



Cyngor Sir  
**POWYS**  
County Council

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

of the Enterprise and Business Committee  
National Assembly for Wales

*11<sup>th</sup> November 2011*

### Introduction:

1. Powys County Council welcomes this inquiry as it offers the opportunity for a full debate in Wales at this early stage of the European Commission policy and programme proposal.
2. This contribution from Powys County Council addresses the full set of regulation proposals of the European Commission on the Structural Funds: Com (2011) 615; Com (2011) 614; Com (2011) 607; and Com (2011) 611. It also refers to the European Commission proposals on CAP where relevant.
3. Powys County Council is one of the 22 local authorities in Wales, the largest by area and the most sparsely populated. It covers 5,181 Km<sup>2</sup> - around a quarter of the landmass of Wales. Almost 90% of its territory is agricultural land, and it includes a large portion of the Brecon Beacons National Park.
4. Powys has a population of about 130,000 people; with a density of around 26 people per Km<sup>2</sup> (Wales average is around 144) it is the most sparsely populated Council in England and Wales. Only the towns of Brecon, Newton and Welshpool have a population above 5,000 inhabitants, the rest of the inhabitants in Powys live in scattered villages and farms.
5. The economic structure in Powys suffers from structural weaknesses such as low economic output, an over-dependence on primary production with very limited value added, and scarce employment opportunities. This is illustrated by many economic indicators and statistical analysis where the County often is close to the bottom of the scale. For instance Powys has the second lowest weekly average earning in Wales and has a decreasing level of employment<sup>1</sup>. Even more worrying is the fact that Powys has seen a dramatic decrease in GVA over the last few years, putting the County at the bottom of the table in Wales and third bottom in the UK<sup>2</sup>. Although the GVA is influenced by factors such as commuting (which has a limited impact in Powys) if it is combined with other indicators it demonstrates how the economy in Powys has suffered disproportionately from the economic downturn, and its economic structure makes it more difficult to recover from it.
6. Although Powys, a NUTS 3 area in European statistical terms, has seen for the past decade a poor economic performance due to structural elements and external factors, for European programming purposes it has been included in the NUTS 2 area of "East Wales". During the 2000-2006 programming period of the EU Structural Funds Powys was eligible under the "Objective 2" and "Objective 3" programmes. Under the current period 2007-2013 Powys is eligible for the "Regional Competitiveness and Employment Programme" (*Competitiveness*). If the current economic and geographical criteria are applied for the future programming period, it is likely that Powys is going to be included under the

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<sup>1</sup> "Local Area Summary Statistics" Welsh Assembly Government, 26 April 2011.

<sup>2</sup> "Productivity in Powys 2004-2008", Powys-i, Statistical Research & Information Unit, Powys County Council (Annex1).

same type of *Competitiveness* programme for the next 2014-2020 period. These are the programmes destined to the “more developed regions”, i.e. with a GDP above 75% of the EU average, with a limited level of EU funding available. However many economic and social indicators put Powys in a situation comparable - and sometimes worse - to many authorities in Wales eligible for the “Objective 1” and “Convergence” programmes, which receive considerably higher levels of EU funding and can support a wider range of initiatives, due to their low economic performance.<sup>3</sup>

7. The Council has recently launched a “Regeneration Strategy for Powys” to drive the regeneration and the development of the County. The strategy provides a framework within which the Council and its partners will ensure that regeneration is embedded into everyday practice, to deliver outcomes which will have a positive impact upon the physical, social, and environmental elements as well as promoting the economic and cultural attributes of the county. The priorities and themes of the strategy are aligned with many of the priorities outlined in the Structural Funds proposals and are generally in line with the objectives of the “Europe 2020” strategy of the European Commission.
8. Over the years Powys County Council has successfully managed and implemented operations supported by European as well as Welsh Government funding programmes, as project leader or working in co-operation with other regional, national and European partners. This include successful management of “Objective 2” and “Objective 3” operations and programmes, delivery of RCE funded projects, and partner in projects funded by Interreg IVC, Interreg IVB, and Intelligent Energy Europe.
9. In the current Rural Development Plan for Wales (2007-2013) the County Council acts as Lead Body in the implementation of Axis 3 and Axis 4 in Powys.
10. In the past few years Powys has successfully supported local partnership engagement ensuring effective delivery on the ground and achievement of objectives which brought positive outcomes for the communities in Powys.
11. Powys County Council is therefore an important stakeholder in the delivery of the Structural Funds programmes in Wales. It can contribute to ensure that the programmes’ objectives are met, delivering operations that address the issues of this area whilst working in partnership with other stakeholders to contributing to the progress and development of Wales.

Main points:

12. Powys supports the involvement of all relevant stakeholders in this and any future consultation process. We strongly advocate for a full, open and transparent engagement in Wales and in Europe of local and

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<sup>3</sup> “2008 Sub-Regional GDP Estimates”, PMC(11)157, All-Wales Programme Monitoring Committee.

- regional authorities in the preparation, implementation and monitoring of future Structural Funds programmes in Wales.
13. Powys welcomes the strong emphasis on the partnership approach that the proposals put on the preparation and on the delivery of Structural Funds programmes. We would like to see this approach fully translated from Member State level to regional and local authority level. In particular we welcome the proposal of a “Community-led local development” approach in the implementation of the programmes (as set out in Chapter II of the general regulation) and especially the provision for local development strategies and for action groups to contribute to the delivery of the programmes.
  14. We are also interested in the proposal of a “Joint action plan” (set out in Chapter III of the general regulation) and would like to discuss this approach further with Welsh stakeholders. This may represent an interesting delivery mechanism that could contribute to enhance the partnership approach, which is already a feature of the activity of many Local Authorities in Wales.
  15. Powys welcomes the proposal of a “Partnership Contract” between the European Commission and the Member States to strengthen the delivery of the Structural Funds programmes. However we advocate for a full and genuine involvement of all the regional and local stakeholders, as outlined in the EC proposals. Moreover we would welcome a specific chapter for Wales to ensure that the “Partnership Contract” is a true reflection of the partnership commitment and addresses the Welsh needs.
  16. Powys County Council welcomes the EC proposals to bring together the Structural Funds (ERDF and ESF) with EAFRD and EMFF under a Common Strategic Framework (CSF Funds), as this provides a unique opportunity to align in a coherent and effective way funding sources that have an important impact at territorial level.
  17. However, we call for clear and robust programming guidelines and apportionment mechanisms at local and regional level to ensure that adequate resources from the CSF Funds are allocated to support rural economies and their communities.
  18. Powys County Council welcomes the proposed goals and thematic objectives. In particular their alignment with the smart, sustainable and inclusive growth objective of the Europe 2020 strategy.
  19. However we express serious concerns about the proposal in the ERDF regulation that drastically reduces the choice of interventions and resource allocation for the “more developed regions”. Whilst we understand the need to efficiently allocate scarce resources, we reject the proposals set out in the Articles 3 and 4 which limit significantly the scope of support and the relative financial allocations of ERDF funding. We agree with the European Commission’s emphasis on the need for *ex-ante* evaluations of the programmes, to ensure that they address the issues of the areas they operate on. By the same token it is important that the choice of the type of the activity and the funding allocation are

determined at local and regional level. The risks of the restrictive approach as proposed are to pre-empt the content of the programmes, to inhibit the local contribution to the preparation and delivery of the operations, and to create a mis-alignment of actions and objectives, making it more difficult for local and regional actors to achieve the Europe 2020 objectives.

20. Finally we are against the provision that prevents the use of ERDF for ICT infrastructure. Broadband infrastructure is particularly important for sparsely populated rural areas as it can help to improve the economic, social and environmental aspects of the area. We are confident that the Welsh Assembly and the Welsh Government will see how this proposed provision would make it very difficult to deliver on the broadband infrastructure agenda, especially in rural areas.
21. Powys County Council urges the Welsh Government to obtain clarification about the proposed performance reserve mechanism, in particular considering the potential impact that such a reserve could have at local delivery level. Moreover the release of the reserve at a late stage in the life of the programmes may have a reduced added value to running operations as well as risk of adding administrative challenges.
22. As outlined in the introduction, despite Powys economic performance and indicators being similar to those of the “less developed regions”, the County is included in the “more developed regions” category. Because of this situation the level of Structural Funds that Powys can access is not sufficient to ensure the achievement of the Cohesion policy objectives and of the Territorial Cohesion objective. We would welcome further discussions with the Welsh Assembly and Welsh Ministers on the possibility to review the inclusion of Powys in either the “less developed regions” or “transition regions” category to enable sufficient resources from the Structural Funds to be used to address the structural issues that have been affecting Powys economy over the past decades.
23. Should the change of category not be feasible, we would urge the Welsh Assembly and the Welsh Ministers to take full advantage of the adjustment mechanisms outlined in the EC proposals. In the general regulation, under Article 85, Member States have the possibility to transfer up to 2% of the total appropriation between categories. We would ask for this transfer to be considered in order to allow for sufficient resources in the future programmes. Also Article 111 (3) (c) of the same regulation outlines the possibility to modulate the co-finance rates for sparsely populated areas, i.e. less than 50 inhabitants per square kilometre. Powys qualifies for this modulation and we would ask for it to be included in the future programmes.
24. We welcome the proposals on simplification of administrative rules, including audit, and on the alignment of eligibility rules between the CSF Funds, with the explicit objective to ease the burden for beneficiaries and to ensure an effective use of the of the funds. We urge the Assembly to ensure that the future programmes in Wales will be consistent with this

approach in order to eliminate any unnecessary administrative hindrance and simplify delivery mechanisms wherever possible.

25. Another positive contribution to simplification comes from the proposed forms of support outlined in Articles 56 to 59 of the general regulation. We welcome the various forms of support proposed, in particular the different types of grants. For certain types of operation these forms of support have proven more effective than other more complex mechanisms such as procurement. They are easier to access for the beneficiaries and can be administered to satisfy the rules of sound financial and administrative management.
26. With regard to the ESF proposed regulation, Powys is in favour of the emphasis proposed for the transnational activity. We hope that clear guidance will be in place to support this and to ensure that stakeholders and beneficiaries in Wales can make the most of this opportunity. It represents an important leverage for resources whilst offering the possibility to increase capacity.
27. With regards to the Territorial Co-operation programmes Powys believes that Wales has a lot to gain from operations under these programmes. For this reason we welcome the proposed increase in funding allocated to the three objectives and urge the Assembly and Welsh minister to support it future negotiations.
28. We would also encourage the creation of a specific co-financing fund from Welsh Government to ease the burden of beneficiaries and to stimulate the uptake of the programmes by Welsh stakeholders. This is an approach already adopted in other Member States which has contributed greatly to the access of the funding in those countries.
29. We also welcome the clear indications on simplification of certain administrative rules with the hope that it will make it easier for local and regional stakeholders to access the Territorial Co-operation programmes.

### Conclusions

30. Powys County Council supports the objectives of the Cohesion policy and Europe 2020 and welcomes the continuation of the policy for all the European regions. We advocates for adequate resources to be allocated to future Structural Funds, the introduction of significant simplification, and the full alignment of the CSF funds to enable successful achievement of local, national and European objectives.

For Further information please contact:

Filippo Compagni  
European Policy and External Funding Manager, Powys County Council  
Tel: 01957 826641 - e-mail: [filippo.compagni@powys.gov.uk](mailto:filippo.compagni@powys.gov.uk)