

# **Written response by the Welsh Assembly Government to the European and External Affairs Committee's Interim Report of Inquiry into the Future of Cohesion Policy**

**January 2010**

## **Executive Summary**

I welcome the Committee's timely interim report on its Inquiry into the Future of Cohesion Policy.

The Structural Funds are the principal financial instruments of Cohesion Policy and are of enormous significance to Wales. As part of the current 2007-2013 round, West Wales and the Valleys Convergence Programmes receive Structural Funds worth around £1.9 billion<sup>1</sup> and the East Wales Regional Competitiveness and Employment Programmes receive funding of over £123 million. Together with Territorial Cooperation Programmes these provide EU funding of over £2 billion, totalling over £3.4 billion with match funding.

Cohesion Policy in its present form runs from 2007-2013 (though spend will continue to the end of 2015). Views are already being developed on how policy should progress after 2013 and the contribution made by the Committee is welcome. This emerging debate is located within the context of the wider debate about the EU Budget since this will determine the amount of funding available and the priorities attached to it. The discussions about the EU Budget are taking place against a background of a global economic downturn and severe pressure on Member State's budgets. Ultimately, the EU Budget debate will determine to a large degree the scope of the future Cohesion Policy in Wales.

I have set out below my response to the Committee's six individual recommendations addressed to the Welsh Government.

The Committee recommends that:

1. The Committee invites the Welsh Government to confirm its stated position in the Cohesion Policy debate in the UK and in particular in Brussels, and to respond as a matter of urgency to the call from Welsh stakeholders for it to take a leading role in facilitating and co-ordinating this process within Wales and Brussels.

## **Response: Accept in Principle**

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<sup>1</sup> Programmes are agreed in Euros. All Sterling figures are calculated at the current WFO planning rate of €1.1/£1 and are subject to change.

The Assembly Government has repeatedly stated its position. The main objective in the debate on Cohesion Policy's future is to secure an outcome for Wales that increases quality of life and prosperity based on sustainable growth and jobs. This is consistent with the vision of "One Wales" and "Wales and the European Union", our strategy for engagement with the EU.

The Assembly Government believes that a sufficient and significant share of the EU Budget should be allocated to Cohesion Policy for the purpose of reducing economic disparities between Member States and regions within Member States in order to develop economic and social cohesion. Cohesion Policy should apply on an equal basis in all Member States based on need at the regional level.

The Assembly Government has taken and will continue to take a leading role in facilitating and co-ordinating this process within Wales, in Brussels and beyond. The Assembly Government has been engaged since 2007 when the 4<sup>th</sup> Cohesion Forum effectively launched the debate about the future of Cohesion Policy. The Assembly Government continually engages directly in debate within Wales, the UK and in Brussels with EU institutions, opinion formers and the wider regional affairs community.

The Committee recommends that:

3. The Welsh Government to provide clarification as to the nature of the UK Government's commitment on transitional funding for Wales within Cohesion Policy post 2013.

### **Response: Accept in Principle**

The UK Government initial position is set out in "Global Europe: vision for a 21<sup>st</sup> century budget". This document provided in June 2008 a response to the European Commission's review of the EU Budget and states "Where Member States have the institutional structures and financial strength to develop and pursue their own regional policies, they should be enabled to do so within a common EU strategic framework. Consequently, Structural Funds in the richer Member States should be phased out".

We were consulted by the UK Government prior to the response being submitted and it now reflects our communicated view that the Structural Funds should be "phased out" rather than "cease". We are quite clear that regions in transition out of Convergence funding should receive appropriate transitional funding because the sudden withdrawal of funding would be bound to have a negative impact on inter-regional convergence and cohesion.

Furthermore, the UK Government has acknowledged that consequences of significant changes to funding patterns arising from future reforms will need to be considered, for example, what the shape of appropriate transitional arrangements will be within the context of available EU budget resources and the priorities agreed.

We will continue to discuss with the UK Government both the form and timing of potential transitional arrangements. We have already initiated a debate on what priorities any transitional funding should deliver.

The Committee recommends that:

4. The Committee is persuaded of the merits of a “sliding scale mechanism” as a permanent feature of the future Cohesion Policy, and asks the Welsh Government to take an active role in exploring how the different ideas being discussed in Brussels, such as a Transitional Regions Objective (suggested by Sachsen-Anhalt) or a series of economic development “gears” (suggested by Graham Meadows), could be taken forward in a way that would be of benefit to Wales and the European Union as a whole.

**Response: Accept in Principle**

Any potential Cohesion Policy funding mechanisms will be dependent on the outcomes of the EU Budget Review. Contained within the debate surrounding the future of Cohesion Policy there are a number of proposals under discussion as to the shape and form of the policy. These include existing transitional arrangements and more permanent changes of funding to step-type or sliding scale approaches for those regions that no longer qualify for the highest level of aid. We will continue to examine the various models but it is essential that our primary objective remains to ensure that Cohesion Policy should apply across all Member States on an equal basis based on need at the regional level and by extension that transitional funding is available.

The Committee recommends that:

5. The Welsh Government to provide clarification of what actions are envisaged to ensure the timely development of exit strategies within the 2007-2013 Structural Funds programmes in Wales.

**Response: Accept in Principle**

There is already a strong focus on sustainability of investments within the 2007-2013 programmes, for example through the recycling of funds through JEREMIE and JESSICA and by creating links between academia and business that will last long beyond 2013.

Under the direction of the Permanent Secretary’s Strategic Delivery and Performance Board, Director Generals have already commenced looking at the development of exit strategies for the 2007-2013 Structural Funds Programmes. Each key spending Department is looking at the use of Structural Funds directly by their Department and by their customers to identify potential risks. Exit strategies at the project level are built-in to projects during project development, and assessment of these forms part of the project approval criteria. To develop higher-level and more strategic exit

strategies (at a departmental and programme level) a role is envisioned within departmental Structural Funds Strategic Review Groups. These groups are being, or are already, set up to monitor the overall performance of project portfolios. The all-Wales PMC will also be considering sustainability of structural funds investments beyond 2013 and programme exit strategies, as well as future priorities for any transitional funding that may be available.

The Committee recommends that:

6. The Welsh Government to provide clarification on how mainstreaming of EQUAL has been put into place in the Welsh Structural Funds programmes, including the use that has been made of transnational actions within the Convergence and Competitiveness programmes to date.

### **Response: Accept in Principle**

During the development of the programmes work was undertaken to identify the best parts and the lessons learned from implementing the EQUAL programmes in Wales. This led directly to a number of substantive changes from the project level, through to the way WEFO operates:

- Addressing Equal Opportunities at the outset in project objectives
- Ensuring that sustainable actions can be maintained after the project has finished
- Strengthening the partnership approach in project design, development and implementation
- Projects working with a single Project Development Officer in WEFO

The principles of social innovation incorporating transnationality have also been encouraged in projects with appropriate potential. This has resulted in a number of projects and some strategic extensions of 2000-2006 EQUAL pilot projects, including Remploy's Wellbeing through Work, which supports employment for those individuals with a disability or a work limiting health condition.

WEFO has adopted a variety of strategies to encourage transnational working within the mainstream programmes. This has included raising the profile of the opportunities that exist, establishing links with other regions and programmes and investigating the INTERREG strand of programmes to identify potential partners and projects. The priority for WEFO and project sponsors in the initial phase of the Welsh Programmes' delivery has been to ensure the key strategic projects are in place and operating effectively. WEFO's Territorial Co-operation Team are now working alongside colleagues in the Programme Management Team to identify the approved projects that have the potential to incorporate transnational activity..

The Committee recommends that:

7. The European Commission's Simplification Task Force provides a potential vehicle for Welsh stakeholders to communicate suggestions on improvements to administration and implementation of the current programmes. The Welsh Government to provide clarification on how it is engaging with the work of this task force in Brussels.

**Response: Accept in Principle**

The Simplification Task Force has a single representative from the UK. Prior to each meeting of the task force in Brussels, officials from WEFO meet with the UK representative and officials from the other Devolved Administrations as part of a UK Simplification Working Group to develop a UK position. The WEFO contribution builds on issues raised by stakeholders during the development of the 2007-2013 programmes, from previous consultations, evaluations and customer insight surveys. The group is yet to discuss simplifications for post 2013.

The work of the Simplification Task Force will also feed into the European Commission's High Level Working Group on Structural Funds, which held its first meeting in October 2009.

**Carwyn Jones AM, First Minister**