

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.

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