

Enterprise and Business Committee 18 July 2013

Update on EU Structural Funds 2014-2020 from the Minister for Finance

Evidence Paper

Introduction

1. This paper provides evidence to the Committee on the development of EU Structural Funds programmes for 2014-2020 and follows my Oral Statement to Members on the public consultation on 9 July.
2. The future programmes will aim to support sustainable economic growth and jobs in line with Europe 2020 and our ambitious Programme for Government.
3. The development of the programmes, in partnership, has reached an advanced stage, and we are on track to submit the Operational Programmes to the European Commission this Autumn.

EU Budget and Structural Funds Allocations

4. The Presidents of the European Parliament and the Council confirmed their political agreement on the seven-year EU Budget (2014-2020) on 19/20 June. The Council of Ministers ratified the agreement on 28 June and on 3 July the European Parliament approved the deal worth €960 billion, which is unchanged from the proposals agreed by the UK Prime Minister at the European Council on 8 February 2013.
5. Following intergovernmental negotiations the UK Government has recently confirmed (27 June) proposals for the regional distribution of the 2014–2020 allocations of €2,145 million – which is an uplift of €375m (£312m) from the indicative allocations agreed in February.
6. The regional allocations announced by the UK Government now require the support of the European Commission, while the EU will also be adjusting them to 2014 prices using a 2% annual inflator from 2011 to 2014, which was agreed as part of the EU budget proposals. This will mean Wales' overall allocation will be around £2.01 billion¹ (€2,418m) compared to nearly £1.9 billion (€2,220m) for the current programmes – the allocations for West Wales and the Valleys will be £1.675 billion and for East Wales £340 million.
7. Maximum allocation of funds directed to Wales' most vulnerable region – West Wales and the Valleys were sought by Welsh Ministers – to achieve genuine transformational change. However the regional allocations result in the more prosperous region of East Wales seeing an increase

¹ Based on WEFO Planning rate of £1:€1.20

compared to current funding allocations. We will therefore be looking to invest this increase in allocations to achieve tangible benefits for West Wales and the Valleys.

Negotiation of Structural Funds Legislative Package

8. The Welsh Government has been a major contributor through the UK Permanent representation to the EU in the development of the draft legislative package / regulations to help achieve our goals for simplification and integration of the Structural and Investment Funds to maximise impact.
9. I also keep in touch regularly with the UK Minister for Business and Enterprise and the UK Minister for Europe on developments and Welsh MEPs, who have been particularly influential in this phase of negotiations. I have also participated in key meetings such as the UK Joint Ministerial Council (Europe) and last month I met with László Andor, the European Commissioner for Employment, Social Affairs and Inclusion.
10. Negotiation of the European Commission's legislative proposals are now at their final stage with over 90% of the package having been agreed 'in principle' by the negotiating teams of the Council, Parliament and Commission.
11. The new Lithuanian Presidency has confirmed its commitment to conclude negotiations as soon as possible so that the European Parliament can vote on the entire Cohesion Policy legislative package in October 2013.
12. Together with the EU budget, this is a critical milestone which needs to be reached if the European Commission is to formally agree national Partnership Agreements and Operational Programmes in the Autumn so that regions, including Wales, can begin to award EU funds to projects in early 2014.

UK Partnership Agreement

13. Agreement of the UK Partnership Agreement with the European Commission is a Member State (UK) responsibility, with the UK Government's Department for Business, Innovation and Skills (BIS) leading the development of the Partnership Agreement in collaboration with the Devolved Administrations.
14. Wales will have a separate Chapter within the Partnership Agreement, which will set out the approach to be taken for the deployment of the European Structural and Investment (ESI) Funds. The draft Welsh Chapter is under development and reflects the conclusions of the recent public consultation and feedback from the European Programmes Partnership Forum, the RDP (Rural Development Plan) Advisory Group, and BIS, and

helpful, informal feedback from the European Commission.

15. A first draft of the full UK Partnership Agreement is due to be shared by BIS with the Commission shortly. It is important that this document is refined through discussion with the Commission and that early agreement is reached as any delay will impact on our ability to submit and agree the draft ESI programmes for Wales in readiness for the programmes to start in early 2014.

Preparation of the Operational Programmes

16. The Structural Funds Operational Programmes for Wales are currently under detailed development following the completion of the recent public consultation exercise on 23 April.
17. On 9 July, I made an Oral Statement on the Welsh Government's response to the consultation for the Structural Funds.
18. Constructive dialogue with the European Commission will continue over the next few months to help smooth the way for early agreement to start our programmes in early 2014 once the UK Partnership Agreement has been signed. Discussions so far about the investment proposals have been positive and the Commission has been complementary about Wales' progress in the developing its new programmes in partnership.

Implementation arrangements

19. WEFO is aligning work on development of the implementation arrangements (including delivering the recommendations of the Guilford Review) with the timetable for submission of the Structural Funds Operational Programmes to the European Commission.
20. A key focus of this work involves the integration and simplification of EU funds as driving principles to help transform our economic prospects for growth and jobs in Wales and also make it easier for organisations to engage, access and benefit from EU funds.
21. Within the flexibilities of the draft EC Regulations, this commitment is being progressed on many levels, including:
 - the work of the European Programmes Partnership Forum in providing strategic direction on the development of the future ESI programmes and the recent joint public consultation;
 - the development of a Wales Chapter as part of the UK Partnership Agreement;
 - the establishment of a single Wales Programme Monitoring Committee (PMC) for Structural and Rural Development Funds which are managed by the Welsh Government.

- agreement that the Economic Prioritisation Framework recommended as part of the Guilford Review should highlight economic opportunities for all European Structural and Investment funds; and
- the development of a single portal for access to EU funds and, where possible, common application processes and guidance, due diligence and appraisal, performance indicator and monitoring arrangements.

A single Wales Programme Monitoring Committee

22. A single PMC will mean an even more holistic assessment of the impact and effectiveness of the funds set against the new Economic Prioritisation Framework and monitoring information recommended by Dr Guilford.
23. Arrangements to determine the PMC's Membership are currently underway – including a public appointments process announced week commencing 8 July – so that the PMC can be established in late 2013 in order to approve the project selection criteria at the earliest opportunity. This will enable the decisions to be made on the approval of the first EU projects from early 2014.

Guilford Review of Implementation Arrangements

24. The Welsh Government has accepted the fourteen recommendations set out in Dr Guilford's Review. The European Programmes Partnership Forum, which represents the main stakeholders for EU funds in Wales, also endorsed Dr Guilford's Report in April.
25. Dr Guilford's central recommendation is for WEFO to develop an Economic Prioritisation Framework across the European Structural and Investment Funds to help direct the use of the ESI funds to maximise the opportunities for greater integration and help drive synergies between Welsh Government strategies and investments.
26. WEFO officials are working with colleagues in Welsh Government policy departments and key stakeholders, including the European Programmes Partnership Forum, in developing the Framework. It is due to be published in the Autumn, and, as a live document, will be updated throughout the programme period to reflect changes to the economic and strategic environments, emerging economic opportunities and progress made on the implementation of the programmes.

Innovation Wales Strategy

27. It is a condition of future ESI funding that investment in research, technological development and innovation is underpinned by a 'Smart Specialisation' strategy. A 'Review Version' of Innovation Wales was published on the Welsh Government website in March 2013, following a consultation process and incorporated the advice of an external Task and Finish Group, chaired by Professor Kevin Morgan. This Innovation Strategy, together with 'Science for Wales', form Wales' Smart Specialisation Strategy and has been designed to meet the precondition described above.
28. Following the publication of the strategy, officials from the Economy, Science and Transport department attended a peer review session of the European Commission Smart Specialisation Platform along with representatives from a number of Commission departments and several other European regions. The platform considered the Welsh Government's consultation and engagement process to be an example of good practice and that Wales was well advanced in the process of policy development.
29. Input from several other Welsh Government Departments has also been received and is being incorporated into Innovation Wales with a view to producing a final version in summer 2013.