

## **Enterprise and Business Committee 20 March 2014**

### **Update on EU Structural Funds 2014-2020 from Jane Hutt AM, Minister for Finance**

#### **Evidence Paper**

#### **Introduction**

1. This paper provides an update to the Committee on the development of EU Structural Funds programmes for 2014-2020.
2. These programmes will support sustainable economic growth and jobs in line with Europe 2020 and our Programme for Government.
3. The development of the programmes has reached an advanced stage and we are now in a position to formally submit them to the European Commission. We cannot do so, however, until the formal submission of the UK Partnership Agreement has taken place.

#### **Structural Funds Legislative Package**

4. The EU legislative package was adopted in December 2013, which means that the European Commission is now able to formally receive Partnership Agreements and programme proposals from Member States.
5. Once formally submitted, the European Commission will be able to assess and negotiate the Partnership Agreements and Operational Programmes so that regions, including Wales, can begin to make investment decisions as early as possible in 2014.
6. The Welsh Government has been a major contributor, through the UK Permanent representation to the EU, in the development of the draft legislative package to help achieve our goals for simplification and integration of the European Structural and Investment Funds<sup>1</sup> to maximise impact.
7. I speak regularly with the UK Minister for Business and Enterprise and the UK Minister for Europe to monitor developments and make clear Welsh priorities and also with our Welsh MEPs, who have been particularly influential in this phase of negotiations in the European Parliament. I am keen to engage directly with the European Commission to emphasise the benefits of EU Structural Funds to the people of Wales: last month I met with László Andor, the European Commissioner for Employment, Social Affairs and Inclusion, to showcase our ESF projects; and later this month I will be meeting with Commissioner Hahn, European Commissioner for

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<sup>1</sup> The European Structural and Investment Funds as they relate to Wales are the European Regional Development Fund, the European Social Fund, European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

Regional Policy. Earlier this month I met with the United Kingdom Permanent Representation to the European Union (UKRep) to discuss progress with the development of the 2014-2020 programmes.

### **UK Partnership Agreement**

8. The Department for Business Innovation and Skills (BIS) is leading on preparation of the UK Partnership Agreement. Completion of the document has been delayed by a number of factors, including a slower timetable for developing both the Rural and Structural Fund programmes in England. These delays have, in part, resulted from the need for BIS to consult with the new Local Enterprise Partnerships, which are to administer the funds in England, many of which are still at a formative stage.
9. Additionally, last year a legal challenge was made by Liverpool and Sheffield City Regions over the allocation of Structural Funds in England which led to an injunction preventing BIS from declaring the proposed UK financial allocations to the Commission (a key requirement of the Partnership Agreement).
10. The case was considered by the High Court at the end of January, with the Court ruling that the challenge had failed on all substantive grounds. However, the Government's decisions on the allocation of Structural Funds across the UK were quashed in relation to what was held to be a breach of the Public Sector Equality Duty as part of the decision making process. This has required BIS to revisit its Equality Impact Assessment. It is understood that both the regions involved in bringing the case are appealing against the High Court ruling.
11. Separately, a failure in Northern Ireland to register a transfer of resources from Pillar 1 (single farm payments) to Pillar 2 (Rural Development Programme) of the EAFRD programme has meant that the Northern Ireland devolved administration has been unable to finalise any related investment proposals: with this detail required for completion of the UK Partnership Agreement. The absence of this detail could result in the Partnership Agreement being ruled inadmissible by the European Commission. Northern Ireland and UKREP officials are currently exploring potential options to overcome this problem with the Commission.
12. A draft of the UK Partnership Agreement was presented to the EC for informal inter-service consultation in November 2013. Informal feedback received on 20 December highlighted issues across all chapters. Most significantly, the EC considered that the English chapter required further development in terms of the clarification and justification of the proposed investments (including rural proposals) and they wished to see the UK chapter presenting a more rounded, coherent picture.

13. The Welsh chapter was endorsed by Cabinet last September and published on the WEFO website in November 2013. It has been generally well received by the Commission, with no major issues raised in the informal inter-service consultation feedback provided by the Commission in December. As expected, the Commission have further challenged us over our proposed investment in ICT and transport infrastructure; we continue to work across Government to make the case for these investments to EC officials.

### **Development of the Operational Programmes**

14. At the same time as publication of the draft Welsh Chapter of the Partnership Agreement in November we published the draft programme proposals (the "Operational Programmes") on the WEFO website. Despite these being drafts and still subject to negotiation I felt it important to give our partners across Wales as much time as possible for planning and developing future investment proposals, particularly given delays in the negotiation of regulations and submission of the UK Partnership Agreement. My officials continue to work on these drafts to address feedback from the European Commission and in the light of final comments from the independent Ex-Ante evaluators.
15. The delay over submission of the UK Partnership Agreement impacts on our ability to formally submit our Operational Programmes and enter into formal negotiations with the EC. My officials have been working closely with the Commission on an informal basis with the intention of shortening formal negotiations accordingly. The latest detailed feedback from the Commission received in February indicates that our proposals have generally been well received and that we are well ahead of our UK counterparts.
16. We are in a position where we will be able to formally submit our Operational Programmes at the same time as the UK Partnership Agreement. Given the positive discussions to date we are hopeful for a relatively short negotiation period on our programmes, but cannot have formally approved Operational Programmes until the UK Partnership Agreement is formally approved.

### **Timetable**

17. The prolonged work involved in addressing the Commission comments and in reviewing financial allocations, as a result of the Judicial Review, has led BIS to propose a revised timetable for submission of the UK Partnership Agreement of early April 2014.
18. WEFO officials are part of the UK drafting group and continue to work closely with BIS to ensure that this timetable is achieved, including leading on the development of the UK Performance Framework. However, given the outstanding issues highlighted above, concerns remain that there is

potential it could slip further towards the regulatory deadline for submission of 22 April 2014.

### **Implementation arrangements**

19. WEFO is currently finalising implementation arrangements for the 2014-2020 European Structural Funds programmes. I am keen to see as much simplification and integration as possible and two key developments I would like to report on are:

- delivering the recommendations of the Guilford Review; and
- the establishment of a single Wales Programme Monitoring Committee (PMC) for the Structural and Investment Funds.

20. Synergies and links between Structural Funds and other EU Programmes managed directly by the Commission are also very important. The Welsh Government is actively exploring these Programmes with a view to further exploiting opportunities and benefits and increasing their profile within Wales.

21. Wales was one of the first regions to launch Horizon 2020 programme in a high profile event on 13 November 2013. This successor programme to the Seventh Framework Programme (or FP7) will be worth around £65 billion across the EU and WEFO has established a specific unit aimed at providing support and guidance on opportunities provided under this programme.

### **Guilford Review of Implementation Arrangements**

22. Dr Guilford's review supported WEFO's change to a simplified, more strategic delivery model and noted that the experience and knowledge gained operationally in moving to this more strategic approach has provided a secure base upon which to build future programme delivery. The Welsh Government has accepted the fourteen recommendations set out in the Review.

23. Dr Guilford's central recommendation is for WEFO to develop an Economic Prioritisation Framework across the European Structural and Investment Funds to secure greater focus and concentration in the use of the Funds. The Framework will support the prioritisation of projects which clearly align with key opportunities for economic growth and which add value to existing public and private sector investment programmes.

24. The first iteration of the Framework was published in November 2013, alongside the draft Welsh chapter of the Partnership Agreement and draft Welsh Operational Programmes. WEFO officials continue to work with Welsh Government policy departments and key stakeholders to further refine the Framework; an updated iteration is to be published in March. The Framework is a live document which 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.
25. WEFO is preparing a detailed suite of guidance relating to implementation of the 2014-2020 Structural Funds in liaison with partners, including the newly established shadow Programme Monitoring Committee (see below). This will address many of the remaining recommendations from the Guilford review and will be made available in March in draft form.

#### The new Wales Programme Monitoring Committee

26. The new Wales ESI Programme Monitoring Committee was established in late 2013 and has met twice to date in shadow form pending agreement of the new programmes, in December 2013 and February 2014. It provides for a 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.
27. The PMC has already examined the proposed assessment criteria to be used by the programme authorities to select individual projects to be supported by the EU funds. In due course, formal agreement of the criteria will enable early decisions to be made on the approval of the first EU projects as soon as the new programmes are agreed by the European Commission.
28. The composition of the PMC and the recruitment processes were designed to achieve strong private sector representation, gender balance, geographic coverage from all regions, and knowledge of all three EU funds. Over a third of the Committee (35%) represents business and enterprise or, in the case of public appointees who are not representing others, have private sector expertise. Private sector representation is diverse, covering general commerce, rural and farming businesses, employees in private sector organisations, and social enterprises. **Annex A** shows the membership of the PMC.

## Wales PMC Membership 2014-2020

<b>Chair</b>	
Assembly Member, appointed by the First Minister	<b>Jenny Rathbone AM</b>
<b>National, regional, urban /city-region/ local authorities and groups</b>	
<b>Local Government</b> <i>Nominations from the Welsh Local Government Association.</i>	<b>Cllr Bob Wellington</b> <b>Cllr Ronnie Hughes</b>
<b>Welsh Government</b> <i>Main recipients of EU funds</i>	<b>Cath Jenkins (DfES)</b> <b>Marcella Maxwell (DEST)</b> <b>Matthew Quinn (Sustainable Futures)</b>
<b>Local Action Groups</b> <i>LEADER/ Community-Led Local Development</i>	<i>To be nominated once the 2014-2020 RDP LEADER application and designation process is complete.</i>
<b>UK Government (public employment services)</b> <i>Department for Work and Pensions, JobCentre Plus</i>	<b>Jocelyn Llewelyn</b> Nomination from JobCentre Plus
<b>Economic and Social Partners</b>	
<b>BUSINESS AND ENTERPRISE</b>	
<b>Representatives of business and enterprise</b> <i>Trade Unions, professional or trade associations: representing Commercial private enterprise</i>	<b>Ann Beynon <sup>1</sup></b> <b>Iestyn Davies <sup>1</sup></b> <b>Margaret Thomas <sup>2</sup></b> <b>Martin Mansfield <sup>2</sup></b> <b>Tom Whyatt <sup>3</sup></b>  <sup>1</sup> Nominations from Wales Social Partners Unit/ Commerce Cymru <sup>2</sup> Nominations from TUC Cymru <sup>3</sup> Nomination from Industry Wales
<b>Representatives of farming and rural businesses</b> <i>Farming Unions, professional or trade associations: representing Rural, farming,</i>	<b>Rhian Nowell-Phillips <sup>1</sup></b>  <b>Karen Anthony <sup>2</sup></b>

<i>food enterprises</i>	<p><sup>1</sup> Joint nomination from NFU Cymru &amp; FUW.</p> <p><sup>2</sup> Nomination from CLA Wales, representing the rural economy</p>
<p><b>Third sector business and enterprise</b></p> <p><i>Social economy, social enterprises, mutuals, co-operatives, credit unions etc.</i></p>	<p><b>Derek Walker</b></p> <p>Nomination from Wales Cooperative Centre</p>
<b>EDUCATIONAL INSTITUTIONS</b>	
<b>Further Education</b>	<p><b>Gregg Walker</b></p> <p>Nominated by Colleges Wales</p>
<b>Higher Education</b>	<p><b>Dr David Blaney</b> <sup>1</sup></p> <p><b>April McMahon</b> <sup>2</sup></p> <p><sup>1</sup> Nomination from Higher Education Funding Council for Wales</p> <p><sup>2</sup> Nomination from Higher Education Wales</p>
<b>THIRD SECTOR</b>	
<p><b>Third Sector</b></p> <p><i>Other than social enterprises</i></p>	<p><b>Phil Fiander</b></p> <p>Nomination from Wales Council for Voluntary Action</p>
<b>Representatives of civil society, environmental and equality bodies</b>	
<p><b>Public Appointments</b></p> <p><i>Open competition, appointments on merit (individual expertise – not representing a sector or organisation)</i></p>	<p><b>David (Dai) Davies</b></p> <p><b>Prof. Richard B Davies</b></p> <p><b>Dr Grahame Guilford</b></p> <p><b>Joy Kent</b></p> <p><b>Sian Price</b></p> <p><b>Beth Winkley</b></p>
<p><b>Environmental sustainability</b></p> <p><i>Statutory bodies</i></p>	<p><b>Rhian Jardine</b></p> <p>Nomination from Natural Resources Wales</p>
<p><b>Environmental NGOs</b></p> <p>Focus, although not necessarily exclusively, on RDP agri-environment-climate measures</p>	<p><b>Arfon Williams</b></p> <p>Joint nomination from RSPB Cymru and Wales Environment Link</p>