

Cwrt Linden Y Berllan  
Clos Ilex Llanisien  
Caerdydd CF14 5DZ  
Ffôn 029 2076 1861  
Ffacs 029 2076 3163  
www.hefcw.ac.uk

Linden Court The Orchards  
Ilex Close Llanishen  
Cardiff CF14 5DZ  
Tel 029 2076 1861  
Fax 029 2076 3163  
www.hefcw.ac.uk

Cyngor Cyllido Addysg  
Uwch Cymru

hefcw

Higher Education Funding  
Council for Wales

Structural Funds Consultation  
C/o Jacqueline Brown *J.B.S.*  
EEAD 2  
Welsh Assembly Government  
Cathays Park  
Cardiff  
CF10 3NQ

13 May 2003

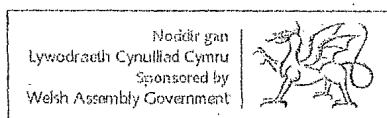
Dear Ms Brown,

**RE: A MODERN REGIONAL POLICY FOR THE UNITED KINGDOM**

The Higher Education Funding Council for Wales (HEFCW) is pleased to be able to respond to the aforementioned paper. HEFCW is encouraged by the DTI's paper, and the emphasis towards encouraging UK devolved administrations to shape and develop their own policies as part of the wider EU process. This process is essential if the strategic goals of the *Lisbon Agenda* are to be realised.

The Structural Funds Programmes for the period 2000 – 2006 have created a period of immense activity within the Welsh economy, and the Higher Education sector is a key player within this environment. As the European Commission strives to achieve the goals set out in Lisbon Council of March 2000, it is essential that the high-level skills and research produced by the HE sector are utilised to maximum effect in creating a genuine 'knowledge-based economy'. Indeed, this is very much in tune with the Assembly's own agenda as set out in its Innovation Action Plan, "Wales for Innovation". Moreover, the skills being produced by Higher Education (particularly in the fields of science and technology) and the cutting-edge research undertaken there, will be vital if new markets in the economy are to be sustainable and competitive on a pan-EU basis. There is wide acceptance too that innovation and research are key factors in the development of a sustainable economy, and sustainable development is another key goal of the Assembly. The HE sector across the European Union are already working in close partnership through programmes such as the Sixth Framework, which will not only make a significant contribution to the strengthening of the economic base, but will also promote improved quality of life for the citizens of the EU member states.

The European Union has a diverse membership, and with the onset of enlargement the social make-up of the EU will change once more, providing even more challenges in striving for commonality in strategic policy as set out at Lisbon. Within this context, it is worth noting that Wales has had a devolved administration since 1999, and since that time has shaped and implemented its own regional policies. In turn, the new framework will need to appreciate that future developments relating to regional policy must take into account the diverse



Yr Athro/Professor Roger Williams  
Cadeirydd  
Chairman  
Ffôn/Tel 029 2068 2280

Steve Martin  
Prif Weithredwr  
Chief Executive  
Ffôn/Tel 029 2068 2254

Yr Athro/Professor Philip Gummatt  
Cyfarwyddwr Addysg Uwch  
Director of Higher Education  
Ffôn/Tel 029 2068 2251



membership represented by the new and accession states, and that individual regional identities must continue to be catered for after enlargement. In particular, the economic gains made through the Objective 1 programme in Wales can only be consolidated and built upon if the EU recognise the necessity for future use of the Structural Funds here. Clearly, many of the accession states will also need to make maximum use of EU financial intervention, and HEFCW would actively encourage parity between eligible member states, albeit based on regional identities and circumstances.

In addition, the HEFCW would support the paper's assertions that the devolved UK administrations are expected to target and manage their finances according to their own regional policies. There will however be continuing needs and potential opportunities where the use of European funds will be essential to plug the gap in domestic funding. The Higher Education sector in Wales to a significant extent relies on external sources of funding to be able to engage in additional economic development activities that are essential to the regional economy of Wales. The future 'knowledge-based' economy will rely on the production of high calibre graduates and qualitative research to service the culture of innovation and entrepreneurship that is already being embedded within the Welsh economy. The Structural Funds have allowed for significant training opportunities for target groups who have often been excluded by mainstream provision, and have also strengthened the working relationships between academia and industry. An appropriate level of EU funding will need to be continued post-2006 in Wales to ensure that the HE sector can build on the achievements already realised within the Objective 1 programme.

Specifically in relation to the proposed reform of the Structural Funds, the HEFCW welcomes the move towards simplifying implementation arrangements, and would urge that any proposed arrangements are discussed early on. The HEFCW would also support the emphasis on employability and productivity given the HE sector's strategic focus on this area, and indeed, the Funding Council itself is promoting these areas through the introduction of our 'Third Mission' funding stream.

The HEFCW welcomes this consultation paper, but in concluding would raise a concern regarding the expectancy laid upon the devolved administrations to provide additional finances for their own regional development policies. While it is widely accepted that the intervention of the Structural Funds (in particular Objective 1 status) is intended to provide a financial jump-start to the economies of eligible member states, there must also be a recognition within the new framework that a continued level of appropriate financial assistance to these regions is critical in consolidating the economic growth rate of individual member state economies. While the paper does commit to a level of continued EU intervention, the Commission should also continue to apply a strategic focus in their assessment of need, in examining the unique requirements of member states post-2006. This will be even more important given the current discussions within the European Commission on a revised European Employment Strategy (EES), which primarily intends to focus on the rapid changes faced by the economies of member states.

Finally, colleagues here in the Council are continuing to discuss the implications of State Aids regulations, both with the DTI and the State Aids unit of the Assembly. We recognise



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Ffacs 029 2076 3163  
www.hefcw.ac.uk

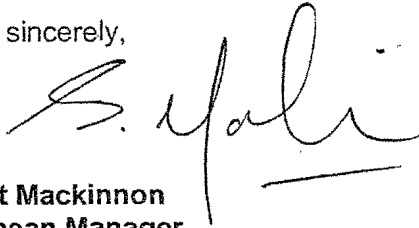
Tel 029 2076 1861  
Fax 029 2076 3163  
www.hefcw.ac.uk

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Higher Education Funding  
Council for Wales

that this is a crucial issue for Wales, and the Council is awaiting further guidance on this point.

Yours sincerely,



**Stuart Mackinnon**  
European Manager

Noelwr gan  
Lywodraeth Cynulliad Cymru  
Sponsored by  
Welsh Assembly Government



Yr Athro/Professor Roger Williams  
Cadeirydd  
Chairman  
Ffôn/Tel 029 2068 2280

Steve Martin  
Prif Weithredwr  
Chief Executive  
Ffôn/Tel 029 2068 2254

Yr Athro/Professor Philip Gummert  
Cyfarwyddwr Addysg Uwch  
Director of Higher Education  
Ffôn/Tel 029 2068 2251

29 MAY 2003

DYSGU ac ADDYSGU CYMRU  
**ELWa**  
EDUCATION and LEARNING WALES

Ms Jacqui Brown  
EEAD2  
Welsh Assembly Government  
Cathays Park  
Cardiff CF10 3NQ

**ELWa** Canolbârh Cymru  
Tŷ Dewi Sant, Y Drenewydd  
Powys, SY16 1RB

**ELWa** Mid Wales  
St. Davids House, Newtown,  
Powys, SY16 1RB

Ffôn/Tel: 01686 622494  
Ffacs/Fax: 01686 622 716

28 May 2003

[www.elwa.org.uk](http://www.elwa.org.uk)  
[info@elwa.org.uk](mailto:info@elwa.org.uk)

Dear Jacqui,

## RESPONSE TO CONSULTATION A Modern Regional Policy for the United Kingdom

The National Council – ELWa welcomes this opportunity to respond to the HM Treasury / DTI / ODPM consultation on the Government's proposed European Union Framework for devolved Regional Policy.

The National Council supports the themes of the overall regional development strategy, with its focus on macroeconomic stability, microeconomic reforms to tackle market failures, and a policy framework of devolution and decentralisation.

The creation of the National Council itself owes its origin to the recognition that the constituent components of the UK should have the resources and flexibility to deliver locally led policies within a framework of clear accountability. Equally, the operational activity of the National Council is focused in large measure upon supporting skills development as a key driver of economic growth, a priority congruent with both the domestic objectives of the UK Government and the EU's own ten-year strategy for reform of Europe's product, capital and labour markets, as agreed by European heads of state at Lisbon in 2000.

The National Council recognises the impetus to reform EU regional policy provided by the enlargement of the Union. Enlargement will embed democracy and stability in the new member states, and create the largest single market in the world. However, an expanded Union with more widely differing socio-economic conditions and institutional structures will have more diverse needs. Enlargement may reduce the eligibility for Structural Funds of many of the UK's less prosperous nations and regions, including Wales. This will present a significant challenge. Whilst agreeing with the view that most of the funds available should be spent on the least developed regions of the EU, the National Council also considers that one of the exceptions should be those Objective 1 regions which will lose their current status because of the statistical effect of enlargement.







While endorsing the proposal that the delivery of regional policy would be substantially devolved and decentralised, the National Council would note that, given the constitutional arrangements now pertaining in Wales and the other devolved administrations, the policy implications are more noteworthy for the English regions. The National Council would contend that some of the problems identified in the Government's proposal, especially inflexibilities and implementation challenges inherent in the deployment of Structural Funds are less of a problem in Wales. Regional Programme documents have been written to address the strategic priorities for Wales within the framework of European policies which support the economic objectives set by the Welsh Assembly Government. The potential exists through this approach for devolved regional policy at a UK level, without losing the added value of a European cohesion policy to support the wider aims of the EU.

The National Council questions other elements of the UK Government proposal on reform of the Structural Funds. If EU support, both financial and institutional, is refocused only on the poorest Member States, the role of the EU in reducing disparities *within* Member States is effectively marginalized. According to the Second Report on Economic and Social Cohesion, these disparities remain considerable, and in some instances are widening. The National Council believes that European policy and an associated budget has a role to play in addressing these inequalities, and that the European dimension can 'add value' to initiatives at the regional and UK level. Moreover, a retreat from this principle would surely undermine the concept of mutual support within the EU.

The National Council welcomes the Government's commitment to ensure that the regions and nations of the UK would not lose out financially from the UK's proposal on Structural Funds reform. However, it would be concerned about the feasibility of domestic budgeting arrangements over a seven-year period, another area where the National Council is of the view that the EU dimension offers greater certainty and security.

The National Council supports the view that the Common Agricultural Policy and State Aids require review, but are mindful that the Commission has indicated that they regard these as separate issues to the Structural Fund reform.

Yours sincerely

*G. Packer*

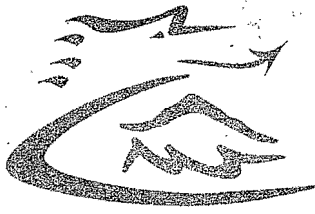
AD

**Grenville Jackson**  
**Director, Strategy and Learning Development**

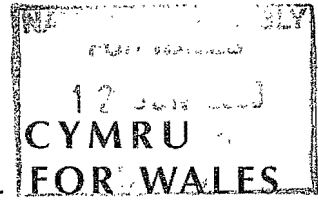
cc: Peter Higson  
Teresa Holdsworth  
Richard Hart  
Simon White

LEARNING WORKS  
MAE DYSGU GWETHIO





CYNGOR CEFN GWLAD CYMRU  
COUNTRYSIDE COUNCIL FOR WALES



CADEIRYDD/CHAIRMAN: JOHN LLOYD JONES OBE • PRIF WEITHREDWR/CHIEF EXECUTIVE: ROGER THOMAS

Anfonwch eich ateb at/Please reply to: Mr Roger Thomas, Prif Weithredwr/Chief Executive  
Cyfeiriad Isod/Address Below  
Llinell Union/Direct Dial: (01248) 385568; Ffacs/Fax: (01248) 385506  
E-bost/Email: n.williams@ccw.gov.uk

Structural Funds Consultation  
EEAD2  
3<sup>rd</sup> Floor  
Welsh Assembly Government  
Cardiff  
CF10 3NE

GS 12/6

11 June 2003

Dear Sir / Madam,

#### A MODERN REGIONAL POLICY FOR THE UNITED KINGDOM - CONSULTATION

Thank you for consulting the Countryside Council for Wales on the above consultation. CCW is the statutory adviser to government on sustaining natural beauty, wildlife and the opportunity for outdoor enjoyment throughout Wales and its inshore waters. With English Nature and Scottish Natural Heritage, CCW delivers its statutory responsibilities for Great Britain as a whole, and internationally, through the Joint Nature Conservation Committee (JNCC). Under the Welsh Assembly Government's Sustainable Development Scheme, we have been asked to promote sustainable development actively.

#### General comments

1. Overall, the consultation document largely ignores the current agenda concerning sustainable development. It focuses instead on supporting economic and social objectives, without acknowledging the overarching policy goal of sustainable development.
2. The consultation document refers only to the EU Lisbon agenda and fails to mention the EU's Sustainable Development Strategy (Com (2001) 264).
3. The consultation fails to acknowledge the UK Government's sustainable development strategy, *Achieving a Better Quality of Life*. In the context of Wales, it fails to acknowledge the Welsh Assembly Government's statutory duty concerning sustainable development.
4. The consultation document fails to acknowledge the importance of the quality of the natural environment as a key economic and social driver within sustainable regeneration programmes.
5. Accordingly, we find it hard to support the consultation document as it is currently written.



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

SCHEMATA/LOGO/ARND/REDD/REDD/REDD

Gofalu am natur Cymru - ar y tir ac yn y môr  
Caring for our natural heritage - on land and in the sea



## Detailed comments

6. Paragraph 1.1 refers to the Government's central economic objective. It would be preferable instead to refer to the Government's 4 objectives of sustainable development (SD), as confirmed in *Achieving a Better Quality of Life*. The strategy acknowledges that SD means "meeting four objectives at the same time, in the UK and the world as a whole":

- social progress which recognises the needs of everyone;
- effective protection of the environment;
- prudent use of natural resources; and
- maintenance of high and stable levels of economic growth and employment.

These objectives should also set the context for the discussion of the Government's economic objectives, in paragraph 4.2.

7. Paragraph 1.3 states that at its most fundamental level economic performance is a function of productivity and employment. Fundamentally, it is also a function of access to, and use of, environmental resources. The consultation document fails to acknowledge:

- the critical importance of decoupling resource use from economic growth, as acknowledged in the DTI's Sustainable Development Strategy. This should be one of the key drivers of productivity growth referred to in paragraph 1.12;
- the importance of the use, management and enjoyment of the natural environment as a driver for sustainable economic growth. In Wales we now know that:
- work associated with the management, use and appreciation of the natural environment in Wales creates 117,000 full-time jobs
- Other spin-off work related to this takes the total number of jobs in Wales that depends on the environment to 169,000 – equivalent to 1 in 6 Welsh jobs.
- the management and use of the environment, and the knock-on economic effects of this, generates output goods and services worth £8.8bn billion to Wales each year
- GDP measures the "value added" component of this total – this is £2.4bn each year, around 9% of Welsh GDP
- this work contributes around £1.8 billion in wages to people in Wales.

8. Paragraph 3.2 refers to the economic objectives of the Lisbon agenda. Although the paragraph acknowledges the integration of social and environmental issues into this, it fails to refer to the EU's Sustainable Development Strategy (Com (2001) 264). This states that "economic growth, social cohesion and environmental protection must go hand in hand". It acknowledges that "decoupling environmental degradation and resource consumption from economic and social development requires a major orientation of public and private investment". The EU's SD Strategy could usefully be referred to also in paragraph's 4.9-4.11, where again the Lisbon agenda is referred to in isolation.

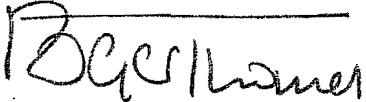
9. This has direct implication for setting appropriate objectives for structural fund, and other regeneration, programmes. For example, the main objective of the Wales-Ireland INTERREG IIIA Programme 2000-2006 is "achieving sustainable development, by a progressive integration of local economic, social and environmental development, of a region which is forward looking in terms of its quality of life, social equity, environment and communications links".



10. We think that the key principles for a new European regional policy, outlined in Box 3.3, should reflect sustainable development as the overarching goal of policy, rather than as a policy bolt-on, which is the current impression.
11. Box 3.1 states that reform must keep the strengths of the current system. In our view, a key strength is the use of Cross Cutting Themes within the structural fund programmes. This has mainstreamed environmental sustainability, equal opportunities and ICT into structural fund programmes in Wales in ways that would not otherwise have occurred. In terms of the approach taken to the environmental sustainability cross cutting theme the strengths have been:
- Full environmental profile of the area concerned, based on State of the Environment Reports, to determine environmental priorities and an environmental strategy;
  - Full Strategic Environmental Assessment of the draft Programme, to identify environmental opportunities and possible threats;
  - In the case of the Objective 1 Programme, the use of contextual environmental indicators to measure the overall environmental impact of the programme on CO<sub>2</sub> emissions and traffic levels;
  - Environmental integration into all priorities and measures, through the identification of measure-level environmental objectives and targets;
  - Detailed environmental project selection criteria, based on environmental objectives;
  - Detailed project guidance for applicants (available on the WEFO web-site);
  - Comprehensive environmental training and capacity building for local and national partners, and for WEFO staff.

We would wish to see any future structural fund programmes build on and take forward this approach, based on monitoring its effectiveness at achieving sustainable outcomes within current programmes.

12. Within Wales, future structural fund programmes should be clearly aligned to the Welsh Assembly Government's duty to promote sustainable development.

*Yours faithfully,*  


**Roger Thomas**  
Chief Executive





## European Equality Partnership, Wales

### Response to DTi, HM Treasury and Office of Deputy Prime Minister document

'A Modern Regional Policy for the United Kingdom' March 2003

#### Introduction

1. The European Equality Partnership (EEP) is led by Chwarae Teg (Fairplay), the Welsh economic development organisation for women. EEP is a network of agencies working in Wales to support the mainstreaming of equality throughout the European Structural Fund Programmes and Community Initiatives. It is made up of the equality Commissions, voluntary and public sector and National Assembly for Wales representatives (see membership attached).
2. **As EEP has been a key player in the development of the European Funds in Wales it welcomes the opportunity to respond to the document.**
3. EEP has been developing good practice in the European Programmes and Community Initiatives since 1997. The network was set up as a response to the lack of equalities mainstreaming in the previous Programmes. It received Technical Assistance until December 2000. Since then it has worked largely on a voluntary basis, with some Welsh Assembly Government funding going to Chwarae Teg to maintain the partnership.
4. EEP has been instrumental in the development of the mainstreaming of equality throughout the 2000-06 Programmes, as well as EQUAL and INTERREG. EEP's intervention has included writing the equality content for Objective 1 SPD and Programme Complement; supporting the input into Objective 2 and 3 documents; co-writing with the NDP Gender Equality Unit, Department of Justice Ireland the equality content of the INTERREG documents; contributing to the content of the Wales EQUAL Initiative.
5. Radical approaches to mainstreaming equality have been developed by EEP, including gender representation proportionality for committees. EEP has trained WEFO assessors, local authority and voluntary sector applicant advisers, some Local and Regional Action Partnerships. EEP has developed two sets of guidelines for applicants and assessors to encourage mainstreaming of equality. These have been placed on the Welsh European Funding Office (WEFO) website and welcomed by the PMCs.
6. Representatives of EEP sit on all Welsh European Funding Programme Monitoring Committees, either as full members or advisers.
7. EEP has combined with the other cross cutting theme advisers and there is a working group which exchanges good practice. Like EEP, the cross cutting group has an advisory and lobbying function to ensure the adequate implementation of the equality, ICT and environmental themes in the Programmes and Community Initiatives.



8. EEP has extended its exchange of good practice by developing an UK/Irish European Equalities e-Network. The membership has representatives from other Programme Managers, equalities practitioners and academics. The e-network is managed by Chwarae Teg and funded by the NDP Gender Equality Unit, Department of Justice, Ireland and ESF.
9. **The equalities work led by Chwarae Teg and supported by EEP is recognised as exemplary within the European Commission. It has helped to put Wales on the European 'map' as an area of good practice.**

## General Comments

### 1. Profile of Wales (and UK) in Europe

- a. EEP values the UK's membership of the European Union. **The involvement in the European funding streams has enabled the development of good practice** and given access to the Commission and European Parliament. It has helped to raise the profile of Wales (and the UK) within these European institutions.
- b. The document implies that a withdrawal from the European funding schemes would be beneficial to the UK. Whilst greater harmonisation with UK and Welsh Assembly Governments' policies and funding streams would be helpful, EEP believes that it is important to be seen to be contributing to the development of the European Union. The process is not one way. **Via the Structural Funds, good practice in Wales and the rest of the UK can influence other European countries.** For example, the INTERREG documentation developed in Wales (which EEP contributed to) is being used as a template for the accession countries. Without the European funds the links with others in the Union would be significantly weakened for many, particularly in the voluntary and private sectors.

### 2. Future Funding

#### a. Europe

- i. The document suggests that virtually nowhere in the UK (except Cornwall) will receive substantial EU funds. However, as the discussion around post 2006 is developing in the Commission, there is now the recognition that Objective 1 could be distributed differently, with the UK potentially entitled to continued Objective 1 funding (albeit at a different level to the accession countries). If this was implemented, Wales would continue to benefit from Objective 1, plus the potentially amalgamated Objective 2 and 3 schemes.



- ii. The document confirms that some transnational funding would remain so that working across borders could continue. However, the document does not take into account the difficulties for many organisations, particularly small voluntary sector ones, in developing and running transnational partnerships. Good practice is developed this way, but it appears to only impact on the partners and not at a Members State or Commission level, thereby the strategic input is missing, which can influence policies and practices.

b. Proposed Regional Funding

- i. **Local delivery of economic development strategies is vital for regeneration.** The European funding is underwritten by local partnerships and thereby has local involvement and accountability. The monies available to the Welsh Assembly Government have generally gone to major initiatives run by large organisations, by-passing the local community structures.
- ii. The document suggests a variety of potential targets for regional aid. If based on population size this could have detrimental effect on the percentage of money coming to Wales. Spatial targeting based on deprivation can also omit the needs of the wider community, creating pockets for funding rather than seeing the area in its entirety. This can have detrimental effect, particularly in rural areas, where accessibility issues for all kinds of provision that underpin wealth generation are interlinked (e.g. transport; childcare, training, jobs). **The geographical spread of the current European funds in Wales allows for this kind of wider support as well as focusing on the centres of deprivation.**
- iii. Rural communities may also have to deal with the changes to the Common Agricultural Policy within the lifetime of the proposed implementation of regional funding. **The document does not seem to have taken this into account and linkages re the impact on rural Wales need to be made.**

3. Accountability

- a. **EEP has real concerns about the lack of democratic and monetary accountability in the document.** There appears to be no ring-fencing of funds for Wales, nor for economic development, implying that the regional development funds could be subject to the vagaries of policy changes or non economic development needs. The structural funds are given for seven years and therefore are a relatively stable fund. The document offers regional monies for the same period, but given general elections take place every five years; this leaves the funding arrangement potentially vulnerable if there was a change of government at either UK or Wales level.



- b. Whilst the document emphasises its wish to follow the Lisbon agenda, it is unclear how this would fit if the proposed regional funding is not somehow circumscribed to match the EU requirements.

#### 4. Timing

- a. EEP would question the timing of this document; given the mid-term evaluation process of the Structural Funds is only just beginning. **It would seem more appropriate to draw conclusions on the impact of the Structural Funds and changes needed next year, when all the reporting is completed on the European Programmes in the UK.**
- b. **The partnership structures being developed in Wales are still new and need** time to develop. If the changes from the European funds to regional development suggested in the document were to take place, then there are issues about the length of time this will take to re-organise. This will create a hiatus in implementation partnerships, committees and create synergy with other funding regimes and economic development strategies.

#### 5. Bureaucracy

The document suggests there would be less bureaucracy in the reporting mechanisms if regional funding was adopted. The experience of EEP members and civil society in general re applying for State led funding is that **this would not necessarily be the case.**

#### 6. Partnerships

Whilst these have created complexities and put stresses on some of EEP's members, there have been clear benefits. The European funding partnerships have enabled civil society organisations to become participants in economic development. The links between public, private and voluntary sector organisations has increased their understanding of each other's functions and needs. This is having a knock on effect e.g. into public planning/more joint working on issues. Many of the partnerships are becoming models of good practice and enablers of increased local democratic accountability. If a regional funding regime was adopted, **EEP would suggest that the partnership model develop in Wales is considered as a basis for implementation.**

### Equal Opportunities Mainstreaming Comments

#### 1. Value of the Structural Funds

- a. The Lisbon agreement underpins the Structural Funds. Equal opportunities, particularly gender mainstreaming, is one of the main pillars of the Structural Funds.





- b. In Wales, EEP has insured that equal opportunities in the European funds has been extended to fulfil the requirements of the UK and Welsh Assembly Governments' legislation. **However, we are firmly of the opinion that without the support of the European Structural Funds regulations and the determination of Commission officials that the work we have developed would not have progressed so far or so quickly.** In contrast, both the Race and Equality standards being introduced into the public sector in Wales have lead in times of 5 to 7 years.
- c. The support of the Commission has enabled radical, innovative and sometimes difficult policies to be put into the management of the European funds in Wales. Some of this work has been developed jointly with Commission officials e.g. balanced gender representation on committees.
- d. **Wales is now one of the countries in the forefront of the development of equal opportunities mainstreaming in Europe. This profile will be lost if links are severed with the European funds.**

## 2. Issues if Regional Funding is Adopted

- a. EEP recognises that the skills and good practice built up through the European funding can be transferred, **but its impact will be weakened if a regional policy only targets certain areas of Wales.**
- b. EEP recognises that there is a commitment to equality by the Welsh Assembly Government **but there has not been the same mainstreaming input into other economic development schemes operating in Wales as in the European funding streams.**
- c. The process to develop partnerships, good working practices and innovative approaches takes time. There is often not the same enthusiasm for equality issues nor the same understanding of mainstreaming in the wider community. It is a fact that certain economic development sectors still see equal opportunities as a burden. EEP anticipates that the mid-term reviews of the European Programmes will reveal implementation issues at project level. If this is the case (in a situation where we have had a lot of strategic input and support) then, **unless the suggested funding changes in the document guarantee to underwrite equality mainstreaming in a similar fashion to the European funds, EEP is of the opinion that the process will seriously falter.**

## In Conclusion

1. EEP would welcome a simplification of the structures that impede access to European funding but does not support the need to withdraw totally from the Structural funds.



2. EEP is concerned about other inequalities (e.g. in rural areas), lack of accountability (especially to local communities) and dismantling/re-framing of developing good democratic processes (e.g. partnerships) if the proposals in the document are adopted.
3. EEP questions the premise that there is no value to Wales and the rest of the UK contributing to and receiving Structural funds from Europe. The exchange of good practice, links with other Members States and a local appreciation of the European Union principles at local community levels are tied closely into the receipt of European funds.
4. EEP is of the opinion that without the focus of the European funding programmes, equality mainstreaming would not be taking place at the same pace in economic development.
5. EEP would want to see guarantees and processes that ensure the proposed regional funding (if put in place) would be ring-fenced for economic development and underpinned by equality mainstreaming principles and practices.

*Sian Swann*

*Chair of European Equality Partnership*

*Director (European Policy)*

*Chwarae Teg, Mid and West Wales Office*

*37a King Street*

*Carmarthen*

*SA31 1BS*

26<sup>th</sup> June '03



## Members of the European Equality Partnership

Phil Jenkins  
Welsh Development Agency  
Principality House  
The Friary  
Cardiff  
CF10 4AE

Huw Gwyn Jones  
Equality Policy Unit  
National Assembly for Wales  
Cathays Park  
Cardiff  
CF10 3NQ

Penni Bestic  
Disability Wales  
Wernddu Court  
Caerphilly Business Park  
Van Road  
Caerphilly  
CF83 3ED

Chriss O'Connell  
Equality Unit  
National Assembly for Wales  
Cathays Park  
Cardiff  
CF10 3NQ

Dr Huw Onllwyn Jones  
Welsh Language Board  
Market Chambers  
5-7 St Mary's Street  
CARDIFF  
CF10 1AT

Naz Malik  
All Wales Ethnic Minority Association  
Suite 1, Floor 1, East Wing  
St David's House  
Wood Street  
CARDIFF  
CF10 1ES

Phil Bird  
National Assembly for Wales  
Cathays Park  
Cardiff  
CF10 3NQ

Phil Fiander  
Wales Council for Voluntary Action  
(WCVA)  
Baltic House  
Mount Stuart Square  
Cardiff  
CF10 5FH

Wayne Vincent  
Equal Opportunities Commission  
Windsor House  
Windsor Lane  
Cardiff  
CF10 3GE

Robin Lynn  
Commission for Racial Equality  
3<sup>rd</sup> Floor, Capital Tower  
Greyfriars Road  
Cardiff  
CF10 3AG

Anne Rowlands  
Welsh European Funding Office  
(WEFO)  
Cathays Park  
Cardiff  
CF10 3NQ

Yvonne Griffith-Jones  
Chwarae Teg  
11 Wynnstay Road  
Colwyn Bay  
LL29 8NB



Will Bee  
Director  
Disability Rights Commission  
6 Ty Nant Court  
Morganstown  
Cardiff  
CF15 8LW

Derek Walker  
Stonewall Cymru  
c/o Equal Opportunities Commission  
Windsor House  
Windsor Lane  
Cardiff  
CF10 3GE

Naomi Alleyne  
Welsh Local Government Association  
(WLGA)  
Local Government House  
Drake Walk  
Cardiff  
CF10 4LG

Mary Slater  
Wales Women's National Coalition  
(WWNC)  
Chwarae Teg  
Anchor Court  
Keen Road  
Cardiff  
CF24 5JW

Angela Howells  
WCVA  
11 St Peter's Street  
Carmarthen  
SA31 1LN





Structural Funds Consultation  
EEAD2  
3<sup>rd</sup> Floor  
Welsh Assembly Government  
Cardiff  
Cf10 3NE

Our Ref: NA/CJ /

26 June 2003

Dear Sir/Madam

### **A modern regional policy for the United Kingdom**

Thank you for inviting the Wales Tourist Board to comment on the DTI's Consultation 'A modern regional policy for the United Kingdom'.

The Wales Tourist Board supports, in principle, the proposals set out in the consultation document. In Wales we face a number of challenges and devolving regional policy to a UK level should allow Wales to set its own agenda for change and address the existing economic and social problems. Wales' Objective One status has been short lived and it will take more than a single programming period to tackle the problems effectively. Transitional support from domestic programmes will be necessary to ensure that adequate opportunity is provided for Wales to adjust to any change successfully.

It is important that Wales be given an opportunity to identify its own solutions to the challenges of regional imbalance. Any reform of the structural funds must continue to benefit the less affluent parts of the UK.

Despite Welsh Assembly Government policies, such as 'A Winning Wales', which emphasise the commitment to economic development, a greater guarantee is necessary to ensure all stakeholders are satisfied that this will remain a priority. The European Commission currently acts as a policing body that ensure the funds are distributed correctly, but there are no structures outlined within the consultation paper to ensure a continued emphasis on economic development. The Wales Tourist Board would like to see a commitment that a reform of regional policy would not lessen the emphasis currently placed on economic development.

Moves to see the continuation of added value initiatives such as INTERREG and URBAN would certainly be welcomed by the Wales Tourist Board. Numerous organisations in Wales are beginning to realise the importance of cooperation with other regions on a European level as a means of sharing expertise and developing practical solutions to common problems, or working towards joint policy development. This work should continue and be



encouraged to ensure that the European dimension is not lost. In the same way, it will be important to ensure that the partnership approach which has evolved as a result of European Regional Policy continues to enable the involvement of all stakeholders in decision making processes.

Finally, economic development in Wales must remain a priority for not only the regional bodies and devolved government, but also for central government. Wales must continue to have a voice at cabinet level which will ensure that Welsh interests are still pursued.

If you wish to discuss any aspects of this letter, please do not hesitate to contact me.

Yours sincerely

**Nigel M Adams**  
Head of Policy

cc. Structural Funds Consultation DTI



# **Policy Response**

## **Proposals for “EU framework for devolved regional policy”**

*A response from WCVA*

*June 2003*

WCVA, Baltic House, Mount Stuart Square, Cardiff, CF10 5FH



# Wales Council for Voluntary Action

## A response to DTI proposals for "EU framework for devolved regional policy"

### Introduction

1. Wales Council for Voluntary Action (WCVA) promotes the interests of voluntary organisations, community groups and volunteering in Wales. It has over 900 organisations in direct membership and is in contact with thousands more through national and regional voluntary sector networks. There are at least 30,000 voluntary organisations in Wales, with a combined income of £630 million, a workforce of over 20,000 employees and 1.12 million adults volunteer either through voluntary organisations or informally.
2. This broad and diverse sector makes a major contribution to the economic, social, environmental and cultural life of Wales and effective governance in Wales depends on government working with the voluntary sector.
3. WCVA has been pro-actively engaged with European policies and programmes for over 10 years. It currently represents the voluntary sector on all structural fund Programme Monitoring Committees throughout Wales. It provides designated resources to promote the programmes through advice and training and operates in excess of £23 million of European projects.
4. In addition to this WCVA plays a crucial role in keeping the Welsh voluntary sector informed about policy development at a European level. It raises awareness through a wide range of events with the sector on both European and Civil Society issues, as well as using its networks and website to carry important Europe messages. Most recently it held a Welsh Colloquium on Civil Society and Governance 'to look at where the sector fits in with the changes and how it can become involved in future policy-making also to raise awareness of what these changes will mean specifically from a Welsh point of view.
5. WCVA is also a member of the pan-Wales network on European enlargement, and has contributed to the debate in Wales on the governance and the future of the structural funds through consultation with Welsh Assembly Government.
6. WCVA welcomes the opportunity to comment on the proposal for a EU framework for devolved regional policy. Our comments bring the combined contribution on behalf of voluntary and community groups, as well as a distinct Welsh perspective.

### The framework and its impact on European regional development

7. WCVA welcomes the UK Governments on-going commitment to the European Union. It particularly welcomes the proposal to ensure that regional policy and priorities are set and developed in co-ordination with other member states as part of the Union. Civil society organisations in Wales have benefited from UK involvement in the Union. They have also been afforded direct access to the European Union and its institutions through participation in the past two structural fund programmes.





8. There is an assumption that UK / Wales will lose this direct access through loss of structural funding. This is not necessarily the case (although it is likely that funding will be reduced). Suggestions from European institutions, including MEPs suggest that there will be significant transitional money available for the current Objective 1 regions. Additionally, as the criteria for awarding Objective 1 status is not yet set, there is potentially the establishment of a two tier Objective 1 status designed to provide assistance to current and future Objective 1 areas. The publication of the Third Cohesion report may well bring proposals at a European level that would be of benefit to both voluntary organisations and Wales alike.
9. One particular approach is the development of resourced, thematic strands for European policy. The proposed framework gives almost exclusive attention to geographical allocation of resources, when the voluntary sector can and has made impacts on delivery of European policies including social inclusion, employment, equal opportunities, culture, and language.
10. There is little regard given in the proposal to the benefits of channelling resources towards the less developed countries in a new EU25. Potential markets are opened, competition is more even (especially in labour market terms), political stability and the ability of the emerging countries to contribute to future regional funding are all enhanced. WCVA is concerned that the repatriation of structural funds would jeopardise this development.

**WCVA and civil society in Wales more generally is keen to make a full contribution to the further development of a strong European Union. It requests greater transparent consideration of the impact that the proposed framework will have on the UK's and Wales' contribution to European development and economic and social cohesion.**

### **The framework and its impact on partnership working**

11. Structural funds have allowed local and regional civil society organisations to become actively involved in setting regeneration and economic development agenda through partnership working. This is seen at all levels, from programme monitoring committees through to local developmental sub-groups. WCVA is a strong advocate of this approach and welcomes the recognition of this best practice by the Commission in its programmes.
12. Linked to this point, on certain issues European institutions can act as a neutral arbiter. It can ensure enforcement of certain principles once agreed in structural fund programmes. Civil society organisations in Wales welcome this direct role as it promotes and enforces good and best practice within the wider governance arena.
13. Partnership working in Wales is still in its infancy. A multi-agency approach depends on trust, good will and understanding, all of which take many years to develop. Structural funds have provided the catalyst for this process.

**It is essential that good practice, started and enforced by structural fund programmes, be maintained. If programmatic funding is withdrawn there is significant risk that this approach will be undermined.**



## **The framework and its impact on participation of civil society in Europe.**

14. The wider issue with partnership working is one of accountability. Civil society plays a crucial role in ensuring that relevant decisions are made on issues that directly affect them. Under existing framework proposals this accountability is jeopardised. WCVA would seek to ensure that policy and funding decisions are made at an appropriate level and would welcome further details related to this.
15. Welsh civil society has engaged directly with European institutions through its involvement in structural fund programmes. On certain issues, civil society organisations have led negotiations with the commission including Equal Opportunities (particularly gender mainstreaming), community economic regeneration and environmental sustainability. There is significant concern in Wales that should this level of engagement be withdrawn then organisations in Wales would no longer have a direct voice.
16. The commitment of UK citizens underlies the UK position of promoting European union. Within communities in Wales the impact of structural funds is often the only tangible evidence of the benefits that Europe can provide. WCVA would welcome proposals to ensure that Europe is continually promoted to local people, reinforcing the UK commitment to European union.
17. Under current structural funding arrangement there is the possibility for trans-national working - this does not alter under the DTI proposals. It is however difficult for civil society organisations, particularly small groups, to participate in these types of programme without support. This support is likely to be lessened with the withdrawal of structural fund technical assistance that currently provides necessary promotion and advice services. Voluntary organisations are less likely to be able to contribute to wider European development under the new framework.

**WCVA considers that the current proposals put at risk the direct involvement and stake that civil society has with the European Union. It proposes that decisions that affect the development of Wales will be made removed from the hands of Welsh civil society organisations and citizens.**

## **Participation in Wales' regional development**

18. WCVA welcomes the proposal to ensure that regional policy decisions and direction is set at a European level. It is concerned that the delivery of this will be funded domestically. A situation will inevitably arise whereby national political priorities differ to those in the interest of the wider Union.
19. Under DTI proposals the Treasury will allocate regional development money directly to Wales by way of extending the block grant. No resource will necessarily be ring fenced for economic development and community regenerations, and community organisations will be particularly concerned about the impact this will have on their continued work.
20. WCVA does however welcome a holistic approach to economic development, recognising that successful development engages a range of policy areas from health and education to physical renewal.



21. Current structural fund programmes are very economically driven and focussed heavily on GDP. Research conducted by WCVA has shown that the contribution that voluntary organisations can make to long term structural economic change is not always fully understood. It also shows that outputs led programmes and funding does not give the sector creates barriers to the involvement of the sector, particularly for example on long terms strategies such working with disadvantaged people, or community capacity building where results are not immediately apparent.
22. Security in funding sources is essential for civil society to be able to participate fully. Current structural fund programmes allow transparent and autonomous funding streams to be accessed by voluntary organisations over a multi annual period. Changes to regional policy should reflect this requirement.

**WCVA would seek from UK Government and Welsh Assembly Government a commitment to sustainable resourcing of the participation of civil society in economic and regional development programmes, and for these programmes to be holistic in their approach to economic change.**

23. The DTI proposal cites the bureaucratic nature of Structural Funds as one of the drawbacks of the current approach. Current structural fund programmes require mainstream funding of to be matched against European funds. On this experience, **WCVA would request further information to address how accessing domestic funds will be made simpler and less bureaucratic.**

#### **State aids considerations**

24. The DTI proposal is not explicit when it comes to state aid consideration. It is difficult to see how it would be possible to have state aid regulations defined at a national level. Theoretically this would lead to a situation where differing level of aid could be allowed depending on where a company is situated within the Union undermining the original intention of aid regulations.
25. WCVA recognises the need for updating and simplifying state aid regulations. It recognises that these regulations are out dated for a modern economy. WCVA has itself lobbied the commission to ensure that socially motivated and community benefiting non-profit organisations are not considered the same as large multi-national businesses.
26. In its recent response to the Richards Commission, WCVA has suggested that the Welsh Assembly Government be given greater autonomy with regards to state aid issues. This approach would allow the Assembly to be more flexible and responsive to the needs of Welsh civil society organisations.

For further information on any of the issues or comments made by this paper then please contact Phil Fiander, Director of WCVA Europe on [pfiander@wcva.org.uk](mailto:pfiander@wcva.org.uk) or 02920 431756.



**"A Modern Regional Policy for the United Kingdom"**  
**CBI Wales response to the Joint UK Government Consultation**

CBI Wales represents companies employing around half the private sector workforce in Wales. Our members are made up of companies of all sizes, across all sectors of industry.

CBI Wales welcomes the opportunity to respond to the UK Government's consultation document "A Modern Regional Policy for the United Kingdom". We have considered the document and issues raised within it. Our response is outlined below.

**General Comments**

- CBI Wales welcomes the opportunity to respond to this consultation, and broadly agrees with these proposals as set out by the UK Government.
- We welcome the recognition that the UK Government is attributing to the importance of an effective regional policy – as reflected in this document as well as other recent Government announcements. We believe that there is a need for effective regional policies which can help create and sustain private sector investment and a more entrepreneurial culture, which will in turn lead to higher levels of sustainable employment and a stronger tax base in Wales.
- CBI Wales is glad that the UK Government is submitting alternatives to the Commission's proposals. We accept that structural funding in its current form cannot continue in the proposed enlarged EU, and that Wales will lose out from future funding arrangements under this system. It is therefore important to develop an alternative for post 2006, and we welcome the recognition that reform at European Commission level is required to ensure that there is sufficient capacity to deal with enlargement.
- We agree with the UK Government's view that the principles underpinning its domestic regional policy should be the basis for reform of EU regional policy, so that it is locally led and substantially devolved. However, we would wish to add a caveat regarding the question of funding: - how it will be allocated from Westminster to the regions, and how it will then be ringfenced within the National Assembly's budget.

**Concerns**

- CBI Wales' major concern surrounds the guarantee regarding the Government's commitment to UK nations and regions - specifically that "by increasing UK Government spending on regional policy,







UK nations and regions receive a level of resources which ensures they do not lose out from the UK's proposals on Structural Funds reform" (as outlined in the Executive Summary and in 4.16). We feel that this guarantee is somewhat vague, and are concerned about the commitment of the UK government beyond one term to continue to allocate funds to regional development. Whilst we accept that the guarantee of funding may well depend on budgetary negotiations, it is difficult to judge whether this promise to match the money is sound without a baseline against which to assess future settlements. CBI Wales is also concerned at the intended "fair share" of funding for the devolved regions (4.17). Who decides on a fair share for the devolved regions, what will this be, and how will this figure be calculated? We believe that the UK Government needs to clarify in detail its proposed funding for regional policy post 2006 – and to explain how the guarantee will extend beyond the usual five-year life of a parliament.

- We are concerned at the issue of transitional funding for the period immediately post-2006, and what arrangements will be put in place for regions currently receiving structural funds. Once again we seek clarification on this from the UK Government.
- CBI Wales agrees that responsibility for regulating European programmes should rest with devolved administrations and regional governments, with the European Commission playing a more facilitative role in terms of promoting transnational working and facilitating best practice. Whilst we are pleased that under these proposals, EU regional policy in the UK will be locally-led, (by the National Assembly in Wales' case), CBI Wales stresses the need to ensure that any funds devolved to the Welsh Assembly Government through increases in the block grant are used only for regional development -that is for those priorities laid down by the structural funds and not for areas such as education and health. We seek guarantees from both Westminster and the National Assembly regarding ringfencing of this money over and above the Barnett block grant.
- CBI Wales would urge caution on setting the reduction of disparities as an overall policy objective, against making the most of every region – maximising potential could have the effect of actually increasing disparities. Shifting development to poorer regions by stopping the richer ones may actually shift development outside the UK altogether.
- CBI Wales stresses that the system which replaces EU structural funding processes should retain the best aspects of the process as it currently exists but discard some of the more complex procedures currently involved. The new system will require clearer frameworks for policy, performance, delivery and implementation of regional funding. There is also the need to streamline the number of European and domestic programmes and funding streams. Whilst we applaud the aims of the structural funds and many of the projects formulated within them, CBI Wales members have many negative experiences of the processes involved. Some of the problems of the process are self-inflicted, but some are due to the tension between the European Commission and the regional authorities – removing the Commission from the detail of the process as proposed by the UK government should help this. We remain critical of the extension of the three-thirds partnerships principle throughout the entire hierarchy of the structural funds process in Wales, which has often left the private sector feeling somewhat disengaged. We believe that there is a need to reduce the complexity and bureaucracy of the structural funds process, and to move towards greater flexibility. At the moment there are excessive rules and regulations, whilst visibility and transparency in the process are poor.
- Continuation of the assisted area designations would be welcomed by CBI Wales, as they constitute a valuable mechanism for promoting development in deprived areas. These designations should be decided at national and sub-national level based on indicators of economic and social need, and on coherent economic areas.
- Support provided under the new regional policy must be tailored to meet local needs, therefore CBI Wales believes that reforms to State Aid rules must be considered in parallel with reforms to regional policy, thereby reducing bureaucracy and delay. UK Government proposals to ensure that State Aid rules more closely complement the wider objectives of regional policy are to be supported.



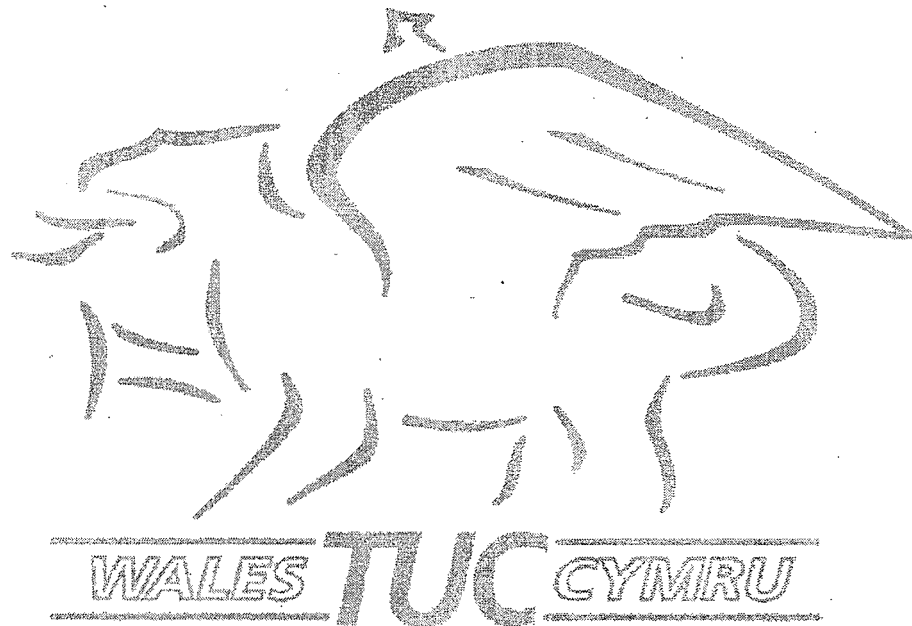
## Conclusions

Whilst CBI Wales welcomes the UK Government's proposals for the future of Regional Policy, we are aware that these measures may not be accepted by the wider European Union. It is thus important for CBI Wales to maintain a constructive dialogue with the National Assembly on this issue, and to continue to engage with the Assembly and its partners in this process.



Response to the Government's consultation  
paper

**'A Modern Regional Policy for the UK'**



**Wales TUC Cymru  
1 Cathedral Road  
Cardiff  
CF11 9SD**

**Tel/Ffôn: 029 2034 7010  
Fax/Ffacs: 029 2022 1940  
E-mail/e-bost: [wtuc@tuc.org.uk](mailto:wtuc@tuc.org.uk)**



The Wales TUC welcomes the opportunity to comment on the Government's consultation paper "A Modern Regional Policy for the UK". The Wales TUC represents 56 trade unions who in turn represent half a million members across Wales.

## ***Introduction***

This document sets out the Wales TUC's response to the consultation "A Modern Regional Policy for the United Kingdom" jointly issued by HMT, DTI, and the Office of the Deputy prime Minister in March 2003. The consultation document has been prompted by the likely impact on the EU Structural Funds from 2006 onwards following enlargement of the EU from 15 (EU15) to 25 (EU25) member States in 2004.

The consultation document sets out the Government's vision for the future of UK regional policy; the Government's proposals for EU regional policy reform; and the related reform of the EU's approach to state aids.

The consultation document poses a single specific question – *"What are your views on our proposed approach: that in principle, the EU Framework for Devolved Regional Policy should form the basis for a UK position on Structural Funds post 2006? The Government would also welcome comments on its overall objectives for the future of the Structural Funds and on the current thinking emerging from the Commission."*

Our response is divided into three broad sections dealing with the Government's vision for regional policy in the UK; the Government's proposals for EU structural Reform; and the reform of European State aids.

## ***The Government's vision***

We strongly welcome the Government's vision of a modern regional policy locally led and substantially devolved. The Wales TUC strongly supported the establishment of the National Assembly for Wales, the Scottish Parliament and the English Regional





Development Agencies. There has already been a significant decentralisation of industrial policy.

## ***European Regional Policy***

The enlargement of the EU from 2004 onwards will increase membership to 25 when 10 States join the EU (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia). The population of the EU will increase by about a fifth to 450 million, the biggest single market in the industrialised world. Wales would share in the wider economic benefits of enlargement and the potential boost to EU wide trade and investment. The Treasury quotes one 1997 study that estimates the UK GDP would be nearly £2 billion higher as a result.

However, GDP per head is significantly lower in the new member States. This will have a number of immediate economic impacts:

- average GDP per head across the enlarged EU will fall by about 13 per cent compared with current levels - this is a purely statistical effect;
- economic disparities within the EU will widen significantly. The Commission estimates that the gap between the 10 per cent of the EU population living in the most prosperous regions and the least prosperous regions will double compared with the current EU15 gap.
- there will be a significant shift in the geographical distribution of the population living in regions with GDP per head less than 75 per cent of the EU average;
- EU wide unemployment will be higher - unemployment averages over 15 per cent in the new states compared with 8 per cent across the EU15.



## ***European Structural Funds***

The current allocations to the Funds run out in 2006. Over the next eighteen months the existing EU15 members have to agree new arrangements and funding levels to apply for the period 2007 to 2013. The EU has four "Structural Funds" including the European Regional Development Fund and the European Social Fund that are expected to spend just under 200 billion euros (£140 billion) between 2000 and 2006. The Funds are allocated around four key priorities or Objectives:

- Objective 1: regions whose economic development is lagging (currently defined as GDP per head below 75 per cent of the EU average);
- Objective 2: economic and social conversion in areas experiencing major structural change (for example, from run down of traditional industries);
- Objective 3: modernising training and promoting employment (excluding objective one regions).

In addition, the EU has the Cohesion Fund targeted on the EU15 States that at the time of the Fund's establishment badly lagged the EU average in terms of economic prosperity (Spain, Portugal, Greece, Ireland). The EU also has four relatively small special EU wide programmes called Community Initiatives funded out of the Structural Funds.

European policy discussions can confuse because of the terminology used. Regions refers to EU standardised sub-regional units (roughly the equivalent of large counties or groups of counties within the UK) rather than standard regions. Cohesion policy refers to the various EU programmes to address economic disparities across the EU, including both the EU15 Structural Funds and the Cohesion Fund at present available only to Spain, Greece, Portugal and Ireland.



## ***Impact of enlargement on eligibility for EU regional aid***

Many more regions in the new member states will become eligible for Objective 1 status because they have GDP below 75 per cent of the EU25 average. But some regions in the current EU15 States will lose Objective 1 eligibility because of the fall in average GDP per head across the EU. Overall, the net effect will be to increase eligibility from 18 per cent to 26 per cent of the EU25 population. However, there will be a marked shift eastwards in the coverage of the population. The statistical effect from enlargement reduces the eligibility for Objective 1 status in the current EU15 States by about a third.

### ***The Copenhagen Council***

The Copenhagen Council approved an overall envelope for the Cohesion and Structural Funds for the new EU members of 22 billion euros (about £16 billion) for the period 2004-2006. About one third will be allocated through the Cohesion Fund. Two thirds will come through the Structural Funds – mainly Objective 1 funding – about 14 billion euros or roughly £10 billion. Copenhagen reduced the financial commitment provisionally made at the Berlin Council in 1999, partly because of growing resistance among EU15 States to increase the size of the cohesion funds and partly because of concerns at the capacity of the new states to absorb large sums quickly.

The Commission has made it clear that accession States can only draw on the funds if they satisfy EU regulations on administrative structures and monitoring and control procedures. As the Commission points out, *“the candidate countries will have to meet the challenge of integrating very quickly into a system which was not designed for them but which offers them a substantial prospect of speeding up their development.”* The Commission will report on progress made on putting the required systems in place in July 2003.



## ***The impact on Structural Fund allocations to the UK***

The UK has been allocated just over 15 billion euros from the Structural Funds, or just over £11 billion between 2000-2006, of which about £9 billion comes from Objective 2 and Objective 3. Even without enlargement, some regions in the UK were due to lose support from 2006 because their relative economic performance had improved. The loss of this "transitional funding" would reduce UK allocations by about 2 billion euros in the next funding round from 2006 onwards.

The additional impact on the UK of enlargement means that only Cornwall would retain Objective 1 status, although Wales and some regions might hold on to some "transitional" funding from 2006 onwards. The Treasury also say that much of the UK would lose Objective 2 status. However, this is partly because relative UK unemployment performance has improved against the European average. The gap between UK unemployment and employment rates and EU25 unemployment rates would widen through the statistical impact of enlargement.

The loss of regional support would mean the UK would have to pay more as a net contributor to the EU Budget under current arrangements. Net payments to the EC budget were estimated at £3.2 billion in 2003-2004, rising to £3.9 billion by 2005-2006 in the 2002 Spending Review. Even if our gross contributions to the EU Budget remained the same and we retain our special "claw-back" arrangements, we would still get less back to offset support for the Community Agricultural Policy (CAP) and other EU programmes.

In addition there is some pressure within Europe to increase the size of the Cohesion\Structural Funds from 2006 onwards to at least the Berlin Council target of 0.45 per cent of Community GDP. The EU Commission, the European Parliament, the Committee of the Regions, and some EU States have indicated support. The UK has officially reserved its position, but the Treasury is clearly resisting any suggestion that the UK should pay more.





## ***Next steps***

The next key issue and the main focus for the Government's proposals concerns how the Structural and Cohesion Funds would look in the enlarged EU for the period 2007-2013. The Commission is expected to bring forward proposals by November 2003.

## ***The Treasury's view of European regional policy***

The Government sees both strengths and weaknesses in EU regional policy. Some of the strengths are:

- Structural Fund rules encourage local and regional partners and innovation
- Economic development can be planned over longer periods with a wider range of partner organisations than most other funding sources allow;
- Cross-border cooperation through Interreg has been especially helpful in Northern Ireland;
- European Investment Bank support promotes private investment and encourages innovation in capital projects;

But the Treasury also sees some important weaknesses:

- Some English regions have found it difficult to use Structural Funds to address their priorities in their Regional Economic Strategies;
- Excessive bureaucracy and lengthy decision-making, especially for small schemes;
- Rigid application of state aid rule have delayed the regeneration of deprived communities and derelict sites;



- Structural Funds may not add value in comparison with domestic initiatives;
- European regional policy may have been more successful in addressing the gap between individual economies than regional imbalances within them.

The Treasury argues that the reform of the Funds must retain and build on the strengths and get rid of the weaknesses. The UK Government's overall objective for the reform of the Structural Funds is to deliver an *"effective, sustainable and affordable regional policy for the UK and the EU which gives the best possible value for money and outcomes for the UK taxpayer"*. The Government identifies three key objectives for the reform agenda:

- Active support for the Lisbon strategy of higher productivity and employment through higher investment in physical and human capital, more open markets and sustainable development;
- Concentrate EU Budget support on the poorest member states, subject to their capacity to absorb funds;
- A fair deal for the UK in Budgetary terms and that the overall Structural Funds Budget is constrained and focused on where it provides maximum value for money.

To achieve these objectives the Government is proposing a *"EU Framework for Devolved Regional Policy"*. This has a number of elements:

- An EU framework setting out broad economic and employment policy objectives based on the Lisbon priorities;
- Those EU states with the institutions and financial strength to develop and deliver their own devolved and decentralised regional policies to deliver the Lisbon strategy should be allowed to do so;
- Regional assistance in States whose GDP exceeded 90 per cent of the average (ie all except Portugal, Spain and Greece) would in future fund their own regional policy programmes, with the



exception of some Community Initiatives.

The consultation paper provides few details about how these new arrangements might be implemented. However, it says that some of the positive features of the Structural Funds such as the seven year funding period, the partnership approach, and the ability to "badge" projects to reflect their special status should be retained.

The overall approach as outlined by the Government has several attractions. We particularly welcome the Government's commitment to secure a stronger EU framework based on the Lisbon Council objectives on growth and employment. Had the EU actually met the objective for a sustainable economic growth rate of GDP growth of around 3 per cent, many of the concerns about the funding of the EU's cohesion policies would be far less acute. Stronger economic growth across the EU would do much to help integrate the new members and speed up the rate at which they close the gap with the EU in terms of GDP per head. Moreover, the Lisbon agenda implies a widening of the traditional focus on regional policy, for example, focusing on the key "drivers" behind productivity growth. This would help develop a genuinely new approach, not just more of the same, in an enlarged Europe.

The commitment to devolution and decentralisation is also highly welcome, as is the concept of greater flexibility within the overall EU framework. However, most European economies have had significant degree of decentralisation and devolution and more powerful regional and local institutions for many decades. By comparison, the UK remains far more centralised than most other EU15 States, albeit with the very welcome progress towards greater devolution in recent years. So while this a powerful argument for the UK, it may be seen as more a description of the status quo in other EU States.

The most controversial proposal is to end "recycling" of funds between the richer member states. In effect, rather than London (or Paris or Berlin) giving Brussels money so that local projects can apply for EU Structural Funds, the Government wants EU Governments to be able to fund projects directly through devolved and decentralised regional institutions. The Government believes that the UK's proposed Framework approach would mean the UK's contribution to



the Structural Funds would be "significantly lower" than either continuing with the status quo or other options under consideration in Europe. The Government argues that these savings could be used "towards enhancing domestic regional policies".

The Wales TUC is currently opposed to the UK position. We favour future regional funding in Wales to be derived from the EU not least because we remained unconvinced, certainly on the basis of these proposals, that the Treasury will allow full and transparent transfer of monies to our most in need communities. We would expect that if our current Structural Fund areas lose funding because GDP levels would statistically improve in the context of EU25, then appropriate transitional or other financial arrangements would need to be in place to provide on-going support post 2006.

To outline our primary concerns;

- The Government's commitment to fully compensate any reductions of EU State aid with additional Government spending is welcomed. However, this is not spelt out or made transparent. Past experience suggests it can be hard to work out what is genuinely additional to EU funding.
- Without the EU Structural Funds, it is likely the previous Conservative governments would have withdrawn from regional policy entirely. The Structural Funds provide a guarantee that some commitment to regional development will survive future changes in national government.
- A strong EU framework is also essential if the Government is to avoid the charge that it is simply trying to "renationalise" EU regional policy. We would not support such a policy. Unfortunately, as we show below this is clearly what the Commission, the European Parliament and other European institutions think the Treasury is trying to do, primarily as a backdoor means of reducing the UK's net EU Budget contributions.
- We note the Government's commitments to continue the long term funding commitments. However, the consultative paper





has not spelt out what this would mean in practice. For example, structural funds are allocated for seven year periods allowing long term projects to be funded with confidence, while most public spending in the UK is allocated on a 2 to 3 year cycle.

- As we made clear before, the lack of any serious consideration of how social partnership involvement could be strengthened as part of the Government's proposals is a major weakness. The Structural Funds do provide and encourage social partner involvement, albeit imperfectly. It is not clear the new arrangements would secure even the current degree of engagement, let alone build on it;
- A major difficulty in assessing the Treasury proposals is that we have no hard counter-proposals to judge them against. The EU Commission's ideas will not be published until November 2003. The Treasury say, "*their current thinking is not radical enough*". This may or not be right, but until we see the Commission proposals, it would be premature to dismiss them. The Commission's Second Cohesion Report, published in January 2003, says that: "*Member States will wish to see simplification and a much greater decentralisation of responsibilities*" and that there is general agreement that it was inappropriate to apply detailed one size fits all rules and that the principle of proportionality should apply. This appears to be on similar territory to the Treasury

The Government clearly has much work to do to convince others in Europe that its proposals have been tabled in good faith. In the Cohesion report the Commission noted: "*To a large extent this has been the case, although proposals such as those regarding the renationalisation of the policy tend to be motivated by budgetary considerations*". So it would appear that the Commission thinks the UK approach is primarily driven by worries over the UK's net contributions to the EU Budget rather than the effectiveness of EU policy.

This is also a European TUC (ETUC) concern, as set out in a policy statement of November 2002: "*At national level, Member states*



*should also integrate the aims of economic and social cohesion into their national and regional policies. The implementation of these policies should be carried out in close coordination with European aims and policies, in order to avoid a certain tendency towards the re-nationalisation of economic and social cohesion policies".* The ETUC also emphasises the need for strong cohesion policies, but with greater emphasise on innovation, co-ordination and the active promotion of the European social model and partnership, including the role of the social partners.

### **Future size of the cohesion fund**

The Commission has not yet tabled a proposal for how big the future cohesion funds might be, but it is thought likely it will endorse the figure of 0.45 per cent of EU GDP (the figure implied by the Berlin Council). This has support within Europe from the ETUC, the European Parliament, the Economic and Social Committee and the Committee of the Regions.

The consultation document is rightly concerned with the financial implications for the UK and the regions, but there is a complete absence of hard figures or estimates of what the impact of the various options might be between, for example, keeping the status quo, adopting the 0.45 per cent target, or adopting the UK Government proposals.

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Nor do we have any figures that might put these changes in the context of other reforms currently under discussion within the EU, notably proposals to reform the Common Agricultural Policy (CAP). A break-through in the reform of the CAP could have markedly a bigger impact on the UK's net contributions to the EU than any likely change in the cohesion funds.

It is hard to see what has changed since the Berlin Council that invalidates the 0.45 per cent target. There is clearly a major short-term constraint because of the rise in budget deficits across the EU. But this reflects both the global downturn and failures in macro-economic policy. The funding constraint would largely disappear if the EU met the Lisbon objective on sustainable economic growth of 3 per



cent per annum. However, the 0.45 per cent target must be conditional on the European Commission's assessment of how fast the new member states could absorb the new sums made available. There would be little point in increasing the cohesion funds if there is no realistic chance of the cash being spent wisely.

### **State aids**

The Government is also pressing for a review of the EU's approach to state aids. This is not addressed in great depth in the consultation document. The Treasury supports the general principle that state aids should not result in unfair competition and the thrust of reform to develop "horizontal" aids that apply to all firms across the economy. But they argue that the current rules are hampering the development of new good state aids as part of an effective regional policy. The Treasury wants to see a more streamlined approach which concentrates on "*the most economically significant state aids*" and also that the rules should "*accommodate clearly identified market failures*".

The Treasury has been concerned that the Commission has been holding up new initiatives that the Government see as supporting the broader economic and industrial priorities agreed at Lisbon. In recent years this would include the climate change levy, the regional venture capital funds, and the new community tax credit.

We have considerable sympathy for the Treasury's position. Improving venture capital access at the regional or local level is hardly likely to constitute a serious threat to EU competition policy. Moreover, it is contradictory to call on member states to do more to support venture capital, R&D and sustainable development as part of the strategic approach agreed at Lisbon and then make life difficult when new measures to promote these objectives are introduced.

However, the consultation document has little to say about how specifically it would like to see the Commission procedures and state aid rules change. Under Article 87, member States must inform the Commission about "*any plans to grant new aid shall to be notified to the Commission in sufficient time by the Member State concerned*".



The vast majority of notifications are approved by the Commission without a formal investigation, and the overall rejection rate across the EU was about 7 per cent between 1999 and 2001. The relatively low rate of rejection is likely to reflect national governments making sure applications fall within the scope of Article 87 to start with.

However, where the Commission has doubts that the aid is compatible with the Article and orders an investigation, over 50 per cent of these applications are turned down, including many of the cases where member states failed to notify the Commission. In recent years most of the negative decisions have involved Germany, Italy and Spain. The UK has relatively few proposals investigated and hardly any are turned down. However, the process can be time-consuming and undoubtedly held back the introduction of some UK measures.

The consultation paper makes no reference and offers no critique of the Commission's simplification of the procedures by introducing new regulations to take effect from February 2001. These introduce a block exemption for aid to SMEs and for training, so that member states can introduce aid without seeking Commission approval beforehand. It also makes no reference to the Commission's intention to draw up a new framework for state aids for environmental protection and venture capital and a new block exemption for employment measures. The Commission also says "*work continues on identifying tax measures in the form of State aid*"

Clearly, we would not want to see British based companies disadvantaged because foreign competitors were getting tax breaks that were simply re-introducing subsidies by the back-door. But for good reason, the development of a modern industrial policy in Britain has used the tax system with, for example, the new R&D tax credit. It would be counter-productive if in the desire to crack down on uncompetitive practices, the Commission made life harder for the UK government to increase the scope and generosity of the R&D tax credit. If the "block exemption" principle can be applied to training and employment programmes we can see no reason why the same should apply to R&D support as part of the commitment to the Lisbon strategy to boost R&D spending across Europe.

The consultation document makes no reference to the level of state





aids. As we have persistently pointed out, the levels of state aids in the UK are far smaller than in other EU economies, even taking into account measurement and definitional problems. An optimistic interpretation of the Treasury position is that they have no objection to spending more on "good" state aids that address market failures, while supporting the Commission's wider objective of reducing "bad" state aids in other EU States that inhibit competition. A TUC analysis of state aids across Europe is summarised in Annex 1.

The UK's relative position shown in the Commission figures only describes the position to 2000. It will not reflect much of the increased funding for the DTI's regional industrial programmes under the Second Review, let alone further increases under the Third Review. The new R&D tax credit will also help develop a more balanced industrial policy, although it is not clear whether this or the new Employer Training Pilots would be included as a State aid under the EU Commission's Scoreboard. Both would however be classified as non-sectoral aid rather than aid for manufacturing even when, in the case of the R&D credit, we would expect most assistance to go to manufacturing. This will present an increasing problem in monitoring whether aid in the UK is closing with that in the rest of Europe. It would be helpful if as part of the review and to help inform industrial policy in the UK the Government and the European Commission continue to improve measures of comparable state aids available across the EU.

#### **ANNEX 1: STATE AIDS ACROSS EUROPE**

The EU commission has recently published the "State Aid Scoreboard" for the EU covering the period up to 2000. The State aid covers national programmes that fall within the scope of EU legislation (in this case Article 87(1) of the EU Treaty) and have been examined by the Commission. It does not include general measures – such as New Deal - or aid from the EU Structural Funds.

The Barcelona Summit saw EU governments agree to cut the share of GDP spent on state aids and to redirect industrial aid towards "horizontal" objectives such as support for R&D, SMEs, environment, and training and employment. As in previous periods, the UK has the lowest level of state aids in the EU whether measured in terms of



share of GDP, euros per person employed, or as a share of government expenditure over the period 1998-2000. Moreover, on all these indicators state aids declined in the UK comparing 1996-1998 with 1998-2000. Indeed, the cut in UK state aids measured in euros per person employed was bigger than the average fall in EU State aids over this period, so that the UK declined from 53 per cent of the EU average in 1996-1998 to 49 per cent of the EU average in 1998-2000.

Between 1996-1998 and 1998-2000 state aids have been cut in most EU States, with the exception of Luxembourg, Ireland, Denmark and the Netherlands. The increase in Ireland is because some corporation tax breaks have been reclassified as state aids by the Commission between the two periods. The increase in Denmark and the Netherlands reflects increased support for the railways. The biggest cuts in absolute terms were Germany and Italy, reflecting cuts in historically very big regional industrial aid programmes. There were also significant cuts in some smaller state budgets, notably Greece and Portugal.

**State aids in Europe 1996-2000**

	Annual average 1998-2000		
	Euros per person	Index EU=100	Change since 1996-98
Luxembourg	1406	-	+24.1%
Finland	863	162	- 11.3%
Belgium	835	156	- 3.9%
Denmark	750	140	-17.5%
Ireland	739	138	+44.9%
France	711	133	- 13.9%
Germany	684	128	- 14.7%
Italy	529	99	- 29.5%
Austria	524	98	- 11.0%
Netherlands	446	83	+12.9%
Sweden	440	82	- 8.3%
Spain	400	75	- 14.2%
Greece	296	55	- 25.4%
Portugal	287	54	- 23.1%
UK	261	49	- 22.5%
EU average	534	100	- 15.5%

Source: EU Commission Industrial Aid Scoreboard, Spring 2002

Across the EU about 40 per cent of spending on state aids goes to support the railways, followed by manufacturing at just under 30 per



cent, and about 17 per cent on the agricultural sector. There were some significant differences between EU States, with 65 and 70 per cent of the national state aid budget going to railways in Belgium and Luxembourg respectively, and 74 per cent of state aid in Finland going to agriculture. Germany and Spain are now the only EU States to devote significant amounts of state aid to their coal industries. The UK appears to devote a smaller share of its total State aid budgets to manufacturing. However, a significantly higher share of UK aid comes through non-sector specific spending on training and employment. Some of this will help manufacturing, although no figures are available to show by how much.

**State Aids by Major Economic Sector and Industry 1996-2000**

Share of total Sector	EU average		UK	
	1996-1998	1998-2000	1996-1998	1998-2000
Transport	34%	37%	34%	37%
Manufacturing	33%	30%	17%	18%
Agriculture	15%	16%	20%	16%
Coal	7%	8%	10%	7%
Services	7%	5%	3%	3%
Non sector specific	3%	4%	16%	18%
All state aids	100%	100%	100%	100%

Notes: "not classified" by industry includes aid such as cross -sectoral aid to employment and training.

Transport is almost entirely railways.

Source: EU Commission, Spring 2002

## **Priorities for State aid across Europe**

A key objective agreed at Barcelona was to concentrate industrial aid on "horizontal objectives" such as R&D, environment, and support for SMEs and on allowable regional aid under Article 87. Between 1996-1998 and 1998-2000 the share of horizontal aids increased from 26 per cent of EU spending to 39 per cent, and sectoral aid declined from 21 per cent to 14 per cent of the total.

The UK is more focused on horizontal aids than the EU average, with 54 per cent of the total state aid budget going on such aid in 1998-2000. However, the UK spend over this period was massively focused on training support, with relatively little going on support of other objectives such as R&D and the environment. Overall, 40 per cent of UK industrial state aids go in support of training compared with a EU average of 9 per cent.



**Priority objectives for Industrial State Aids 1996-2000**

	EU average		UK	
	1996-1998	1998-2000	1996-1998	1998-2000
Regional	37%	29%	24%	25%
Coal	16%	18%	21%	13%
Sectoral	21%	14%	7%	8%
Horizontal aids	26%	39%	48%	54%
Of which,				
- R&D support	8%	10%	4%	4%
- Environment/energy	2%	9%	-	2%
- SMEs	7%	9%	8%	7%
- Training/employment	7%	9%	34%	40%
- Other	1%	2%	-	-
All industrial State aid*	100%	100%	100%	100%

Note: \* excludes agriculture and transport

Source: EU Commission 2002

## **Manufacturing state aid**

The latest EU figures show that in the period 1998-2000 the UK gave less aid to manufacturing than any other EU State, with the exception of Portugal. The Government has been reluctant to accept the EU Commission estimates, arguing that some support for training was not included. There is some truth in this, as successive TUC policy statements have acknowledged. As noted above, the new analysis presented by the Commission shows that the UK has a significantly higher spend on cross-sectoral aid programmes — mainly training related — than in most EU economies. However, we believe that even making fairly generous assumptions hardly changes the UK's relative position in the European league as shown in the table below.

Overall, EU state aid to manufacturing fell by 21 per cent in terms of euros per person employed between 1996-1998 and 1998-2000, with big cuts in Germany, Italy and Spain. However, several EU states increased state aid for the sector, including France, Denmark, Netherlands, Portugal and Sweden. State aid also increased in Ireland but only because of the reclassification of corporation tax breaks as state aid. The UK also cut identifiable state aid to manufacturing, though by slightly less than the EU average.





**Identifiable State aids for manufacturing 1996-2000**

1999 constant prices	Annual average 1998-2000		
	euros	Index EU=100	Change on 1996-1998
Ireland	1866	219	+58%
Denmark	1784	209	+16%
Luxembourg	1266	148	-18%
France	1215	142	+ 3%
Germany	1199	140	-18%
Belgium	1034	121	-11%
Finland	931	109	- 1%
Italy	801	94	-50%
Greece	720	84	-30%
Austria	656	77	- 8%
Netherlands	608	71	+13%
Sweden	575	67	+11%
Spain	487	57	- 32%
UK *	305	36*	-13%
Portugal	215	25	+ 4%
<b>EU average</b>	<b>854</b>	<b>100</b>	<b>-21%</b>

Note: \* excludes non-sector specific aid. Denmark, Portugal and Spain also have significant non-sectoral State aids.

Source: EU Commission, TUC.

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## Christine Chapman AM / AC

Chair, Objective One Programme Monitoring Committee /  
Cadeirydd, Pwyllgor Arolygu dros Rhaglen Amcan 1

Constituency Office  
28a Oxford Street  
Mountain Ash  
Rhondda Cynon Taf  
CF45 3EU  
Tel: 01443 478098  
Fax: 01443 478311

*Swyddfa'r Etholaeth  
28a Stryd Oxford  
Aberpennar  
Rhondda Cynon Taf  
CF45 3EU*

2<sup>nd</sup> July 2003

LD/0347/obj1

Ms Jacqueline Brown  
European and External Affairs Division  
Welsh Assembly Government  
Cathays Park  
CARDIFF  
CF10 3NQ

Dear Jackie

### **FUTURE OF STRUCTURAL FUNDS POST 2006**

I am writing to you as Chair of the Objective 1 Programme Monitoring Committee in response to the UK Government's consultation paper on the future of Structural Funds, 'A Modern Regional Policy for the United Kingdom'.

The Programme Monitoring Committee considered that the consultation paper needed to be written because of the current complexity of EU Structural Funds and the likelihood of greater complexities in the EU25. However, it considered the debate is in part hypothetical and it is very difficult to come to clear judgements because the consultation paper is very abstract.

The advantage of the proposals, however, were considered to be:

- simplification and coherence of funding regimes;
- decentralisation could be more helpful if local/regional partnerships had effective control of the resources. However, it should be noted that the decentralisation could be less helpful if it meant that local and regional determination of priorities and involvement in projects were to disappear; and
- alignment with the State Aids regime was considered vital.

Concerns expressed by the Committee included:

- EU has greater commitment to regional policy than the UK Government and it sits within a wider environmental sustainability strategy;
- risk that it would result, in part, in Wales 'withdrawal' from EU policy making and the European ideal. Structural Funds have contributed significantly to Wales' profile in Europe;



## Christine Chapman AM / AC

Chair, Objective One Programme Monitoring Committee /  
Cadeirydd, Pwyllgor Arolygu dros Rhaglen Amcan 1

Constituency Office  
28a Oxford Street  
Mountain Ash  
Rhondda Cynon Taf  
CF45 3EU  
Tel: 01443 478098  
Fax: 01443 478311

*Swyddfa'r Etholaeth  
28a Stryd Oxford  
Aberpennar  
Rhondda Cynon Taf  
CF45 3EU*

- what is the worth and level of the UK Government guarantee, and can it be given, particularly over a time-span of seven years which is the EU Structural Funds planning and funding regime;
- there is no guarantee the Welsh Assembly Government would pass on the level of resources to those areas of Wales that are disadvantaged and benefiting currently from EU assistance and no guarantee that any increased level of resources would go on economic development;
- rural areas could be disadvantaged if UK political decisions result in resources going disproportionately to urban areas;
- some of the problems identified in the UK Government's proposal on the deployment of Structural Funds are less of a problem in Wales. There is strong alignment between the Welsh Assembly Government's domestic policy and Structural Funds policies;
- Structural Funds policy has a balanced focus on economic social and environmental well-being, whereas UK regional policy is biased towards economic welfare;
- the community and voluntary sector has been able to utilise EU Structural Funds well to the benefit of the sector. It is far from clear that comparable benefits would result from national/regional allocation of resources; and
- the EU's institutional requirements and philosophy for partnership working have been a great success and are highly valued at an operational level. In addition, EU requirements for gender balance and cross-cutting themes have been advantageous and have proved to be operable, if initially challenging. These aspects could well be lost in any re-nationalisation of Structural Funds.

The Committee's general view was that the advantages of the proposals were more than outweighed by its concerns about how the system might operate in practice.

Of broader concern is that the proposals do not provide clear guidance for exit strategies from the current Structural Funds. The Committee noted that in this regard the Welsh Assembly Government's next Comprehensive Spending Review for 2005-08, due in summer 2004, would need to start to make provision for future Structural Funds.



## **Christine Chapman AM / AC**

Chair, Objective One Programme Monitoring Committee /  
Cadeirydd, Pwyllgor Arolygu dros Rhaglen Amcan 1

Constituency Office  
28a Oxford Street  
Mountain Ash  
Rhondda Cynon Taf  
CF45 3EU  
Tel: 01443 478098  
Fax: 01443 478311

*Swyddfa'r Etholaeth  
28a Stryd Oxford  
Aberpennar  
Rhondda Cynon Taf  
CF45 3EU*

Finally, the Committee believe that the Welsh Assembly Government should make a robust case that those Objective 1 regions which lose their current status because of the statistical effect of enlargement should receive special consideration. GDP per head in West Wales and Valleys is 73 per cent of EU15's average but 78 per cent of EU25 average, according to figures given in the Second Cohesion Report.

I am copying this letter to John Griffiths, Chair of the Objective 2 PMC, Mike German, Chair of the Objective 3 PMC and Grenville Jackson, Chair of the All-Wales Policy Group which advised the Objective 1 PMC on this issue.

Yours sincerely,

**Christine Chapman AM**  
**Chair, Objective One Programme Monitoring Committee**





# **A modern regional policy for the United Kingdom**

## *Plaid Cymru's Response to Government's Consultation Exercise*

### **Background**

In March 2003 the UK Government published its proposals for reforming EU regional policy after enlargement. Under the UK Government's proposals the European Union would restrict Structural Fund support to Objective 1 regions outside of which regional development would become the exclusive responsibility of the Member States. In this response to the Government's consultation exercise we set out our reasons for opposing the Government's proposals.

We believe the Government's policy will be bad for Europe and bad for Wales. The commitment to reduce economic disparity within the European Union is a fundamental part of the Treaties dating back to the Treaty of Rome. While welcoming moves towards a more locally-led regional economic policy we join with the European Parliament – including the Party of European Socialists –, the Committee of the Regions, and the European Commission in rejecting proposals which seek to dilute the principles of solidarity that underpin the entire European project. Enlargement cannot and should not be at the expense of a continuing Europe-wide commitment to the poorer nations and regions within the richer States of the existing Union.

### **Regional Policy in the UK: a history of neglect**

Over the past 25 year regional policy has been effectively dismantled in the UK and is now one of the least effective in the EU. This is best measured by the Index of Disparity in Regional GDP/head – an Index published by the EU in the 2nd Cohesion Report.

According to the latest figures, given in Table 1, the UK now has the second largest regional disparity within the EU (34.2%) – higher than Germany with the marked difference between west and east (26.2%), higher than Italy with the marked difference between north and south (27.2%), and exceeded only by Belgium with a marked difference between Brussels and Wallonie (39.4%).

The range in GDP/head in the UK between Cornwall with 61.5% the EU average, and Inner London with a value of 229.8% is substantially greater than the range between the poorest part of Germany (Chemnitz 67.1%) and the richest (Hamburg 185.4%).

The growth of regional disparities in the UK is sometimes used to question the effectiveness of the Structural Funds in promoting convergence. This is to fundamentally misunderstand the intended relationship between national and EU



policy. In some contexts, as the Government acknowledges in the case of the Republic of Ireland, the Structural Funds have been phenomenally successful. As the Irish have demonstrated and independent evaluation has confirmed, the Structural Funds have been effective in promoting economic growth and reducing welfare differences in the EU where they are combined with "relatively solid domestic policies" and "good institutions" within the recipient countries<sup>1</sup>. In other words, European Regional policy is not intended as a substitute but rather as a complement to domestic policies aimed at territorial equity and convergence.

The real reason for the growth of the North-South economic divide is the chronic absence of any meaningful regional economic policy in the UK throughout the last quarter of a century. The situation would arguably have been much worse but for the lifeline that European funding represented for many communities during the 1980s.

Like their predecessors, the current UK Government have not given much priority to the issue of regional disparities. The attitude is best illustrated by the refusal to contribute a single penny to the 'match-funding' required for the present structural funds, in contradiction to the principle of additionality. Thus the Government of Wales have explicitly taken £70 million a year from the core budget to provide public-sector 'match-funding'.

In the light of the poor experience to date the Government's proposals to limit the EU budget for regional aid in return for an expanded role for domestic regional policy will not inspire much confidence among stakeholders in the UK's disadvantaged nations and regions.

### **The Structural Funds after enlargement**

Over the period 2000-2006 Wales qualifies for £1.66 billion European Structural Funds, including £1.26 billion for Objective One (assuming £0.68 = 1 €). The Objective One funds were allocated to West Wales and the Valleys because the GDP per head in this region was less than 75% of the EU average during the qualifying period (1998). From the UK, Merseyside, South Yorkshire and Cornwall also qualified for Objective One.

By the next round of Structural Funds the EU will have accepted 10 new members from Eastern Europe and the Mediterranean. At present all of these have a GDP/head lower than West Wales and the Valleys and so the average GDP/head for the EU will fall by 9.2%. Wales is probably one of the clearest examples of a region that will lose out significantly because of the so-called statistical effect – the loss of eligibility, not due to any real convergence on the

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<sup>1</sup> *Fertile soil for Structural Funds?: a panel data analysis of the conditional effectiveness of European cohesion policy*, Sjef Ederveen, Henri L.F. de Groot, Richard Nahuis, CPB Discussion Paper, no.10, August 2002



part of the regions in question, but because of the recalculation of the European per capita income averages on the new EU-25 rather than current EU-15 basis.

It is estimated that by the time of the next negotiations round West Wales and the Valleys will have a GDP/head of 78% the EU average and no longer qualify for Objective One funding under the present rules. It would, however, qualify for Transitional Funding, just as the Highlands and Islands receive Transitional Funding in the present round. In the UK only Cornwall would still qualify for full Objective One funding.

In anticipation of these changes there have been many preliminary discussions on how the rules for structural funding might be revised after enlargement.

Three basic options have been proposed:

**Option One:** The present rules continue to be applied to the 15 members, so eligibility for continued structural funding will be based on the average GDP/head for the 15. There will be an additional EU budget to provide structural funding for the 10 new members. The case for this has been argued by Spain and by Portugal. It is – unfortunately – quite likely that West Wales and the Valleys will still qualify for Objective One under this option.

**Option Two:** The present rules will be applied to the 25 members, so eligibility will be based on the average GDP/head for all 25. However, there should be an increased level of transitional funding for those regions, like Wales, that would no longer qualify – but would have done so had enlargement not occurred. This option has been explored by Commissioner Barnier.

**Option Three:** For member states with a GDP/head greater than 90% the EU average (such as the UK) responsibility for structural funding will be repatriated from the EU to the member state in return for a reduced contribution to the EU budget. This is broadly speaking the position advocated by the Dutch Government and by Sweden. This is essentially the possibility proposed by the UK government in the White Paper.

It is clear that Option One would be the best option for Wales, assuming West Wales and the Valleys still qualified for Objective One within EU15. This option would imply a greater contribution from the UK to the EU budget to cover the extra costs of structural funds for the 10 accession countries.

Option 2 would be the next best option for Wales, depending on the degree to which the transition funding is enhanced.



Based on experience to date, without a radical change in UK regional policy option 3 would be the worst option.

#### **The UK Government's proposals in detail**

- UK Government would guarantee that domestic spending on Regional Policy would increase to ensure that UK Nations and Regions do not lose out from the UK's proposals on Structural Funds reform.
- 7 year funding streams would be retained.
- EU State Aids regulations would be streamlined to ensure that effort is focused on the most economically significant state aid, and that market failures could be clearly accommodated.

#### **The main implications for Wales**

- Wales would no longer qualify for EU Structural Funding.
- Wales would depend instead on the 'guarantee' from the UK Government that it will provide increased resources for regional development programmes in UK Nations and Regions.
- This increased resource would be allocated to Wales as part of the Block Grant. It would be up to the Welsh Assembly Government how it would allocate this.
- Potential loss of involvement in any future LEADER (Rural Development) and URBAN (urban development) programmes.
- Potential loss of Assisted Area designations: this could have a negative effect on issues surrounding State Aid for Wales.
- The direct relationship between Wales and the EU that currently operates in the delivery of EU Structural Funds would come to an end.

The Government's proposals would certainly be worse for Wales than the policy advocated by the Cohesion Countries (Option One above) of an enhanced budget for the Structural Funds to enable continued substantial support for the poorer parts of the current EU. But would it be worse than the Commission's proposals (Option 2)? We believe that it would for a number of reasons:

**The vague nature of the guarantee:** The government's statement appears to guarantee the same level of support as would have been available from transitional funding. However, the Commission is considering an enhanced level of transitional funding for those regions that would qualify for Objective 1 within EU15 but not within EU25. It is unclear from recent press reports if the UK Government's guarantee covers this level of enhanced funding. A crucial question in this context is how we would know what level of enhanced funding is anticipated under Option 2 above if renationalisation is adopted as policy by the Council of Ministers?

The final concern is whether the UK Government can be trusted to implement this "guarantee"? EU funding is governed by clear rules,





agreed internationally, and the distribution of funding is determined by an agreed formula. A vague and ill-defined promise by a UK Government is not convincing collateral. In particular it is difficult to see how a UK Government can guarantee funding for a 7 year period when a different Government with different priorities could be installed half-way through the programming period? The long-term strategic approach which has been afforded by European funding could thus be sacrificed.

**The threat to the Assisted Area map:** The scope for Member States to undertake regional economic development is to some extent limited by the Treaties' requirements on competition policy and State Aids. As the Second Cohesion Report states: "Given its effect on the regional distribution of economic activity and income, the control of State aid will remain a key instrument of Community cohesion policy.... Strict control of State aid should therefore be regarded as an essential complement of Structural Funds support for the less favoured regions." Renationalisation could thus have negative implications for the provision of regional aid through Regional Selective Assistance if the Commission continues to link the spatial coverage and award ceilings of permissible State aid to eligibility of Structural Funds.

At the time of the last review of Assisted Area status during the 1998-2000 period the UK saw its overall population coverage fall by a quarter from 38% to 28% (including the Objective 1 regions which are automatically eligible). Application of the existing formula to determine overall population coverage would result in a further and very significant reduction. This is especially true given the fact that the calls for renationalisation are accompanied by calls for greater liberalisation and a reduction in State Aid overall – not least by the Government. West Wales and the Valleys would certainly lose its current status as a region in which derogations for operating aid apply. In this way any new UK replacement regime of regional support could be constrained by very limited spatial coverage and lower aid ceilings under the State Aid rules.

**The diminution of the European dimension:** the Structural Funds have been a vital symbol of the relevance of the EU – not just in the communities directly assisted but in the wider population. They have represented an important means of bringing Europe closer to its citizens through the high visibility of its actions at a local and regional level. These cultural and instructional aspects to regional economic development could not be supported under the Government's proposals. In particular the Community Initiatives, especially LEADER and INTERREG in the case of Wales, which have proven valuable and effective tools in stimulating innovation and the exchange of best-practice experience across the EU would disappear.



## Ideas for reform

Retaining a central role for EU regional policy will provide an opportunity to enhance its effectiveness even further by:

- Making the procedures for implementing the Structural Funds simpler, more decentralised and less bureaucratic. The Commission clearly needs to be lifted of the huge administrative burden and move from ex-ante selection of projects and programmes and concentrate more on ex-post evaluation. We would support moves to devolve the design and management of Structural Funds programmes to the regional level within an agreed framework of European policy objectives. This could include decentralising decisions over the targeting of funds i.e. the designation of aid areas to the NUTS 1 (i.e. Welsh national) level.
- Expanding the role of preferential credit in regional policy by strengthening the role of the European Investment Bank in regional policy, and using differential corporation tax bands to stimulate economic growth in regions and nations like Wales that have low average income per head.
- Improving the contribution of other EU policies to the pursuit of cohesion. Other policies must take into account their effects on regional and social disparities and co-ordinate their actions more closely with the Structural Funds, in particular the Common Agricultural Policy (CAP), Environment, R+D and Transport.
- Using additional criteria for determining eligibility for assistance other than GDP per head or unemployment.
- Applying the "additionality principle" in each individual programme instead of only at the Member State level to ensure that the Structural Funding genuinely is in addition to domestic funding.



## Annex: Table 1

Disparities in GDP per head in PPS by region within Member States, 2000

Country	% Disparity Index (EU15=100)	% Disparity Index (Member State = 100)
Belgium	39.4	36.7
Germany	26.2	24.6
Greece	9.6	14.2
Spain	18.1	22.0
France	28.3	28.0
Ireland	18.8	16.3
Italy	27.2	26.7
Netherlands	15.5	13.9
Austria	23.9	20.9
Portugal	16.6	24.4
Finland	25.0	24.0
Sweden	20.9	19.6
UK	34.2	34.1



## **Consultation Process – A modern regional policy for the United Kingdom**

### **WDA Response**

#### **1.0 Context & WDA involvement:**

- 1.1 The WDA is well placed to comment on these proposals both in terms of the development of regional and economic policy and the practical management and delivery of programmes and projects.
- 1.2 The WDA is a significant user of structural funds for the benefit of businesses and communities in Wales. The table below shows the WDA's involvement as lead sponsor of end-April 2003:

	No. of projects	Total project value
Objective 1	33	£231.4m
Objective 2	8	£6.3m
Objective 3	4	£3.3m

The WDA acts as a partner to other lead sponsors in some 38 additional projects with a total project value of over £160m.

- 1.3 Management of six Objective 1 Regional Partnerships and one Objective 2 Partnership is undertaken by the WDA using ring-fenced funding provided by the Welsh Assembly Government. The WDA is represented on the Programme Monitoring Committee and the four Strategy Partnerships as well as on all of the fifteen Local Partnerships.
- 1.4 The WDA also has a key involvement in the delivery of the Community Initiatives in Wales. The Leader+ programme for Wales is managed entirely by the WDA on behalf of the Welsh Assembly Government. The WDA is a key partner in the delivery of Interreg and Urban and manages one EQUAL partnership and is a partner in another.
- 1.5 In a wider context, the WDA has a good track record in contributing to, and benefiting from, the pan-European dialogue on Lisbon Agenda<sup>1</sup> issues such as regional economic development, innovation and entrepreneurship.

#### **2.0 WDA's internal consultation process:**

- 2.1 The WDA was invited by the Welsh Assembly Government to provide feedback on the *Consultation Document*<sup>2</sup> by a letter from EEAD to the Chief Executive on 06 March.

<sup>1</sup> Lisbon European Council: *Presidency Conclusions*, March 2000





- 2.2 The WDA's European Unit tabled the *Consultation Document* at the internal Europe Group meeting in May. The WDA's Europe Group consists of nine key European policy and programme practitioners drawn from all four WDA divisions. The group is chaired by the WDA's European Unit and meets four times per year.
- 2.3 Comments from the Europe Group were incorporated into a presentation to the WDA's Executive Management Team on 22 May. The EMT agreed that this should form the basis of the WDA's response to the consultation.

### 3.0 Main points:

- 3.1 Structural funds are not significant to the UK as a whole but are vitally important to Wales as 63.2% of the land area of Wales is in Objective 1 and 74%<sup>3</sup> of the population live in the Objective 1 and Objective 2 areas. A specific debate and consultation on integrated regional, rural and economic development post 2006 needs to be undertaken for Wales.
- 3.2 Using the 2000 data from the Second Progress Report on Economic & Social Cohesion, WWV has a per capita GDP of 71.5% based on EU15. The European Commission's *Second progress report on economic and social cohesion*<sup>4</sup> envisages 'fair arrangements' being put in place for regions which suffer due to the 'statistical effect' of the new member states. Commissioner Barnier (DG-Regio) has indicated that the preferred Commission option would be to have an Objective 1(b) at 90% of full Objective 1.
- 3.3 Transitional funding for the 'statistical effect' areas is promised in the *Consultation Document*. We believe that, for transitional funding to be effective, it should be pitched at an adequate intervention rate and budget size to help WWV achieve its economic potential.
- 3.4 The retention of the seven-year funding envelope is important for planning of programmes and for stability in their delivery. While the *Consultation Document* appears to offer guarantees on the funding envelope, these would need to be strengthened as the UK government currently generally operates on shorter budget cycles and a change in administration might lead to a change in priorities. Funding needs to be based on a needs-driven strategy and not on the most favoured policy areas of any given administration.
- 3.5 The proposals suggest that the devolved administrations would be able to allocate the money for regional development according to their priorities. This leaves regional development budgets at risk of changing priorities. Any money should be ring-fenced so that it can only be used for regional economic development.

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<sup>2</sup> DTI: *A modern regional policy for the United Kingdom*, March 2003

<sup>3</sup> Based on 2001 census data

<sup>4</sup> COM (2003)34 of January 2003



- 3.6 The experience of participation in European programmes has been positive for Wales not only in terms of receipts but also in terms of integration with European thinking and best-practice on regional development. The proposals in the *Consultation Document* will lead to isolation from EU thinking on this subject. This view is reflected in the declaration of the Committee of the Regions on the future of European cohesion policy.<sup>5</sup> There is still a very valid case for European solidarity and a strong EU-wide cohesion policy.
- 3.7 Partnership working has been a central feature of this round of the structural funds in Wales with both positive and negative experience recorded. The *Consultation Document* makes no particular commitment to its continuation. The WDA would like to ensure that the most positive elements of partnership working are retained under any new arrangements.
- 3.8 There are many criticisms of the bureaucratic nature of the current administrative arrangements<sup>6</sup> for the structural funds in Wales. These criticisms come from all of the stakeholders involved – public, private and voluntary sector – but are most keenly felt and voiced by the private and voluntary sector. The blame for the complexity of the process does not lie solely with EU legislation. At the Wales and UK level, we have also ‘gold-plated’ the legislation, adding extra layers of regulation. We must work to ensure that the process for 2007-2013 is quicker, simpler and more streamlined.
- 3.9 A reform of the European State Aid regime is currently being undertaken for the 2007-2013 period with consultation at UK and EU levels. At the EU level, responsibility for State Aid rests largely with DG-Competition. While the reform of State Aid is taking place somewhat independently of the review of regional policy, it must inform our future economic development policy.
- 3.10 The reform of the Common Agricultural Policy for the period after 2006 is likely to lead to a greater emphasis on the ‘second pillar’ of rural development activities. As Wales is a significant user of ‘second pillar’ resources, these reforms need to be tracked and built into the future economic development policy for Wales.

#### **4.0 Conclusion:**

Reform of regional policy in Europe is necessary for the period after 2006 in the context of the accession of 10 new member states to the EU. It is fair that the majority of the Cohesion and Structural Funds budgets go to the new member states whose economies are weaker than the current EU15.

However, it is also fair that regions which have not yet completed their economic convergence should not be disqualified from funding because of the ‘statistical

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<sup>5</sup> Committee of the Regions: *Leipzig Declaration* CoR 118/2003 final

<sup>6</sup> For example, National Audit Committee Report



effect'. In Wales, some 64% of the population live in the current West Wales and the Valleys Objective 1 area which is one of the 18 'statistical effect' areas in Europe and the only 'statistical effect' area in the UK.

While we cannot anticipate the outcome of the negotiations at a UK and European level, we offer the following specific recommendations if regional policy is re-nationalised:

- WWV should receive funding from 2007-2013 at a budget and intervention rate at least equivalent to the proposed Objective 1(b) proposals;
- Greater certainty needs to exist around the retention of the seven-year funding envelope;
- The funding for regional economic development should continue to be ring-fenced for that purpose;
- Specific structures and funding need to be put in place to ensure that Wales still benefits from European best-practice and networks;
- The positive elements of partnership working should be retained, and;
- Arrangements for the administration of the funds must be simplified and not simply rolled over from the previous scheme.

Three lead Directorates-General are leading the reform of regional policy, competition policy and agriculture policy for the period 2007-2013. In this context, we need to have an informed debate in Wales which brings together these key strands and others to develop our economic development policy for the Europe of the 25.

European Unit  
WDA  
July 2003

[european.unit@wda.co.uk](mailto:european.unit@wda.co.uk)



## A Modern Regional Policy for the UK

### Response of the Welsh Local Government Association

#### 1. Introduction

- The Welsh Local Government Association represents all 22 Welsh local authorities, each of which plays an integral role in local and regional economic development and regeneration
- We welcome the Government's decision to clarify its preferred policy stance at the outset, and urge it to take into account all views arising from the consultation.
- We urge the Government to encourage the Devolved Administrations to engage freely in this debate, rather than merely acting as conduits for the views of others.
- We take the term 'regional policy' to mean any European or national policy that has a differential impact or is differentially applied at sub-national levels. For the purposes of this consultation, the scope of our comments will be confined to the areas of economic development and regeneration policy at European and domestic levels.
- In large part, we congratulate the Government for making a fair assessment of the positive and negative aspects of European Structural Fund programmes within the UK. However, it is disappointing that domestic regeneration policies, which have a significant bearing on the performance of European programmes, have not received similar scrutiny.

#### 2. Summary

- European Structural Fund programmes allow for local delivery, long-term funding commitments, inter-regional co-operation and innovative working
- We are not convinced that the UK Government's proposals in their present form would deliver such benefits.
- European and domestic regeneration programmes need to be simplified and further decentralised in order to achieve a more locally based and integrated regional policy framework for the UK.
- EU State Aid regulations need to be clarified, simplified and allow for greater scope in tackling legitimate market and social failures





### 3. Welsh local government position

- The Association believes that a radical streamlining of both European and domestic regeneration programmes would best satisfy the Government's principles for a modern regional policy for the UK:
  - **Support and add value to the UK's existing approach**
    - Structural Fund programmes are focused on the Lisbon agenda and are closely aligned with local and regional economic strategies
    - Structural Fund programmes have a significant local delivery component
    - Community Initiatives have fostered innovation, trans-national working and the exchange of good practice
    - Further devolution of EU Cohesion Policy would allow Structural Funds to be combined more seamlessly with domestic funding
  - **Achieve simplification, integration and more flexible implementation**
    - There is the potential to simplify Structural Funds significantly through mono-funding, single regional pots, extending programming flexibility at sub-national level, and streamlining regional bureaucracy
    - Domestic funding initiatives need to be rationalised and harmonised
  - **Actively support the Lisbon agenda**
    - Structural Funds provide a more effective mechanism for achieving the Lisbon agenda on a pan European basis compared with looser intergovernmental co-ordination arrangements
  - **Concentrate EU budgetary support on the relatively less prosperous states**
    - Retention of Objective One, Two and Three designations would ensure that the bulk of resources were concentrated on the poorest Member States
    - However, a reformed Objective 2 and 3 programme would ensure that lagging areas and disadvantaged communities within richer Member States would not have to pay for EU enlargement
  - **Achieve a fair deal for the UK in budgetary terms and constrain the Structural Funds budget**
    - Setting a regional policy budget at 0.42% of EU GDP (or 320 billion EUROS) would still allow the UK to negotiate a fair deal in terms of its net contribution, and would also mean that the UK continues to receive Structural Funds
    - However, we do not believe the UK Government should be seeking to constrain this budget at a time when the EU has unprecedented disparities
  - **Provide maximum value for money**
    - Structural funds have a strong track record in raising national and regional GDP
    - Structural fund programmes have brought a range of additional benefits to the UK such as partnership working, trans-national co-operation, long term stability and innovation
- The preferred option of Welsh local authorities is that the present system of European Structural Funds is reformed as follows:



- Objective One should remain for regions with a GDP of 75% or under of the EU25 average
- Current Objective One areas with a GDP of 75% between or under of the EU15 average according to 2000-03 data should receive a special package of support equating to 90% of full Objective One status. Transitional support in line with past precedent should be made available to Objective One regions above this GDP level.
- Objective Two should remain for smaller areas of need. Resources should be allocated to Member States on a population basis, then allocated sub-nationally on the basis of territorial and thematic indicators of need
- Objective Three support should remain for areas outside the above designations in order to address human resources needs
- Community Initiatives should be retained both inside and outside of mainstream programmes to foster innovation and trans-regional working
- The minimum budget for EU cohesion policy in an enlarged Europe should be 0.45% EU GDP



## 4. Implementation

### Devolution and accountability

#### 4.1 European Structural Funds provide an effective mechanism for ensuring genuine local delivery

- We agree that local delivery of regeneration policy is vital in order to foster local conditions for economic growth and ensure local accountability. **However, the assumption in the consultation paper that regional devolution equates to local delivery is seriously flawed.** Devolution in Wales has not brought about greater local delivery of regeneration policy, but instead has seen a proliferation of centrally delivered initiatives by agencies of the Assembly Government, that are not directly accountable to citizens. By contrast, local delivery and accountability are established principles of Wales' EU Structural Fund programmes. It is vitally important that current partnership working at local and regional level is consolidated in future arrangements.
- Past precedent suggests that additional domestic resources would be channelled through regional development agencies (RDAs) rather than through local mechanisms, such as Community Strategy Partnerships. European Structural Funds have a key role to play in realising the Government's stated commitment to local determination and delivery, through further decentralisation. Equally, greater local accountability over domestic economic development policy and, specifically, over regional development agencies is needed. Specifically, we call for:
  - The principles of local determination, delivery and accountability to be legally enshrined in future arrangements
  - the UK and Welsh Assembly Government to strengthen the role of local authority Community Planning Partnerships in economic development and regeneration

#### 4.2 Structural Funds bring the European Union closer to citizens

- By proposing an end to regional designation of European support, **these proposals largely threaten to sever the direct links that regions and localities** have established with the EU institutions over the past decade or more. The proposals imply that Single Programming Documents would be replaced by a mechanism akin to National Action Plans (NAP), with peer assessment at the Council of Ministers. However, both the Employment and Social Exclusion NAPs have been delivered in a highly top down manner, with minimal regional and local engagement in their formulation. One of the main ways in which the European Union can be brought closer to citizens and made more efficient is by increasing, rather than weakening, direct contact between regions, localities and the EU institutions.

### Flexibility

#### 4.3 Structural Funds can be made more flexible

- We agree that EU Structural Fund programmes need to be more flexible in responding to regional and local needs, in particular by allowing for resources to



shifted between themes and geographical areas, and by reducing the extent of match-funding. However, the experience in Wales has shown that it has been possible to use European funds to respond to unforeseen events, such as the closure of several Corus steel works in South East Wales and the effects of Foot and Mouth disease. Targets within Single Programming Document have also been amended. We believe that **it is possible to bring about greater programming and delivery flexibility at regional and local level for European funds.**

## Bureaucracy

### 4.4 Domestic as well as European programmes need to be rationalised

- We agree that the Structural Fund programmes in Wales are currently being delivered in too bureaucratic and complex a fashion. In part this has been because of the overbearing nature of Structural Fund regulations and the role of the European Commission. However, a report by the Auditor General for Wales in 2002 heavily **attributed difficulties in the operation of programmes to domestic factors**, including inadequate resourcing of the programme, unclear domestic match funding arrangements and the nature of the project application process<sup>1</sup>.
- Reference also needs to be made to the **plethora of domestic area-based initiatives** that currently exist in the UK. A recent Parliamentary Select Committee report highlighted the need to rationalise the vast confusion of different systems, funds and time scales', and concluded that successive governments have struggled to prevent the proliferation of funding regimes over the last 20 years<sup>2</sup>. As a result, arranging domestic match funding for European funds has proved problematic. In sharp contrast, European programmes have provided much greater certainty and stability in respect of funding and priorities. The first term of the Welsh Assembly Government has been characterised by a similar proliferation of area based and thematic initiatives, a number of which could have been aligned more closely with European programmes.
- Local authorities do not want to become wholly reliant on a spaghetti of short-term domestic initiatives for regeneration funding. Instead, both European and domestic funding streams need to be rationalised as follows:
  - The number of European and domestic programmes and funding streams need to be reduced
  - The match funding obligation within programmes needs to be revisited
  - Much greater responsibility for developing and delivering programmes needs to be delegated to local authority community planning partnerships
  - Responsibility for regulating European programmes should rest with devolved administrations and regional governments, with the European Commission

<sup>1</sup> Paragraphs 1-20, *European Union Structural Funds: Maximising the benefits for Wales*, Auditor General for Wales

<sup>2</sup> Paragraph 57, *The Effectiveness of Government Regeneration Initiatives*, Seventh Report of the ODPM Housing, Planning, Local Government and Regions Committee, 2002-03, HC 76-1





playing a much more facilitative role in respect of promoting trans-national working and facilitating best practice

#### 4.5 State Aid regulations need reform<sup>3</sup>

- We support the thrust of the Government's proposals to ensure that State Aid rules more closely complement the wider objectives of regional policy, particularly in respect of procedural reform and tackling market and social failures.
- A major difficulty facing organisations involved in grant distribution has been the lack of clarity over State Aid regulations, their interpretation and practical application. In any reform of the State Aids Framework, the resulting regulations must be capable of ready application without recourse to legal opinion at every point. There is a particular need for clarity for social enterprises and community businesses, which are often central to work in regenerating, deprived communities.
- We agree on the need for Competition Policy to allow all regions to compete on a 'level playing field'. However, EU Competition Policy and EU Regional Policy seem to make different assumptions about whether the playing field is presently level, which causes confusion and policy conflict, especially at a local level.
- Regarding the future of regional investment aid rules, we would support the continuation of assisted area designations as they constitute a valuable mechanism for promoting development in deprived areas. However, such designations should in future be decided at national and sub-national level based on indicators of economic and social need, and coherent economic areas. Such designations should continue to be based on European aid maps, with the proviso that areas no longer receiving EU aid do not suddenly lose their assisted area designation.
- Outside of assisted areas, we would support a move to a more thematic approach to State Aid, although it will be necessary to ensure that such an approach is straightforward to implement.
- We would suggest that EU State Aid rules should allow for the use of public procurement as a tool for supporting enterprises in deprived areas.

## 5. Funding

### Policy objectives

#### 5.1 Where is the evidence that Structural Funds do not represent value for money?

- The paper implies that in the UK, domestic programmes could be more effective and provide greater value for money than European Structural Fund programmes. **Quite simply, we challenge the UK Government to justify such an assertion**, given that the results of mid-term evaluations for current programmes have not yet been completed, and that ex-post evaluations will not be available before 2008 at the earliest. It is disappointing that these proposals make no reference to the

<sup>3</sup> The following comments are also in response to the UK Government's consultation document entitled 'State Aid and Regional Policy'



considerable amount of evaluation work undertaken for programmes that operated during the previous decade. For instance, the ex-post evaluation of the 1994-96 Objective 2 Industrial South Wales programme found that it compared favourably with those in other Objective Two areas in the UK in terms of value for money and outcomes achieved.

## **5.2 Budgetary considerations should not dictate the UK's negotiating position**

- The Government is rightly concerned about ensuring a 'fair deal' in budgetary terms for the UK at the European Council. However, in our view, fairness should not purely be assessed in terms of the size of the UK's net contribution per se, but in relation to the contributions of comparable Member States.
- For the reasons outlined elsewhere in the paper, the Association maintains that EU Structural Funds should continue to have a vital role to play in assisting poorer regions in more prosperous Member States. We therefore urge the Government to support an increase in the size of the EU regional policy budget above 0.42% EU GDP.

## **Future funding**

### **5.3 Further clarification over the funding guarantee is needed**

- Local authorities require as much clarity as possible over funding arrangements for regional policy beyond 2007, and therefore we welcome the UK Government's guarantee of funding to UK nations and regions. Given that fewer European resources will be available for lagging regions of the UK post 2006, it will be imperative to develop an equitable and stable domestic funding framework in advance.
- We have a number of concerns regarding the framework proposed in the consultation paper:
  - It is difficult to envisage how seven-year funding envelopes could be guaranteed by UK Governments elected for five year periods
  - Devolved administrations would not be obliged to use compensation received for economic development or regeneration purposes or distribute compensation to areas in most need
  - It is not clear as to whether the compensation would cover the additional domestic funding that is currently provided by the Treasury to match EU funds
  - There would be a need to ensure that the compensatory resources received remain genuinely additional over time in the areas of economic development and regeneration
  - There is no mention of a special level of compensation above past transitional support for areas not having converged since 2000



- There would be no obligation upon Devolved Administrations to distribute resources to democratically accountable local partnerships
- The future provision of funding through block formulae implies that support would be calculated on a population basis. However it is important that Wales' disproportionate economic and social weaknesses relative to the rest of the UK are reflected in any future funding arrangement

## 6. Policy content

### Achieving cohesion

#### 6.1 These proposals will weaken the cohesion effort across the EU

- The consultation paper acknowledges that there is disagreement in academic circles over whether structural funds have assisted or hindered convergence amongst EU regions. What is clear is that some of the widest intra-national disparities in respect of GDP and unemployment are to be found in richer Member States such as the UK, Germany, France and Belgium. Given this situation, **we are not convinced that severing European support from lagging regions within more prosperous states would further cohesion across the Union.** Structural Funds currently provide a direct, objective and long-term mechanism for tackling persistent disparities in rich and poor Member States alike.
- In our view, **the 'open method of co-ordination' would be a wholly inadequate mechanism for pursuing economic and social cohesion** as experience has shown that there is often no real sanction for States that fail to deliver and regional and local government have often been marginalised in the development of National Action Plans.
- Structural Fund programmes currently provide a **common and transparent format** for comparing regional development policies across Member States. Moreover, such programmes currently ensure that a wide range of other EU initiatives are implemented in a harmonised way across the Union, for instance in the areas of sustainable development, equal opportunities, innovation and entrepreneurship.

### Policy integration

#### 6.2 Policy integration at all levels is needed

- We fully support the need for greater policy integration at European, national and sub-national level. In terms of European policy, we support the Government's decision to consult on State Aid in conjunction with this consultation, and we would also urge that reform of the Common Agricultural Policy (CAP) is also jointly considered. In 2007, there is a potential danger that certain areas of Wales could experience a 'triple whammy' through losing structural funds receipts, CAP Pillar One and Two receipts and state aid derogations.
- To achieve greater policy integration at regional and local levels, Structural Funds should not be phased out in more prosperous states, but programmed and delivered much more flexibly and seamlessly at sub-national levels. Equally important



priorities, however, should be to rationalise the number of domestic initiatives, and ensure that centrally determined monetary and fiscal policy tools with an important bearing upon regional development, such as interest rates, taxes and benefits remain sensitive to differing regional conditions.

### **Community Initiatives**

#### **6.3 All four Community Initiatives should be retained**

- We welcome the Government's acknowledgement that Community Initiatives such as INTERREG and EQUAL would be worth retaining on account of their role in facilitating trans-national working and exchanging good practice. However, it is not clear why there is no mention of the Urban and Leader + programmes, which we feel have allowed valuable scope for innovation alongside mainstream programmes. We are also concerned that a future INTERREG programme should continue to be universally accessible, rather than restricted to border regions as is implied in the paper.

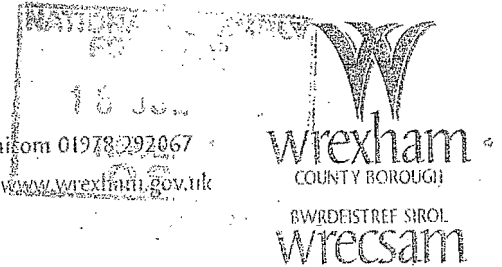
**WLGA**  
**5<sup>th</sup> June 2003**





Development Services Directorate/Cyfarwyddiaeth Gwasanaethau Datblygu  
Chief Economic Development Officer/Prif Swyddog Datblygu Economaidd  
Stephen T. Bayley

Lampit Street, PO Box 1291, Wrexham, LL11 1WN Tel: 01978 292440 Fax: 01978 292445 Minicom 01978 292067  
Stryt y Lampit, PO Box 1291, Wrecsam, LL11 1WN Ffôn: 01978 292440 Ffacs: 01978 292445 www.wrexham.gov.uk



Ms. Jaqueline Brown <sup>UB/SLG</sup>  
EEADT  
3<sup>rd</sup> Floor  
Welsh Assembly Government  
CARDIFF  
CF10 3NE

Your Ref/Eich Cyf  
Our Ref/Ein-Cyf ED/SB/PAB  
Date/Dyddiad 17 June 2003  
Ask for/Gofynner am  
Direct Dial/Rhif Unig 01978 292484  
E-mail/E-bost paul.blackburn@wrexham.gov.uk

Dear Ms Brown,

- 1) 'A Modern Regional Policy for the UK'
- 2) State Aids Consultation

With reference to the UK Government's consultation papers on Regional Policy and on State Aids the following comprises Wrexham County Borough Council's response:

*1) 'A Modern Regional Policy for the UK'*

I would confirm Wrexham County Borough Council's opposition to the UK Government's proposals, as contained in the above mentioned-document, 'A Modern Regional Policy for the UK'. This authority supports the position taken by the WLGA in opposing the renationalisation the Structural Funds and in particular the retention of the Community Initiatives.

Wrexham County Borough Council acknowledges that the proposal to 'renationalise' the Structural Funds would not be in the interest of Wales as a whole. The Council is, in particular, opposed to the abolition of the European Community Initiatives. Wrexham currently benefits from funding from URBAN II and Leader Plus as well as from the EQUAL initiative. We believe that the value of these initiatives is being proved on the ground here in Wrexham, that the planning afforded by the multi-annual programming period is invaluable, and that we are in the ideal position to build on our successes in the period 2007 - 2013.

*2) State Aids*

In accordance with Article 87 of the State Aids regulations we would like the scope of State Aids restrictions clearly limited to market interventions which distort competition between European Union Member States. We feel that there has been a tendency to interpret the regulations more broadly so that issues of internal UK competition are also taken into account. This is not necessary according to the regulations and makes the State Aids regime over-complicated and unworkable.

*cont/.....*

Paul S. Roberts  
Director of Development Services/Cyfarwyddwr Gwasanaethau Datblygu

Economic Development/  
Datblygu Economaidd

Planning Services/  
Gwasanaethau Cynllunio

Property Services/  
Gwasanaethau Eiddo

Transportation & Engineering/  
Cludiant a Pheirianneg



INVESTOR IN PEOPLE  
BUDDSODDWR MENSUR



On the subject of the Block Exemptions we would support the creation of a new block exemption for all small enterprises. The need here is to ensure that there is a straightforward and flexible means of assisting micro-businesses. We do not feel that geographical targeting is the appropriate way forward, and would favour a more horizontal approach to exemptions. There is a need to identify growth poles based on economic opportunity, and to have more relaxed aid regimes in these instances. We would support more generous aid for SMEs. There is a particular need to tackle the problem of commercial areas which serve disadvantaged communities and face a downward spiral. Small retailers in deprived areas provide a service to local communities which is often vital to those communities. The closure and erosion of local shops and services increases social exclusion and adds to the multi-faceted deprivation faced by these communities.

We would also support the relaxation of the State Aid rules to support local produce and local supply-chain development. The recognition of the importance of healthy communities to economic development, and the ability to support any initiatives which promote this would also be a step forward.

We agree with the consultation paper's assertion that State Aids are often complex and overly bureaucratic, and hinder the ability of regions to address local problems. We would welcome a streamlining of procedures to enable aid which does not significantly distort competition to be dealt with much more speedily.

I hope that these comments will be taken into account.

Yours sincerely,



**Stephen Bayley**  
**Chief Economic Development Officer**



2 July 2003  
01639 764288  
g.causley@neath-porttalbot.gov.uk

George Causley, European Manager

Structural Funds Consultation  
EEAD2  
3<sup>rd</sup> Floor  
Welsh Assembly Government  
CARDIFF  
CF10 3NE

Dear Sirs

## **A MODERN REGIONAL POLICY FOR THE UNITED KINGDOM**

On behalf of the Neath Port Talbot County Borough Council, I am writing in response to your consultation on the future of Regional Policy in the UK following attendance at an event hosted by the Alliance for Regional Aid yesterday, 1 July.

At this event the Minister of State for Industry and the Regions gave a presentation on the underlying philosophy of the Government's proposals contained within the consultation document. The presentation, and the subsequent question and answer session did nothing to allay the concerns of this Council about these proposals. These concerns are:

Neath Port Talbot is within the West Wales and the Valleys Objective One Region. To date the people of the County Borough have received considerable benefits from a wide range of projects that have been eligible for support under the Programme. The Consultation Document gives no indication of the nature of the projects that might be funded under its proposals.

The funding available to West Wales and the Valleys is substantial, and, under existing European Commission proposals would be in the order of 80% of current funding for the next Programming period 2007 - 2013 for a region such as West Wales and the Valleys which would lose full Objective One status as a result of the statistical adjustments to GDP following the accession of new Members States to the Union. The Government's proposals make no reference to the levels of funding that might apply post 2006.

In terms of planning/



In terms of planning for the future, the certainty of Structural Funds support over a set period of time allows for the effective use of resources, not only for the Authority but for all sectors having an interest in securing European Funding support. There are no firm guarantees in the Consultation Document for any specific timescales to which its proposals relate.

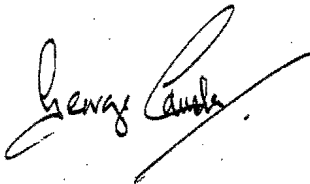
European Structural Funds are available generally to the Public, Private, and Community Sectors within the context of a single programme. The Consultation Document gives no indication if this would be the case for the UK's proposals.

The above comments are made in the light of clear indications of the probable outcome of the European Commission's thinking that is to be published towards the end of this year.

The Neath Port Talbot County Borough Council cannot support the UK Government's proposals because they have no confidence in the nature and extent of the arrangements that might actually be put in place were the UK's view to prevail. EU Structural Funds have made a considerable impact on the local economic, social, and environmental well-being of the area over many years, the Authority would wish to continue to enjoy the wide ranging benefits of these funds in future programming periods.

This response is in addition to the Authority's endorsement of the Welsh Local Government Association's response to the Consultation Document, submitted under separate cover.

Yours sincerely

A handwritten signature in black ink, appearing to read 'George Causley', with a long, sweeping underline that extends to the right.

George Causley  
European Manager





Flintshire

Jacqueline Brown  
European Affairs Division  
Welsh Assembly Government  
Cathays Park  
Cardiff  
CF10 3NQ

RL/SF/DTI  
24 June 2003  
Mrs R Lowry  
01352 703223

E Mail Address:  
rebeccah.lowry@flintshire.gov.uk

Dear Ms Brown

Re: Future of EU Structural Funds – DTI position

Thank-you for the opportunity to share our thoughts with you and the First Minister on the DTI's proposal regarding the future of EU Structural Funds post 2006.

The County of Flintshire currently receives funding through the ESF Objective 3 Programme which contributes significantly to enabling a range of activity to increase human resource development available within the County.

Together with other agencies operating in Flintshire we are developing ideas for activity within both the Interreg IIIb and EQUAL Programme. These are both initiatives that we and our partners feel will be valuable for developing project ideas, influencing local, national and European policy, developing links with other Member States and in raising our profile within Europe.

Flintshire County Council has participated in the WLGA consultation regarding the future of Structural Funds and has supported their position to date.

Following the announcement of the DTI proposal Flintshire County Council reconsidered their position in the light of both the DTI and WLGA proposals. Flintshire County Council Executive concluded that they continue to endorse the WLGA position statement, 'A Modern Regional Policy for the UK', thus supporting the view that UK should remain a full contributor to and participator in the EU Structural Funds Programme.

Yours sincerely

Rebeccah Lowry  
Funding and Development Officer  
Economic Development and Tourism



Penitbroesehire

EDD/GDE  
Gwyn Evans  
01437 776174  
24 June 2003

Ms Jacqueline Brown  
National Assembly for Wales  
Cathays Park  
CARDIFF  
CF10 3NQ

Dear Ms Brown

**DTI CONSULTATION: "A MODERN REGIONAL POLICY FOR THE UNITED KINGDOM"**

I understand that the Welsh Local Government Association has now submitted to you its formal response to the above consultation paper issued by the Department for Trade and Industry.

I write to confirm this Council's support for the WLGA submission in its entirety.

Yours sincerely

Roger Barrett-Evans  
Director of Development



---

**From:** Neville Davies  
**Sent:** 24 June 2003 17:08  
**To:**  
**Cc:**  
**Subject:** DTi Consultation Paper

Hi Rhys/ Jackie,

Carmarthenshire County Council has given a great deal of consideration to the report. The Council supports the position adopted by the WLGA and the Objective 1 PMC. In addition the Council would wish to add the following comments.

The fact that Whitehall is currently looking at the long term benefits of the structural funds is welcoming news. The importance and added value of the funds is also of great importance to Wales. Indeed if it wasn't for the EU Structural Funds and the basic principles that follow them we would be a long way behind in terms of economic regeneration. I am not convinced that we would have achieved so much with purely domestic support and the mechanisms that goes with it. Regional policy and supporting financial instruments have never been high on the UK government agenda and this also applies to us in Wales.

If we were to support this proposal it would significantly weaken the scope and application of economic development policy in Wales. I would be disappointed if the Assembly Government did not also recognise this. We have devolved government after all.

The 'bottom line for Carmarthenshire would be:

### **Funding**

- no less than being offered by the EU for proposed Objective 1a regions
- a minimum of 7 years commitment of funding
- any compensation to include domestic match funding
- review of domestic funding to consider basic delivery principles, long term commitment and stream lined
- any additional funding to Wales will be committed to Economic Regeneration
- future allocation will target areas of greatest need

### **Policy**

- Use of national/ regional/ local cohesion targets to monitor and assess progress at EU level (current National Action Plan approach too weak)
- A State Aids framework that continues to favour least advantaged areas and facilitates regeneration efforts
- review of socio-economic indicators to be undertaken

### **Delivery**

- Community Planning Partnerships to play a major role in programming, delivering and accounting for regeneration funding
- Domestic initiatives need to be rationalised



## Trans-national and innovative working

- Need to strengthen and streamline all four current EU Community Initiatives

All for now.  
Regards,  
Neville

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-----Original Message-----

From:eryl.williams@denbighshire.gov.uk

Sent: 25 June 2003 17:24

Subject: Cohesion

I welcome the opportunity of commenting on the current debate on the future of the structural funds and on the issues raised by the DTI.

Denbighshire supports the process of enlargement. This is an essential development for the EU, it will serve to enhance the long term economic development and political stability of the accession countries. It will also provide larger markets to sustain additional economic activity for all. An EU of 26 member states will open markets for Welsh companies to exploit.

However within the structural funds review there could well be damaging implications for Wales and UK interests. Denbighshire argues for the continued maintenance of EU structural fund policy beyond 2006. The eligibility criteria of 75% GDP per capita measured at agreed NUTS II levels should continue so long as the so-called statistical effect is neutralised. This would enable the retention of Objective 1 status for West Wales and the Valleys.

In support of this view it is important to stress -

- precedents for a second allocation of Objective 1 resources
- West Wales and the Valleys should not be disadvantaged by statistical anomalies.

In consideration of the post 2006 position it is important to go back to first principles ? the raison d'etre of structural funds is restructuring. Without substantial resources post 2006 the continuation of the economic restructuring process currently underway with EU structural fund assistance could well be threatened. Continued and sustainable economic regeneration of West Wales and the Valleys will require a second tranche of Objective 1 resources. For example the economic benefits of accessing EU structural funds were not fully realised in Merseyside and Eire until their second Objective 1 programmes were fully implemented.

Denbighshire supports the position emerging in EU circles whereby current Objective 1 areas should not be adversely affected by the "statistical effect". This entails a significant lowering of GDP averages in an EU of 26 member states. In the light of these developments a solution should be found within structural fund policy post 2006 and the corresponding state aid regime. Phasing out resources will be inadequate to complete the regeneration of the current Objective 1 areas.

A position is emerging which involves a split of Objective 1 effectively into two programmes: Objective 1A ( for accession countries and current regions whose GDP will be below the 75% threshold post 2006) and Objective 1B ( for statistically affected regions). This is a development which Denbighshire supports.

In conclusion Denbighshire stresses the need for a further tranche of structural fund resources and argues that cohesion policy should not be financed at the expense of those regions currently lagging behind in an EU of 15 member states.

With regard to the DTI's proposals for the renationalisation of EU



structural funds Denbighshire acknowledges that the arguments do have some merit. For example the notions of simplified access to economic regeneration resources and less bureaucracy are laudable. However Denbighshire's view is that accessing further EU structural fund resources will facilitate a more precise focus on the planning and implementation of long term economic development strategies which will more effectively serve the needs of the deprived communities of West Wales and the Valleys.

Eryl Wyn Williams  
Arweinydd Cyngor Sir Ddinbych  
Leader of Denbighshire County Council



---

**From:** Sheila Potter |  
**Sent:** 25 June 2003 13:38  
**To:** Regional Policy; sf.consultation@dti.gsi.gov.uk  
**Cc:**  
**Subject:** A Modern Regional Policy for the United Kingdom- Consultation

Structural Funds Consultation  
EEAD2  
Third Floor  
Welsh Assembly Government  
Cardiff

A Modern Regional Policy for the United Kingdom- Consultation Document, March 2003

Conwy County Borough Council wishes to respond to the above document by affirming its total support of the Welsh Local Government Association's position paper, submitted as the official response on behalf of Local Government in Wales.

Sheila Potter  
Head of Regeneration  
Conwy County Borough Council  
E-Mail: [sheila.potter@conwy.gov.uk](mailto:sheila.potter@conwy.gov.uk) <<mailto:sheila.potter@conwy.gov.uk>>  
Tel: 01492-576012

'Mae'r wybodaeth yn y neges hon yn gyfrinachol a dichon mai ychydig iawn o bobl sydd â hawl iddi.

Bwriedir hi ar gyfer neb ond y sawl y cyfeirir hi ato/ati.

Os nad chi yw'r derbynnydd bwriedig, gofynnir i chi beidio â'i darllen na'i phrintio na'i hail-anfon,

na'i storio na gweithredu yn ei chylch neu ynghylch unrhyw atodiadau iddi.

Yn hytrach, hysbyswch yr anfonydd os gwelwch yn dda, gan ddileu'r neges o'ch system yn syth.

Dalier sylw nad yw Cyngor Bwrdeistref Sirol Conwy na'r anfonydd yn derbyn unrhyw gyfrifoldeb am feirws,

a'ch cyfrifoldeb chi yw sganio'r atodiadau (os oes rhai).'

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## Bridgend County Borough Council

### "A Modern Regional Policy for the United Kingdom", Department of Trade and Industry and the Office of the Deputy Prime Minister, Consultation Paper, March 2003

#### COMMENTS OF BRIDGEND COUNTY BOROUGH COUNCIL

##### Introduction

1. Bridgend County Borough Council welcomes the opportunity to comment on the UK Government's consultation paper, "A Modern Regional Policy for the United Kingdom".
2. European Structural Funds have been a significant source of financial support for job creation and economic regeneration activities in Bridgend county borough. While much has been achieved, substantial areas of the county borough continue to suffer economic and social problems requiring concerted, long-term action. Bridgend County Borough Council recognises therefore the importance of participating in the debate about the future shape of European cohesion policy.
3. Bridgend County Borough Council has a strong track record in implementing European programmes at the local level over many years. In respect of delivering current Structural Fund programmes, Bridgend County Borough Council is the lead body for the Bridgend County Borough Objective 1 Partnership. This involves:
  - providing secretariat and technical support to the local partnership and project sponsors
  - targeting funds strategically through the local strategy of the Partnership
  - encouraging the development of high quality projects
  - providing information and advice on programmes
  - providing match funding for Structural Funds
4. In addressing the UK Government's consultation paper on the future of EU Cohesion Policy, Bridgend County Borough Council strongly supports the collective response of the Welsh Local Government Association (WLGA) to be submitted on behalf of Welsh local government. Apart from adding the local context and emphasising some policy priorities, therefore, the Council's comments largely reiterate the broad thrust of the WLGA's response.

##### The Economy of Bridgend County Borough and the Importance of EU Structural Funds

5. The County Borough of Bridgend covers an area of 28,500 ha and lies half way between the major cities of Swansea and Cardiff, in the heart of industrial South Wales. It measures roughly 20km west to east and comprises three distinct areas. In the north are the former coal mining valleys of the Llynfi, Garw and Ogmore. In the south are the town of Bridgend and the M4 corridor, and further south the coastal belt and the resort town of Porthcawl.
6. Since the early 1980s, the local economy has undergone a massive transformation. The most dramatic change has been the demise of deep coal-mining and the rationalisation of the steel industry, and the development of an economic base of services, electronics and light engineering.
7. One of the main reasons for this transformation was Bridgend county borough's successful record on inward investment like many parts of Wales. Newer industry expanded to offset partially the effect of the decline of traditional sources of employment. During the 1990s therefore Bridgend county borough moved towards a more balanced local economy, with a successful record of attracting major investments in industries such as electronics, light engineering and services, particularly to areas along the M4 corridor.





8. The EU Structural Funds and other regional incentives have played a fundamental role in supporting economic development and job creation activities within Bridgend county borough. The reduction or withdrawal of EU Structural Fund support would inevitably present a severe obstacle to continued progress.
9. While much has been achieved, progress during the 1990s and the first years of this decade has not been sufficient to overcome the complex and deep-seated economic and social problems faced by Bridgend county borough. Bridgend county borough remains characterised by:
  - relatively low levels of GDP per head.
  - average earnings below the average for Wales and the UK.
  - high levels of deprivation, particularly in the Valleys communities which have a weak economic base and have tended to export their most talented young people.
  - low economic activity rates combined with relatively high levels of reported long-term illness.
  - problems of industrial structure with a preponderance of firms in the low value-added manufacturing and service sectors.
  - a relatively weak indigenous business sector with a particularly low number of firms operating in the county borough.
10. In particular, recent successes cannot mask a clear divergence between the economic and social conditions in its northern valleys and those in its southern part along the M4 corridor.
11. Continuance of support from EU Structural Funds after 2006 will be of central importance in taking forward local economic strategies and plans for Bridgend county borough. The current local Objective 1 programme has not yet been fully evaluated but the early signs suggest good progress in terms of programme management, spend and outputs/results.
12. However, structural economic problems take a long time to overcome and in Bridgend county borough, economic renewal is seen as a 15-20 year process. Efforts need to be intensified in a number of areas and continued funding will be essential if any fragile recovery is to be consolidated and if sustainable improvements to economic performance are to materialise.

#### **Proposals for Future EU Cohesion Policy**

13. As a member of the Welsh Local Government Association(WLGA), the Council has taken an active part in consultative discussions with Welsh local authorities on future EU Cohesion Policy. The Council fully endorses the jointly agreed response to be submitted by the WLGA to the Government's consultation paper on future regional policy for the UK.
14. Bridgend County Borough Council supports the continuation of an EU-wide Cohesion Policy in an enlarged European Union. It believes the best way forward is a radical reform, rather than abolition, of EU Structural Funds in terms of greater devolution, simplification, targeting of resources, and policy integration across the whole of an enlarged EU. While supporting the targeting of resources towards the poorer accession states, however, such assistance should not be given at the expense of those regions, like Wales, still lagging behind in the existing EU15.



15. The Council therefore endorses the WLGA's statement of broad principles and policy priorities to be followed in taking forward future regional policy for the UK. In particular the Council believes that future regional policy should be characterised by the following key elements:

**i. Support and add value to the UK's existing approach**

- Focus Structural Fund programmes on the Lisbon agenda and link closely to regional economic strategies.
- Promote local delivery through Structural Fund programmes.
- Further enhance benefits of Community Initiatives in fostering innovation, trans-national working and the exchange of good practice.
- Further devolve EU Cohesion Policy to allow Structural Funds to be combined more seamlessly with domestic funding.

**ii. Achieve simplification, integration and more flexible implementation**

- Simplify Structural Funds significantly through mono-funding, single regional pots, extending programming flexibility at sub-national level, and streamlining regional secretariats.
- Rationalise and harmonise domestic funding initiatives.

**iii. Actively support the Lisbon agenda**

- Support Lisbon agenda – knowledge based society, lifelong learning, social inclusion, SME competitiveness – on a pan EU basis through Structural Funds.
- **Assign high priority within future EU Cohesion Policy also to encouraging economic diversification in urban centres, and to tackling major infrastructure needs in the areas of transport and ICT.**

**iv. Concentrate EU budgetary support on the relatively less prosperous states**

- Retain Objective 1, 2 and 3 designations to ensure that the bulk of resources were concentrated on the poorest Member States.
- Reform Objective 2 and 3 programmes to ensure that lagging areas and disadvantaged communities within richer Member States would not have to pay for EU enlargement

**v. Achieve a fair deal for the UK in budgetary terms and constrain the Structural Funds budget**

- Set a regional policy budget at 0.45% EU GDP to allow the UK to negotiate a fair deal in terms of its net contribution, and would also mean that the UK continues to receive Structural Funds. The UK Government should not be seeking to constrain this budget at a time when the EU has unprecedented disparities



**vi. Provide maximum value for money**

- Secure the best value for money from greater devolution, simplification, targeting of resources and policy integration of the Structural Funds to enhance further their strong track record in raising GDP levels within the UK. Structural fund programmes have brought a range of additional benefits to the UK such as partnership working, trans-national co-operation, long term stability and innovation.

16. In addition, the Council supports the WLGA's specific proposals for the reform of the present system of EU Structural Funds as follows:

- Objective 1 should remain for regions with a GDP of 75% or under of the EU25 average.
- current Objective 1 areas with a GDP of 75% or under of the EU15 average according to 2000-2003 should receive a special package of support equating to 90% of full Objective 1 status. Transitional support in line with past precedent should be made available to Objective 1 regions above this level.
- Objective 2 should remain for smaller areas of need. Resources should be allocated to Member States on a population basis, then allocated sub-nationally on the basis of territorial and thematic indicators of need.
- Objective 3 support should remain for areas outside the above designations in order to address human resources needs.
- Community Initiatives should be retained inside and outside of mainstream programmes.
- the minimum budget for EU cohesion policy in an enlarged Europe should be 0.45% EU GDP

17. Finally, Bridgend County Borough Council joins with the WLGA in calling for reform of the State Aids regime and in particular for current Structural Fund areas to retain existing state aid derogations.

Bridgend County Borough Council  
June 2003

Contact Officer: Mark Halliwell – Objective 1 Team  
Telephone: 01656 672924  
e-mail: hallim@bridgend.gov.uk



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-----Original Message-----

From: Phillips, Victoria [mailto:PHILLV@CAERPHILLY.GOV.UK]

Sent: 27 June 2003 08:18

To: Brown, Jackie (EEAD)

Subject: Future Regional Policy

Sensitivity: Private

Jackie,

This is to inform you that Caerphilly County Borough Council is in full agreement with the WLGA's response to the UK Gov't's consultation on the future of EU regional policy.

A letter to that effect will follow in the post.

best wishes,  
Victoria

Victoria.  
Victoria Phillips,  
European Officer,  
Chief Executive's Department,  
Caerphilly County Borough Council,  
Nelson Road, CF82 7WF

Telephone +44 (0) 1443 864416  
Fax +44 (0) 1443 864310  
e-mail phillv@caerphilly.gov.uk

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My Ref: DEA/JA/YG  
Your Ref:

26<sup>th</sup> June 2003

UB27/6  
Ms Jacqueline Brown,  
Structural Funds Consultation,  
EEAD2,  
3<sup>rd</sup> Floor,  
Welsh Assembly Government,  
Cardiff.  
CF10 3NE



Dear Ms Brown,

**Consultation on Future Structural Funds post 2006**

I am pleased to attach a draft copy of Cardiff Council's comments on the UK Government consultation paper "A Modern Regional Policy for the UK".

The formal response will follow, but I am aware that the Welsh Assembly Government has asked for responses by an earlier date of 27<sup>th</sup> June.

The comments have been prepared in parallel with, and reflect the WLGA's response which the Council endorses and I trust all replies will assist to frame an effective way forward.

Yours sincerely

**Jeff Andrews**  
Chief Development & European Affairs Officer

c.c. Tim Hooper, WLGA.

27 JUN 2003



Our Ref: DEA/JA/YG

DRAFT

June 2003

Structural Funds Consultation  
EEAD2,  
3<sup>rd</sup> Floor,  
Welsh Assembly Government,  
Cardiff.  
CF10 3NE

Dear Sir/Madam

### **Consultation on Future Structural Funds post 2006**

On behalf of Cardiff Council I am pleased to respond to the UK government consultation paper published on 6<sup>th</sup> March 2003 entitled 'A Modern Regional Policy for the United Kingdom' which proposes radical changes to EU regional policy after the end of the current programmes in 2006.

The Council and a wide range of other organisations in the Cardiff EU Structural Funds Partnership are participants in the current Programmes operating in Wales. The Council is both eager to feed into a co-ordinated Welsh approach to this consultation and as a major city and member of the Eurocities network, the Authority also seeks to ensure that the important role played by cities in regional policy is reflected in future programming arrangements.

This response seeks to address some of the specific issues outlined in the paper and also some of the broader issues surrounding this review.

1. The great advantage of the structural fund programmes is that there is a guarantee of funding over several years, therefore allowing for a clear strategy to be implemented in stages to seek the maximum benefit. The Government proposal does not clearly outline a mechanism for ensuring that within the proposed new structure this advantage will not be lost. Without some guarantee of medium term Programme periods and further detail on implementation mechanisms the proposed approach is difficult to support.



2. The effective use of EU structural funds through current and previous funding periods has led to a number of strong partnerships being developed. This partnership approach is critical to successful Programme delivery. It is unclear what role local and regional players would have in negotiating new regional Programmes and how they would be involved in implementing them. Further assurances that a partnership approach will be continued are required.
3. The methodology for assessing future allocations of funding to support regional policy is crucial but is not identified in the proposal. In order to agree this approach a clear outline of the criteria to be adopted for allocation of resources is needed.
4. The emphasis placed on reducing bureaucracy of the funding mechanisms is welcomed. The European Commission has accepted the need for more subsidiarity and has considered a number of options on how this could be achieved. The Government's proposed approach however is not to seek to reform the existing mechanisms but to abandon the European dimension and manage implementation at a national level, trusting that the bureaucracy will be reduced. The problems of bureaucracy and complication are not necessarily however linked solely to a European funding dimension and consideration of how national funding initiatives can be made more effective would be necessary, e.g. the introduction of further multi-year funding.
5. The strategic benefits and added value of the European Structural Fund Programmes have not been fully recognised within the consultation paper. There are numerous levels on which the Funds offer added value. At a strategic level goals set by the EU to increase employment and social cohesion will not be achieved without Fund intervention, pursued on a pan European basis. At a more local level Wales as a whole and Cardiff specifically have benefited significantly from European funding and have been able to pursue initiatives that would otherwise not have been progressed. The Funds have encouraged increased integration of policy making, strategy setting and regional working – leading to an effective partnership approach.
6. The Government's proposal to renationalise funding would weaken the UK position in more general negotiations regarding reform of the Common Agricultural Policy and the "UK Rebate". Removing the regional policy dimension would result in a narrowing of the negotiation/bargaining platform when, as is likely, difficult positions are being advocated.



7. The paper does not adequately address the important issue of cross border and inter-regional co-operation which has been successfully undertaken over past programming periods through the INTERREG Community Initiative. The important benefits of sharing best practice and forming genuine transnational partnerships could be lost to the UK, if the possibility of these types of activities being supported was unavailable.

Cardiff Council is developing a position statement along with the Welsh Local Government Association highlighting a number of the issues such as flexibility of funding, greater devolution, focus on Lisbon agenda (support for raising employment, furthering social cohesion, neighbourhood renewal and competitiveness) and less bureaucracy which are paralleled in the DTI consultation Paper. However, the fundamental difference between these two positions is that the DTI no longer wish to see the use of Structural Funding in richer Member States whereas Cardiff and the WLGA are advocating the continuation of EU wide regional policy.

For Cardiff to support the proposed approach there would need to be clear answers to the questions raised above and a commitment to the continued regeneration of urban areas such as Cardiff. The key role of urban areas as drivers within the local and regional economy is widely acknowledged by the European Commission, as are the benefits from a competitive economy.

The Council believes the UK Government's proposals to reduce bureaucracy, increase spending on regional policy and that policy should be locally-led and substantially devolved are to be welcomed. However, there are important reservations as outlined in this response which need further consideration if a consensus agreement is to be reached.

Yours sincerely,

**Cllr Michael Michael**  
**Cabinet Member Enterprise & Transport**





Cyfarwyddiaeth Adfywio Cymunedol ac Economaidd /  
Economic and Community Regeneration Directorate

Graham Davey

Grŵp Gyfarwyddwr, Adfywio Cymunedol ac Economaidd /  
Group Director, Economic and Community Regeneration

Ms Jackie Brown JB39/6  
Principal Officer  
European Affairs Division  
Welsh Assembly Government  
Cathays Park  
Cardiff  
CF10 3NQ

Gwynfa / Gwynfa

Ffordd Beaufort / Beaufort Road

Llandrindod / Llandrindod Wells

Powys

LD1 5LA

Os yn galw gofynnwch am / If calling please ask for:

Mr J B Wright

(01597) 827460

Tel / Ffôn:

(01597) 827469

Fax / Ffacs:

Email / Llythyru electronig: jeremyw@powys.gov.uk

Your ref / Eich cyf:

Our ref / Ein cyf:

ECR/JBW/AEP

Date / Dyddiad:

25<sup>th</sup> June 2003

Dear Ms Brown

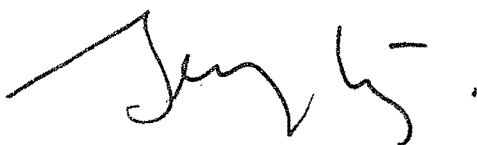
**Re: Welsh Local Government Association response to a Modern Regional Policy for the UK**

I am aware that the Welsh Local Government Association has agreed a position in response to the UK Government consultation on a modern regional policy for the United Kingdom. The substance of the position was presented to the Powys County Council Board in April of this year, where the Board noted the UK Government proposals and endorsed the WLGA position. The Board considered the reason for this was to ensure a positive outcome for Powys from regional regeneration programmes in the period after 2006.

On my reading of the papers of the Co-ordinating Committee from the WLGA, since that time the substance of the position has not altered, although there are detailed alterations in the paper.

I write, therefore, to add Powys' weight to the position of the WLGA in securing a proper outcome from this consultation.

Yours sincerely



J B Wright

**Head of Economic Development**

**Economic Development Services**

c.c. Tim Hooper, WLGA, Policy Officer (European and International Affairs), Local Government House, Drake Walk, Cardiff, CF10 4LG

**Cyngor Sir Powys County Council**



Ask for/Gefynnwch am  
Our Ref/Rif. Cyf  
Your Ref/Rif. Cyf  
Tel/Ffôn  
Direct Dial/Rhif Union  
Fax/Ffacs

Clare Owen Evans  
HGJ/COE

01633 244491  
01633 232281  
01633 232555

[clare.evans@newport.gov.uk](mailto:clare.evans@newport.gov.uk)

Ms Jackie Brown  
European and External Affairs Division  
Cathays Park  
Cardiff  
CF10 3NQ

30 June 2003

Dear Ms Brown

### **A Modern Regional Policy for the United Kingdom – Response to the UK Government Consultation**

Following the DTI's Consultation on the future of Regional Policy post 2006, Newport City Council endorses the response of the Welsh Local Government Association to which all 22 local authorities in Wales have signed up.

In line with the Welsh Local Government Association, the Council has several concerns should the funds be renationalised post 2006. Fundamental among these are the following:

#### **Delivery and Implementation Mechanisms**

Local delivery and accountability should be enshrined in any future delivery of regional policy and funds. Much work has been undertaken in Wales to date to form Local Partnerships through which Action Plans have been developed and funds *successfully* channelled. If anything, the role of these Partnerships should be strengthened in future arrangements.

#### **Financial Guarantee**

The offer of financial compensation to Wales needs much more clarity in terms of how it will be calculated, for how long it will be guaranteed and on what basis it will be distributed.

#### **Reform of State Aid regulations**

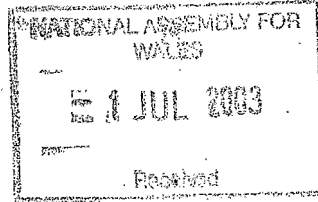
The reform of the State Aid regulations must be considered in parallel with any discussions on reform of the Structural Funds. This is a particularly important issue that needs to be carefully addressed if Newport (and East Wales in general) is not to suffer a double loss.

Newport is actively pursuing avenues for the retention of structural fund support post 2006, albeit while recognising that it will be in a different form to that currently received. We urge the Welsh Assembly Government to assist East Wales in its efforts to continue the socio-economic regeneration that organisations across the area are engendering and which is still so urgently required.

Yours sincerely

Sir Harry G. Jones

Councillor Sir Harry Jones  
Leader, Newport City Council



Leader's Office/Swyddfa'r Arweinydd  
Civic Centre/Canolfan Ddinesig  
Newport/Casnewydd  
South Wales/De Cymru  
NP20 4UR



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**Response of  
Ceredigion County Council to  
UK Government's Consultation Paper**  
*"A Modern Regional Policy for the United Kingdom."*

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1. The document, *A Modern Regional Policy for the United Kingdom*, has been widely and carefully considered by this County Council. It was examined in detail by a politically balanced Members' Panel. The conclusions of the Panel were discussed and agreed by the Council's Cabinet as the Council's response to the document.
2. Ceredigion County Council welcomes the general support proposed for actions to raising productivity and increasing employment across all of the UK and also the commitment to more integration and flexible implementation.
3. The Lisbon Summit conclusions are an important factor in the successful implementation of regional policies and the Council welcomes the document's references to these and in particular that they are vital for all regions to develop long-term competitiveness.
4. The Council strongly supports the principle of EU aid to less prosperous regions and notes that these regions will be for the most part in the enlargement states.

It does not agree with the conclusion that concerns for effectiveness, value for money, budget discipline and respect for subsidiarity can be met simply by a "fair deal for UK in budgetary terms".

It believes that "contribution in proportion ..... to means toward a common EU regional policy" is a fundamental principle of the Union.

It is concerned that structural funds and regional spend should not be cut back as disparities within the Union grow.

5. The Council notes that there are many domestic regional regeneration initiatives. Some of these are relatively new initiatives and show much promise but have yet to prove themselves as long term significant drivers of change.

There is concern that the debate here should focus so strongly on withdrawing from existing systems and relying totally in future on approaches which are unproven in the longer term and also raise questions as to their sustainability



6. The wider debate has also raised questions as to whether there are other approaches to encouraging prosperity and productivity; for example, through horizontal actions or 'urban' focused policies.

The Council strongly supports a regional policy approach and would emphasise the importance of a specific rural development dimension within this. This requires to be addressed on a broader and more integrated basis within Structural Funds than just through EAGGF alone.

7. The Council supports devolution of regional policy delivery through a locally led flexible and enabling framework with clear accountability. It recognises the role that local authorities play in grass roots delivery of these frameworks and in insuring democratic accountability.

They suggest that this local delivery including local flexibility in programming and spending resources should be a key feature of any future system.

8. The principle that all Member States should be enabled to pursue their own regional policy with EU support is not supported.

Such a scheme would not ensure poorer regions within more prosperous Member States would be recognised or receive assistance. These regions would be highly dependant on their national governments to resource this regeneration.

The Council would wish to see the continuation of the direct provision of EU regional aid to regions and not just being used at Member State level to assist Member States. The proposal could deny aid to poor regions within more prosperous Member States.

9. The Council supports the role of the EU in co-ordinating policies (e.g.: State Aids), developing broad guidelines in support of overall economic goals, in assisting poorer *regions* (rather than *Member States*) and in exchanging best practice. It also supports the concept of an EU framework based on common principles (the Lisbon conclusions) but cannot support the principles of basing this on flexible domestic policies with EU assistance being targeted at the poorer states. Flexibility is needed, EU aid should be targeted at all poor regions, not just those in poorer member states. There is need to retain appropriate state aid exemptions for all regions receiving EU regional Structural Fund Assistance.
10. The Council does not support the separation of policy from funding including the 90% GDP threshold. Poorer regions even in the richer member states should continue to access EU support. All member states' regions should have access to the appropriate EU funding.
11. The Council welcomes the Government's willingness to raise spending on regional policy actions to increase productivity and employment, but notes



that there is need to include within it the wider aspects of rural development. Resources should be distributed to regions on the basis of economic need and over multi year programming periods of at least 6 years duration (as current in structural fund programmes). There is need to ensure that resources intended for these regional development purposes are spent on the activities they are intended for and that there is local democratic accountability for the process and delivery.

12. The Consultation paper notes the links between rural development and the reform of the CAP. Rural development is a wider issue that needs attention as part of the examination of regional policy and requires broad based delivery of actions appropriate to all structural funds not just EAGGF.
13. The Council notes and regrets that the consultation document has not examined other opportunities which may have the potential to simplify and devolve structural funds' support while retaining coverage across Member States.
14. The document ignores the substantial disparities between regions in UK and the scale of aid made available from the EU. The system is already highly de-centralised and the 'nationalisation' proposed by the document would seem to impose a significant centralisation of the system.

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Ceredigion County Council  
Penmorfa  
ABERAERON SA46 0PA



