

Council for Economic Renewal

Principles and Priorities for 2014-2020 Structural Funds programmes in Wales

Background

1. Draft legislative proposals for the 2014-2020 Structural Funds were published by the European Commission on 06 October 2011. Since then the Welsh Government has initiated a range of discussions on the direction that EU programmes in Wales should take during 2014-2020, including through a Ministerial Advisory Group on EU programmes and in the European Programmes Partnership Forum chaired by Mark Drakeford AM. In establishing both of these groups the Welsh Government has specifically sought strong business representation whilst at the same time ensuring that there is a balanced membership drawing on the strengths and experience of all parts of the Welsh economy.
2. To ensure the widest possible engagement and discussion before the Government set out its strategic direction a *Reflection Exercise* was carried out between 01 December 2011 and 27 January 2012 to solicit views. This exercise was supplemented by a workshop specifically targeting the business community held on 26 March 2012.
3. This engagement and public debate culminated in the Welsh Government statement on 08 May 2012 setting out the principles and priorities for future EU programmes in Wales. These provide a clear framework and structure within which the Welsh Government will work to prepare programmes with its partners during the rest of 2012 and are set out below.

Context

4. The 2014-2020 European programmes in Wales are being prepared in very different, and far more volatile, economic circumstances than previously. We will need to be flexible and adaptable, but still maintain a single-mindedness in our focus on delivering sustainable growth and jobs for businesses and people across Wales.
5. We must all face up to the challenge of making tough choices about how and where we should invest resources. Resources cannot be spread thinly across a broad range of interventions. We need to invest in areas which have genuine potential to transform our economic prospects.

Principles

6. The fundamental principles are built upon the Welsh Government's guiding values of sustainable development, a deep and abiding commitment to equality and combating poverty. These overarching principles form the foundation for the whole programme.
7. The principles set out not only what the Welsh Government considers as essential for future EU programmes, but also reflects discussions with stakeholders across Wales. They also reflect those issues highlighted across Europe in the European Council and European Parliament as drivers for jobs and growth. Future programmes must:
 - focus on the creation of **sustainable jobs and growth** and facilitate the role of **businesses**;
 - achieve a balance between **greater thematic concentration** and **more effective spatial targeting** (essentially - better concentration in fewer geographical areas) to maximise the impact of funding;
 - **align** with relevant Welsh Government policies and strategies;
 - contribute to a **transformational impact** on the Welsh economy, particularly for West Wales and the Valleys, and the prosperity and well-being of its citizens;
 - ensure the **sustainability of future investments**. This means having clear exit strategies that fully consider the role of business, building social resilience and tackling poverty within communities, promoting equality, and achieving legacy effects; and finally
 - demonstrate clear **added value** when compared with other ways of supporting and delivering policy and have a **sound evidence-base** for contributing to sustainable jobs and growth.

Priority areas

8. The priority areas reflect regulatory requirements (such as concentration on specific areas), the views of our partners across Wales, and Welsh Government policy as set out in our Programme for Government. For the Structural Funds programmes the future investment priorities are:
 - Education, skills and lifelong learning (including 'early years' actions)
 - Research and Innovation
 - Helping people into work

- Sustainable transport and network infrastructure
 - Enterprise and SME competitiveness
 - Sustainable energy and energy efficiency
 - Access to and exploitation of the Digital Economy
9. The Welsh Government's commitment to sustainable development, social inclusion, promoting equality and tackling poverty will be reflected across all priorities and projects. A whole-Government approach is needed to coordinate and combine interventions to deliver realistically on our ambitions. Strategic economic regeneration of communities will need to integrate physical, social and environmental elements. We will also look at how access to and exploitation of the Digital Economy can be delivered across all parts of programmes.
10. This approach is a thematic one with investment priorities organised around themes rather than sectors. Under each of these priority areas there will be a role for a wide range of sectors to help drive interventions that can have an impact on jobs and growth. For example the tourism, environment or heritage sectors could be involved in a range of these priority areas.

Implications

11. There is broad support for the principles and the headline priorities set out in the Welsh Government statement. The implications of this, however, are that we need to make some difficult choices and stop funding those areas where direct support does not fit with those principles, or with our ambitions to help create sustainable jobs and growth throughout Wales.
12. Some of these difficult choices were illustrated in the Welsh Government statement. It should be noted that the Welsh Government has already made the move away from using EU funds in a number of these areas and the statement reinforced that these positions would continue, for example:
- General business support and grant-based business support, other than for R&D or targeted interventions;
 - Primary or "blue-skies" research;
 - Engagement and inclusion measures where support could restrict the ability for private and third sector organisations to operate;
 - Labour market interventions which are more 'social' in nature, with little prospect of outcomes which enhance employability; and
 - Investment in established markets for renewable energy with no real opportunity for gaining advantage or market share (e.g. on-shore wind)

13. In other areas new choices will need to be made to maintain a single-minded focus for structural funds investments on jobs and growth. This means recognising that, while we have invested significant amounts of funding in a broad range of areas over previous programme periods, it is not 'business as usual'. Areas where direct investment through structural funds will have a more limited impact on jobs and growth can no longer be a priority for structural funds. An initial list of such areas where there will be a presumption against future funding was outlined as part of the Government statement:

- Managed access to countryside and coast and initiatives developing the natural, historic and cultural environment;
- Extensive climate change mitigation and adaptation measures including flood relief investments that do not support jobs and growth; and
- Building more integrated and effective public services.

14. We would not reject outright any proposal that could have a transformational impact on economic growth and creating jobs, but these areas are unlikely to generate such effects when compared to investments in innovative businesses, skills or the digital economy. These examples are not exhaustive and we need to have mature and sensible discussions about what we should fund and, importantly, what we will have to stop funding. With falling public sector budgets we need to invest funds in a more sustainable way which helps stimulate and encourage further investments in growth and jobs from businesses.

Next steps

15. In setting the strategic direction we have passed a significant milestone in developing the 2014-2020 Structural Funds programmes in Wales. A range of expert workstreams are being established by WEFO to take forward the detailed drafting of the programmes in partnership and the Ministerial Advisory Group and the European Programmes Partnership Forum will continue to offer strategic advice. A full public consultation towards the end of 2012 will put us in a position to open negotiations with the European Commission in the second half of 2013 and start programmes early in 2014.