning and volunteering as options.

ERDF Regulation, Article 6- WCVA welcomes the proposed indicator for ‘*service capacity of supported childcare or education infrastructure*’. ERDF investment in childcare infrastructure and businesses would complement ESF employment and

skills projects, which make provision for critical childcare placements, to support predominantly females seeking to return to work or further learning.

15. Transnational Co-operation (ESF Regulation, *Article 10*)

WCVA welcomes the option to include transnational co-operation it as a priority axis within the programmes, as well as the proposal for an EU-level platform to facilitate the exchange of experience, capacity building and networking. The opportunity to undertake transnational activity within the context of ESF and ERDF projects has been significantly under-utilised in the 2007-2013 programmes and feedback from third sector project sponsors indicates that more could be done by the managing authority to simplify and facilitate access. It is recommended that the status of transnational co-operation is enhanced by creating either a specific priority axis within the ERDF and ESF programmes for transnational co-operation or alternatively, a strand within each programme priority.

16. City region approach (ERDF Regulation, *Article 5*)

WCVA has concerns about the proposed focus on urban areas and what this might mean in a Welsh context, possibly in a city-region strategic approach. It is recommended that the maximum flexibility should be secured in terms of the definition of 'urban areas' to ensure that we are able in Wales to direct Structural Funds to the areas of greatest need in relation to their ability to drive economic growth in the region.

In summary, WCVA asks the Committee Members to consider the following recommendations for negotiation on the draft EU regulations:

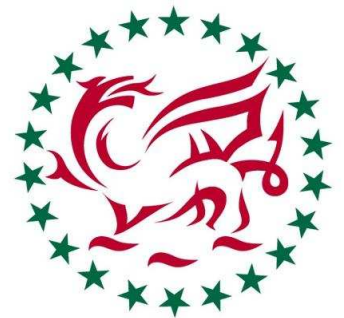
1. Increase the minimum allocation of ESF for more developed areas from 25% to 40%.
2. The commitment to ring fence 20% of ESF for anti poverty and social inclusion should be at both Member State and regional (Operational Programme) levels.
3. Increase the minimum allocation for LEADER activities from 5% to 10%.
4. Ensure that institutional arrangements are taken account of within the Partnership Contract arrangements within each Member State.
5. WCVA proposes an amendment to the General Regulation, *Article 28.1 (b)* to read: "...community-led, by local action groups composed of representatives of public, private and civil society local socio-economic interests".
6. *Article 9* of the ESF Regulation should be strengthened to seek a commitment from Member States to report on the *implementation* of social innovation.
7. An enhancement to ESF Regulation, *Article 5* is recommended to make provision for better acknowledgement of distance travelled, including further learning and volunteering as options.
8. It is recommended that the maximum flexibility should be secured in terms of the definition of 'urban areas' to ensure that we are able in Wales to direct Structural Funds to the areas of greatest need in relation to their ability to drive economic growth in the region.

WCVA Helpdesk / Lein Gymorth 0800 2888 329 | help@wcva.org.uk | www.wcva.org.uk
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WLGA response to the National
Assembly for Wales' Enterprise
and Business Committee Inquiry
into the draft legislative
proposals EU Structural Funds
for 2014-2020

Monday 14th November 2011



WLGA • CLILC

INTRODUCTION

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. Following the publication of the draft regulations for the Structural Funds by the European Commission on 6 October, WLGA welcomes the opportunity to contribute to the National Assembly for Wales' Inquiry into the draft legislative proposals on the Structural Funds for 2014-2020.
4. This response has been put together in consultation with all local authorities across Wales. WLGA will respond to the issues as set out under the terms of reference for the inquiry.

What the European Commission's proposals could mean for Wales?

5. We sincerely welcome the publication of the draft regulations for the future EU Structural Fund Programmes as they provide a number of positive opportunities to develop programmes that will make a real difference to communities and businesses across Wales.
6. WLGA welcomes the emphasis in the new regulations for a **stronger Partnership principle** for the development of Operational Programmes at a 'regional' level and the Partnership Contract at the Member State level. The new 'code of good practice', to ensure proper partnership at the national and regional level, is also welcomed.

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7. We also welcome the proposals for the simplification of management and audit procedures, such as reducing the number of audit controls carried out. We hope that this leads to real simplification on the ground. There is a need to address the problems that communities and businesses across Wales have encountered in the current programmes in accessing European funding. These include the levels of bureaucracy they have to deal with and all the hoops that they have to go through in terms of the over emphasis on the use of procurement processes and requirements in the delivery of the current programmes.
8. WLGA supports the proposal to **prioritise Local development across all the EU funds**. The focus on Integrated Local Development Partnerships and Strategies and Local Action Groups, and Operational Programmes to identify the areas where community led local development will be implemented, is welcomed. However, in light of the current partnerships and plan reduction strategy in Wales, we are keen to explore how some of the existing Partnerships we have at the local level in Wales could fulfil this role rather than inventing another level of local partnership bodies. For example, most local authority areas have Regeneration Partnerships which could bring all of this together at the local level.
9. **WLGA welcomes the proposal for an integrated delivery of all the regional and rural funds through the new Common Strategic Framework (CSF)**. By incorporating funds for the European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EARDF), and European Maritime and Fisheries Fund (EMFF), the CSF sets out common provisions for governing all these funds, and should lead to a more streamlined approach towards the management and implementation of these funds and better coordination of spending on the ground.
10. WLGA welcomes the new CSF as it provides the local and regional level with a great opportunity to aim for **real integrated delivery on the ground** comprising actions

and interventions funded by the various funds as part of local development strategies, wider sub-delegated delivery at the sub-regional and/or regional level and the possibility to prepare **Multi-Fund Operational Programmes**. WLGA looks forward to the expected publication of the CSF communication in January 2012, which will include further details regarding how each fund will complement each other.

11. **WLGA welcomes the wider possibilities of sub-delegation e.g. Joint Action Plans and Integrated Territorial Investments, aimed at allowing delivery of EU funds at a sub-regional level in a more simplified, outcome based way.**

These options could enable local authorities to work together at a regional level, in partnership with other service providers, to deliver a group of projects and to directly manage part of the EU funds allocation. This provides us with a great opportunity to build on the regional collaborative projects and approaches delivered by local government and other partners in the current programmes. For example, through a Joint Action Plan, local authorities could 'group' together to develop a number of activities and interventions with specific objectives, result indicators and outputs. WLGA welcomes the emphasis on offering a simplified management and control system geared towards achieving performance and outcomes. Integrated Territorial Investments could also be an attractive proposal for local authorities, as it would allow Operational Programmes to set out indicative financial allocations from each priority and designate one or more intermediate bodies, including local authorities, to manage, deliver, and implement an Integrated Territorial Investment.

12. WLGA stresses that there would **need to be clear linkages between the proposals for local development approaches and the wider sub-delegated opportunities in order to ensure that activities, interventions and investments complement each other.**

13. Further, the WLGA believes that there is a need to strike a better balance in the new programmes for Wales between local, sub-regional, regional and national delivery and welcomes the fact that the regulations present us with a real opportunity to achieve that. Some of the proposed priorities in the Commission's menu of 11 thematic

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priorities, in particular Priority 9 encompassing Social Inclusion and Combating Poverty, would be better delivered at a local and sub-regional level whilst other priorities are better suited to a wider regional approach. We look forward to exploring how to achieve a better balance in delivering interventions in the new programmes with key partners over the coming months.

14. In light of the current economic crisis, and in particular the scale of the cuts Wales is facing in capital expenditure, the need to invest in **capital infrastructure** should be very high up on the list of priorities for the future programmes for Wales. We will need to be much more creative and innovative in how we use future European Funding as a catalyst for further investments from the private sector and be cleverer about how to achieve more sustainable investments.
15. As Wales continues to be in a position where it needs to invest in physical regeneration across our cities, town centres and rural areas, **we welcome the inclusion of physical and economic regeneration of deprived urban and rural communities** as part of the menu of priorities that can be funded in the future programmes and will be making a strong case for this activity to be included in the new programmes for Wales.
16. As Small and Medium Sized Enterprises (SMEs) form the backbone of the Welsh Economy they will need to be supported more than ever during the next few years. As a result **we welcome the inclusion of promoting enterprise in the menu of priorities published by the Commission and will be lobbying for continued support for SMEs in the new programmes for Wales.** More often than not what these companies need is very small levels of support thus we are really keen to ensure that something similar to the **Local Investment Fund** we are currently offering is continued in the next round of programmes to enable SMEs to access small grants that can make a real difference to their survival.

17. Due to the increased levels of **youth unemployment, young people not in employment, education or training and the high levels of economic inactivity in Wales the future EU Programmes for Wales must address these challenges.** We are extremely keen to ensure that some of the key regional collaborative projects led by local government in partnership with other service providers in these areas under the current programmes are built upon in the new programmes.

18. As a result of the emphasis in the draft regulations for the new programmes on **supporting the shift towards a low carbon economy,** activities that promote renewable energy sources, energy efficiency and adapting to climate change will be high up on the agenda for the new programmes for Wales. We will be encouraging the development of sustainable investments in these areas.

19. WLGA also welcomes the proposals in the regulations to **simplify the use of financial engineering instruments** by offering ready-made solutions through access to instruments set up at the EU level and models for national and regional funds based on standard terms and conditions laid down by the Commission. In addition, the proposal to establish a clear framework for implementing the instruments, and the possibility of using these instruments for all types of investment and beneficiary, is welcomed. We will need to explore how best to use such opportunities in the new programmes for Wales. Key to this will be to ensure that any future model developed is better designed to reflect the reality of the market conditions in most parts of Wales so that it is a much more attractive offer for our businesses and communities compared to the current JESSICA Regeneration Investment Fund for Wales.

20. WLGA welcomes the **Connecting Europe Facility** proposal for large scale, pan-European investments in transport, energy, and ICT infrastructure. The proposal to mobilise and attract private financing through innovative market instruments such as guarantees and project bonds is welcomed. In terms of transport, the only project of direct relevance to Wales which has been included in the pre-identified list of projects

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by the Commission is the upgrading of the rail line between Swansea-Cardiff-Bristol-London as part of the Dublin-London-Paris-Brussels corridor. WLGA therefore welcomes the possibility that funding to extend the electrification of the rail line between Cardiff and Swansea could be eligible under the new Facility. Further, WLGA welcomes the possibility of attaining EU funds to improve and extend the deployment of fast and super-fast broadband infrastructure in Wales, particularly in rural areas.

We need to explore how we could use funding from this fund, together with funding from the new Structural Fund programmes, to maximise investments in infrastructure. Further, we need to explore the possibilities of proposing wider potential projects to be funded via this route as the pre-determined list of projects seems too narrow. We would welcome, for example, the ability to access this funding for improvements to ports infrastructure across Wales.

What should the Welsh Government's priorities be in its negotiations to ensure a beneficial outcome for Wales?

21. The main priorities for the Welsh Government in its negotiations with the UK Government should be to ensure that Future Cohesion Policy is applicable for the whole of the EU and that there will be adequate resources available to deliver the new European Structural Fund Programmes as part of the EU Budget for 2014-2020.
22. The regulations for the Structural Funds propose that a **Partnership Contract** must be developed and agreed between Member States and the European Commission to set out interventions, proposed outcomes, commitments to Europe 2020 goals and subject to a performance reserve. These Contracts will have to include an analysis of the development needs within the Member States and a summary of how the integrated funds will be deployed. They will include an assessment of what actions are planned to reduce the administrative burden for beneficiaries and authorities responsible for the management and control of programmes.

23. The WLGA would rather see a Partnership Contract developed and agreed directly between Wales and the Commission so that accountability for managing and delivering the new funding programmes is at the Wales level, rather than the UK level. **As a result we strongly urge the Welsh Government to lobby for a direct Partnership Contract between Wales and the European Commission.**
24. However, if the European Commission and the Member States insist that the Partnership Contracts have to be between them then it is crucial that the Welsh Government plays an active role in the preparation of the UK Partnership Contract in order to ensure the specificities of urban and rural areas in Wales are fully recognised. It will be important to ensure **regional and local input** into this document thus we welcome the proposals in the regulations that regions and localities must be involved in their development.
25. WLGA would also recommend that the Welsh Government lobbies for more flexibility to develop interventions that meet local and regional needs and circumstances, thus not necessarily wholly concentrated on attaining the Europe 2020 objectives e.g. the continued need to invest in basic infrastructure and physical regeneration across West Wales and the Valleys. Flexibility to target funding where it is most needed will be important.
26. **WLGA expresses concern at the proposed conditionalities within the new regulations.** The new macro-economic conditions introduce suspensions of funds for those regions within Member States who are in receipt of EU bailouts and found not responsive enough to the recommendations of the EU. **WLGA emphasises that penalising regions and communities for issues that are the responsibility of Member States seems disproportionate and counterproductive to the whole ethos of EU Structural Funds and Cohesion Policy.**
27. WLGA is also concerned about the proposed performance reserve mechanism, in particular the potential impact that it could have on the delivery of future programmes

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at a local, sub-regional and regional level and the impact of the possibility of releasing the reserve at such a late stage in the life of the programmes on the operation and management of projects.

28. Regarding the **urban dimension**, it is proposed to ring-fence a minimum of 5% of ERDF resources per Member State for sustainable urban development. In order to ensure that Welsh towns and cities benefit sufficiently from the urban dimension, **WLGA calls for as much flexibility as possible in the definition of an urban area**, promote a territorial approach to the urban agenda, emphasise the importance of urban-rural linkages, and ensure that the focus on urban areas is not to the detriment of rural areas.

29. Regarding **thematic concentration and ring-fencing**, the regulations propose a 'menu' of 11 overall thematic priorities that all the funds will be required to meet. Four priorities are for ESF, with the rest for ERDF. These priorities are directly linked to achieving the goals of Europe 2020. Although the Less Developed regions, such as West Wales and the Valleys, will have a wide menu of priorities to choose from, the More Developed regions, such as East Wales, will have less priorities to choose from (80% of ERDF resources towards energy efficiency, research and innovation, SME competitiveness, and 80% of ESF resources towards promoting employment, social inclusion, skills and lifelong learning). **WLGA calls for a lower percentage for the proposed ring-fencing for areas such as East Wales, as the current proposal seems too strict at 80% of all resources. A lower percentage would seem more reasonable and acceptable to regions in this category.**

30. In light of the cuts in capital expenditure across all budgets there is no doubt that finding match funding in the new programming period will be more challenging than ever. As a result every opportunity to assist in this will need to be explored. This will include negotiating for higher intervention rates for future investments in capital infrastructure in particular. It will also include more creative thinking about how we fund infrastructure projects in the future, including maximising the borrowing potential

of local government, to act as a catalyst for further investments from the private sector.

31. Further, we need to explore how we could access funding from the Connecting Europe Facility together with funding from the Structural Fund Programmes to maximise investments in infrastructure.
32. There will also be a need to explore how best to use Welsh Government and wider domestic funding streams, such as funding for Regeneration Areas, the new Communities First Programme, funding from other Welsh Government departmental budgets, including education and skills, Big Lottery and Job Centre Plus etc, to maximise the use of European Funding. This needs to include how to make more use of match funding the European Funds at source to make it easier for businesses and communities to access this much needed funding in the future.
33. It also includes the need to think differently about how we maximise the funding available from other European Programmes, from funding for research and innovation to the new education and lifelong learning programmes, so that we have a more joined-up approach going forward.

How can Wales ensure that its views inform the negotiation process?

34. WLGA emphasises the need for **genuine partnership working at the Wales, UK and European levels** during the negotiations on the Common Strategic Framework and Structural Funds Programmes.
35. Local government plays a vital role in the current programmes as part of the Specialist European Teams in assisting and supporting communities and businesses in accessing funding from the European programmes. They provide a vital role in terms of overcoming the barriers to applying and accessing the funds, in facilitating the involvement of the private and voluntary sectors in the programmes and in promoting

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the programmes across Wales. They also play a key role in supporting the regional collaborative projects delivered in the current programmes. We are extremely keen to ensure that we build upon all this knowledge and expertise, developed over a number of different European Programming periods, as we go forward to the new period. These officers are ideally placed to provide the support necessary to ensure that our communities and businesses maximise the opportunities in the new round of programmes.

36. We wish to see genuine and equal partnership working with the Welsh Government and other key partners in developing the new Structural Funds Programmes for Wales and the delivery mechanisms thus wish to be centrally involved in the planning, preparation, negotiation and implementation of the future programmes for Wales. **WLGA looks forward to working with key partners via the European Programmes Partnership Forum for 2014-2020 and the expert work streams that will support the work of the Forum in planning and preparing for the new programmes in Wales.**
37. At the UK level, WLGA recommends to the Welsh Government the need to involve local government at all stages of the policy process during negotiations with the UK Government. As the success of cohesion policy is largely determined by the participation of local people and organisations on the ground, the principle of subsidiarity must be respected and the role of local government reinforced.
38. As the UK Government will be leading the negotiations on both the future EU budget and programmes for 2014-2020 it is vital that every effort is made to ensure that they are aware of the issues, concerns and priorities of Wales. We support and encourage Welsh Government officials' involvement in key discussions at the UK level led by officials from the Department for Business, Innovation and Skills. We would also encourage the Welsh Government to ensure that the Secretary of State for Wales, and all of Wales' Members of Parliament, are aware of the issues, concerns and priorities for Wales in order for them to influence the UK Government's negotiating positions.

39. We welcome and support the commitment made by the Welsh Government's Deputy Minister for Agriculture, Food, Fisheries and European Programmes, Alun Davies AM, that he will seek to attend meetings of the General Affairs European Council and would urge him to insist on attending as many such high level meetings as possible to ensure that Wales' voice is heard and represented. We also welcome and support his commitment to working with the UK Permanent Representation Office in Brussels to ensure that they are aware of Wales' priorities.
40. At the European level, WLGA stresses the need for a continued Team Wales approach, whereby WLGA works closely with its Wales House Brussels colleagues in the Welsh Government, National Assembly for Wales and Welsh Higher Education Brussels, in order to ensure the best possible deal for Wales in the negotiations with the UK Government and European Commission.
41. Close links and regular dialogue with Wales' MEPs is also crucially important in order to maximise lobbying opportunities in the European Parliament, particularly as the Structural Funds regulations will be adopted through the co-decision procedure for the first time. Wales' influence in the Structural Funds negotiation process can only be strengthened through close collaboration, a strategic dialogue and sufficient consultation between the key stakeholders in Wales.
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For further information please contact:

Lowri Gwilym – Team Manager Europe and Regeneration
lowri.gwilym@wlga.gov.uk

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Tel: 029 2046 8676

Iwan Williams – European Policy and Communications Officer

iwan.williams@wlga-brussels.org.uk

Tel: 0203 328 0962

Welsh Local Government Association

Local Government House

Drake Walk

Cardiff

CF10 4LG

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

Agenda Item 6

Procurement Task and Finish Group : Ways of Working

The Committee agreed to amend the terms of reference in order to incorporate contracts under the procurement thresholds set by EU Directives. The following amended terms of reference were agreed:

- How effectively are the current procurement Regulations working in Wales, both from a supplier/contractor and purchasing authority perspective?
- How would the proposed changes to the relevant EU Directives impact upon public procurement in Wales, including the following issues:
 - SME (including social enterprise) involvement in public procurement;
 - The use of public procurement to advance other (e.g. social and environmental) policy objectives;
 - The complexity and flexibility of existing procurement rules;
 - Value for money for the purchasing authority?
- How should the EU procurement Directives and the implementing regulations and codes of practice in Wales be modernised to meet the needs of Welsh suppliers/contractors and purchasing authorities? In particular how should regulations and/or guidance be re-framed for contracts falling below the procurement thresholds set by EU Directives?