

WALES PROGRAMME MONITORING COMMITTEE
EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020

Date: 12 February 2016

Time: 9.30am

Venue: Welsh Government Offices, Merthyr Tydfil

AGENDA

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|----|---------------------------------------------------------------------------------|---------------|
| 1. | Welcome and apologies | 09:30 - 09:35 |
| 2. | Minutes of December meeting, actions and other matters arising | 09:35 - 09:40 |
| 3. | Update on ESI Funds Progress, including portfolio development | 09:40 - 10:10 |
| | <u>To include:</u> | |
| | (a) Welsh Government Rural Communities Rural Development
Programme 2014-2020 | 10:10 - 10:35 |
| | (b) ERDF Programmes | 10:35 - 11:00 |
| | (c) ESF Programmes | 11:00 – 11:25 |

*Break **11:25am – 11:35am***

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| 4. | Cross Cutting Themes: Sustainable Development Annual Report | 11:35 – 12:00 |
| 5. | ERDF: Metro Development | 12:00 – 12:25 |
| 6. | ERDF Financial Instruments Assessment: Presentation of Key
Findings and Recommendations | 12:25 - 12:55 |
| 7. | AOB | 12:55 – 1:00 |

Lunch 1:00pm – 1:45pm

PWYLLGOR MONITRO RHAGLENNI CYMRU
CRONFEYDD STRWYTHUROL A BUDDSODDI EWROPEAIDD
2014-2020

Dyddiad: 12 Chwefror 2016

Amser: 9.30am

Lleoliad: Swyddfa Llywodraeth Cymru, Merthyr Tudful

AGENDA

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| 1. Croeso ac Ymddiheuriadau | 09:30 – 09:35 |
| 2. Cofnodion cyfarfod mis Rhagfyr, camau gweithredu a materion eraill sy'n codi | 09:35 – 09:40 |
| 3. Y diweddaraaf ar Gynnydd y Cronfeydd Strwythurol a Buddsoddi Ewropeaidd, yn cynnwys datblygiad portffolio | 09:40 – 10:10 |
| <u>I gynnwys:</u> | |
| (a) Cymunedau Gwledig Llywodraeth Cymru – Rhaglen Datblygu Gwledig 2014-2020 | 10:10 – 10:35 |
| (b) Rhaglenni ERDF | 10:35 – 11:00 |
| (c) Rhaglenni ESF | 11:00 – 11:25 |

*****Toriad 11:25am – 11:35am*****

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| 4. Themâu Trawsbynciol: Adroddiad Blynyddol Datblygu Cynaliadwy | 11:35 – 12:00 |
| 5. ERDF: Datblygiad y Metro | 12:00 – 12:25 |
| 6. ERDF Asesiad Offerynnau Ariannol: Cyflwyno Canfyddiadau Allweddol ac Argymhellion | 12:25 – 12:55 |
| 7. Unrhyw fater arall | 12:55 – 1:00 |

*****Cinio 1:00 – 1:45pm*****

**EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020
WALES PROGRAMME MONITORING COMMITTEE (WPMC)**

**Monday 14 December 2015
Welsh Government, Merthyr Tydfil
09:30 – 13:00**

MEETING NOTES

ITEM 1: Welcome and apologies

- The Chair welcomed all present to the ninth meeting of the Wales 2014-2020 Programme Monitoring Committee (PMC), including one European Commission official attending the PMC for the first time, Nicolas Gilbert-Morin, new Head of Unit responsible for the UK in DG Employ.

ITEM 2: Introductions

- The Chair introduced himself to the PMC and invited introductions from around the table.
- Two new members were introduced and welcomed to the group: Lowri Owain, LEADER representative from Cadwyn Clwyd Local Action Group and Rudi Plaut, Commerce Cymru representative, from the CBI.

ITEM 3: Minutes of September meeting, actions and matters arising

- Attendees and apologies are listed at WPMC(15)M09 - Annex A.

The following points from the minutes of the September PMC meeting were noted:

- Third page – last point -A member asked whether Rhondda Cynon Taff Local Authority is involved in the Bridges2Work project? Damien O'Brien (DOB) advised that this is a Torfaen Local Authority-led project. RCT has taken the decision not to be involved in this project at this initial stage but has an option to join later.
- Page four, point three should read – “The intention to extend the scope of the competition to include a further award aimed at schools was announced”.
- Page five, response two – Evaluation of the spending review is still under way. It will not have any implications for projects currently approved nor for those in the pipeline.
- Page five, response eight – Reference is made to regional engagement and the North Wales Economic Ambition Board: there's a need for WEFO to engage with all regional partnerships and to ensure that effective interfaces with each region are in

place. It was recognised that WEFO's regional engagement mechanisms are still under development, with Regional Engagement Teams being established in each of the four regions. It was agreed that the PMC will be kept informed of progress and engagement with the regions as this is considered essential for the successful delivery of the Programmes.

- Page 13, point one – In relation to the PMC Measuring Success Sub-Group's report, a member suggested a possible way of measuring productivity on both macro and micro levels. It was suggested that this approach could be discussed separately with DOB.

ITEM 4: DVD clip: Progress of 2014–2020 programmes

- Members were shown a DVD clip reflecting highlights of events and achievements of the Structural Funds over the last year.

Update on ESI Funds Progress, including portfolio development Overview of progress

- DOB presented an update on the Structural Funds Programme. A copy of the presentation was to be circulated to members.
- With recent project approvals, WEFO has committed £451million of EU Structural Funds, 23% of the total money available, to 32 different projects. This breaks down as follows:
 - £159m - West Wales and the Valleys ERDF Programme;
 - £53m – East Wales ERDF Programme;
 - £198m – West Wales and the Valleys ESF Programme; and
 - £41m – East Wales ESF Programme.

Structural Funds lever in both public and private funding, with just under £1billion total investment being associated with the new programmes so far..

- DOB indicated that, overall, WEFO aims to commit a third of the available Structural Funds budget by the end of the 2015/16 financial year.
- Examples of recently approved Structural Fund projects were highlighted:
 - The BEACON+ project will see scientists from Aberystwyth, Bangor and Swansea Universities working with industry to develop renewable materials, fuels and chemicals. This project has been allocated £8m of ERDF funds.
 - Superfast Broadband Business Exploitation: another recently approved £12.5m ERDF project which will help businesses across Wales to maximise the benefits of superfast broadband.

- Healthy Working Wales (In Work Service): a recently approved £4.7m ESF project, which includes £3.2m of European Union funding through the Welsh Government. This project aims to help more than 4,000 people receive additional support, which will address health-related barriers to remaining in employment.
- Communities4Work - Backed by £6.8 million of EU funds and supported by Jobcentre Plus, this recently approved ESF project will help 6,000 people aged 16–24 in Wales' most disadvantaged communities, supporting 1,500 young people into work.
- It was confirmed that there is also a strong pipeline of potential projects seeking funding from each of four Structural Fund programmes:
 - £315m for West Wales and the Valleys ERDF Programme;
 - £29m for East Wales ERDF Programme;
 - £170m for West Wales and the Valleys ESF Programme; and
 - £29m for East Wales ESF Programme.

Procurement is under way in relation to operations approved under the new Programmes, but it is too early to be able to provide meaningful information on the outcomes. Overall, it is anticipated that the pattern of procurement will not be dissimilar to that associated with the 2007-2013 programme period, in which monitoring data confirms over 3,000 businesses and over 900 third sector organisations were engaged, through procurement, in delivering elements of the programmes. The PMC will be updated on the procurement associated with the 2014-2020 Programmes at future meetings.

- Significant events since the last PMC were highlighted including:
 - The Annual Information Event on 3 December at Swansea Liberty Stadium; where the 2015 EU Publicity Award winners were announced;
 - Launch of the European Territorial Co-operation Action Plan on 2 October;
 - WEFO hosted the IQ-NET Conference on 24-25 November in Cardiff, attended by representatives from 17 Member States to discuss simplification; and
 - Publication of EU Funding Ambassadors' Interim Report.
- The priorities for the period ahead, include:
 - Completing closure of 2007-2013 Structural Fund projects;
 - Continuing to build commitment of funds for the 2014-2020 Programmes;
 - Achieving designation of Management & Control system;
 - Producing the Annual Control Report 2015;
 - Completing the first Annual Implementation Reports for 2014-2020 (due by 31 May 2016); and
 - Organisation of the Horizon 2020 Annual Event – 17 March 2016.

Discussion Points:

- A PMC member queried whether the EoI and project approval process for the new Structural Fund Programmes aligns with WEFO's expectations.
- Another member commented that during the development of the new Programmes there had been a strong emphasis on having fewer, more strategic projects order to achieve long term, transformational change. The member sought an overview of progress in identifying and committing funds to such projects, in the context of the extent of commitments made at this early stage in the Programmes to large scale Welsh Government projects.
- The Chair commented that these points can be revisited in the PMC's February meeting, and it's likely that with the EU Referendum, these issues will continue to be of public interest.
- A member raised concerns that the Further Education sector is facing scrutiny, as after 15 years of EU Funds investing in skills, the relative GVA position hadn't improved significantly.
- Another member asked if there was a simple explanation for the continuing relatively weak position of the West Wales & the Valleys economy, in relation to other EU/UK regions.
- It was pointed out that there is a need to demonstrate 'additionality' and impact. As Structural Funds are relatively small in scale when compared to the overall value of the Welsh economy and the challenges it faces, there is a need to maximise access to other funding sources. Reference was made to the work of the EU Funding Ambassadors and their impending recommendations for how the funds should work together to maximise impact.
- Some members expressed concerns over the rural economy of Wales and diminishing levels of employment in rural areas, commenting that this imbalance needs to be addressed.
- A member commented that larger strategic projects needed to adopt an all Wales perspective and the focus should not simply be on South East Wales.
- It was suggested that there was a need to contextualise the relatively weak GVA figures for West Wales & the Valleys. Structural Funds are a relatively small source of funding and it's important to be realistic about the scale of impact that they can have. Now that the GVA figures include the third sector and charities, there should be a positive effect on GVA for Wales and the UK. The 75% EU average is also affected by activity in other Member States. Wales has been growing its economy since devolution and the EU Programmes are important contribution towards this, and are having a positive effect.
- Another member accepted the concerns about rural Wales, but felt there is a need for the Programmes to focus on the more populated areas with the greatest levels of deprivation. Structural Funds and local government funds could be used to pilot activities and if these are found to be successful, they can then be rolled out across Wales.

Responses:

- DOB explained that there are no formal targets for commitment, but N+3 expenditure targets will kick in from 2017 and there is a need to have sufficient activity in place to meet these. WEFO is on track to commit a third of the funds by the end of this financial year. It is important to process applications efficiently but also to allow time for proper due diligence checks. Once projects are approved, there is also a need for them to get under way in a timely way. A new 'mobilisation phase' has been introduced for the new Programmes, during which projects are expected to focus on procurement, staff recruitment and planning.
- Peter Ryland (PR) added that the time between the initial EoI and approval varies between projects. The new Programmes have a focus on what each project will deliver and how they will contribute towards the Programme objectives. A useful meeting recently took place with Joy Kent (Chwarae Teg) and Derek Walker (Wales Co-operative Centre) to receive feedback on their experiences of the project approval process.
- DOB advised that there are both infrastructure and revenue projects in the pipeline. As part of the approval process, WEFO is ensuring that the investments made are concentrated and aligned with other opportunities, as envisaged by the Economic Prioritisation Framework.
- Those WG projects already approved, many of which are pan-Wales operations, are expected to be tailored to the needs and opportunities present within each region of Wales. For example, the ESF Programmes involve working with some challenging groups, with multiple disadvantages, and will require targeted and specialist projects to be put in place. It is envisaged that the ERDF Programmes will see the development of a mixed portfolio of projects which build on those already approved and which will include a successor scheme to JEREMIE, along with further investments in R&D and Renewable energy.
- DOB advised that, in terms of Wales' relative GVA position, there are a number of structural challenges, including the industrial mix of Wales: there being fewer high growth sectors and businesses than in other regions. Wales also continues to suffer from lower levels of employment and economic activity, although the figures are improving. Additionally, the Convergence region does not benefit from agglomeration effects given that Cardiff is not a large city, though the development of the City Regions may be a means of addressing this shortcoming. Traditionally, investments made in R&D have been weak, although the position here is showing signs of improvement. Demographic trends also pose challenges: there is a need to keep young people in Wales and to ensure that they have the opportunity to have successful careers here.
- Commuting patterns from the Valleys into Cardiff and Newport are also a factor, with GVA being measured on the basis of where it's earned, rather than where people live. This produces better GVA outcomes for East Wales, but of course people take their earnings home and spend a proportion of their income in their

local communities, so the benefits of employment in East Wales are evident in the Valleys. There is therefore a need to use a 'basket' of economic performance indicators, in addition to GVA, to establish the true picture.

Welsh Government Rural Communities: Rural Development Programme 2014-2020

- Terri Thomas (TT) provided an update on the Welsh Government Rural Communities: Rural Development Programme which was approved in May and explained that the Programme report cannot be produced in the same format as the Structural Funds report, as the two programmes do not operate in the same way. Key points were that:
- An invitation for people to provide Expressions of Interest (Eols) had opened in early July 2015 and had closed in September 2015 with approval letters having recently been issued. Applicants are now working on full applications.
- The outcome of the UK Government Spending Review had been more favourable than anticipated and as a result, whilst there will be a reduction in domestic funding this will only be for the next financial year (2016/17), rather than the whole Programme period as anticipated.
- Ministers will be announcing new Eol windows in February and some of these will include repeat windows.
- The following schemes are committed and up and running:
 - LEADER;
 - Farming Connect has been launched for farming and forestry businesses, with a budget of £45million;
 - Sustainable Production Grant provides on-farm investments – 271 applications (worth £39million) were received for a £2million budget. Twelve of these have been invited to submit a full application;
 - Food Business Investment Grant – 85 applications were received (totalling £45million), 24 will go forward to full applications, for an £8million budget; and
 - The Co-operation and Supply Chain Measure received 47 Eols (totalling £23million), and 28 of these will be taken forward with a budget of £10million. These include strategic sectoral projects for red meat, dairy, infrastructure, community transport and sustainable transport.
- The Welsh Government Rural Communities: Rural Development Programme has been written to align with the Future Generations Act and the Ministers will be keen to deliver against this as the Programme progresses.
- The Welsh Government Rural Communities: Rural Development Programme 2014-2020 'Start of Term' event will be held at the Liberty Stadium, Swansea on 11 February 2016.

Discussion Points:

- A member queried what reduction had been made to the Welsh Government Rural Communities: Rural Development Programme this financial year as a result of the UK Government Spending Review?
- A member asked whether progress made is in line with this in the UK Performance Framework?
- A member queried whether a formal modification to the Programme has been made.
- It would be helpful in future meetings if the PMC could receive a monitoring report on the Programme.
- The Supply Chain Efficiency Scheme had 28 projects under the last Programme, how do the projects under the new Co-operation and Supply Chain Measure align?
- Concerns were raised on the lack of State Aid cover for LEADER activity.

Responses:

- TT advised that the UK Government Spending Review had led to a £3.4million reduction for domestic funding.
- The Programme's performance against N+3 and Performance Reserve targets will be reviewed regularly.
- TT advised that officials are holding off on making a Modification due to the Assembly elections next year. Only one modification is allowed each year, and this will apply to major changes made in the Programme. A recent meeting has been held with the Commission to discuss the exchange rate, but a modification is not needed to alter this. Modifications will go to the PMC before their submission to the Commission.
- The PMC will receive monitoring reports once the Programme's underway.
- The projects under the Co-operation and Supply Chain Measure will facilitate the development of other projects. A relatively small amount of funding has been allocated to this Measure to help applicants develop projects that will benefit primary producers.
- The decision to no longer provide State Aid cover for LEADER activities was made in conjunction with the Local Action Groups, through consultation. This decision means that LEADER will be delivered correctly in the new Programme, by focusing

on innovative activities, piloting and testing, and the Commission have confirmed this. Both Measures 6 and 7 have State Aid cover. No longer using LEADER funds to provide grants for small businesses, does not stop businesses accessing support elsewhere. If it is found that LEADER cannot operate on this basis, then the Welsh Government will review this decision.

ERDF Programmes

- Sue Price (SP) gave an update on the ERDF programmes and referred to how the DVD shown at the meeting provided examples of how businesses, people and communities are benefitting from ERDF funding. The new ERDF Programmes have been in operation for just over 12 months and, in general, good progress has been made, with good levels of commitment achieved. A strong pipeline of projects is in development, which will help to meet the N+3 targets in 2017 onwards by making commitments to suitably aligned projects.
- Monitoring and evaluation will play a very important role in the delivery of the new Programmes: projects will be evaluated after three years to review their delivery. post approval so projects will need to deliver in a timely fashion. Where targets are not reached, WEFO is able to scale back or withdraw support.
- ERDF has a valuable contribution to make to the growth of the economy over the next 10 to 15 years. In addition to this, Horizon 2020 is a £70billion competitive source of funding, open to all Member States. It remains important that Wales accesses and secures a fair share of this funding and aligns projects to the different funds so that benefits are maximised.

Discussion Points:

- A member felt that the documents provided for this meeting were helpful, particularly the ERDF diagrams, but questioned whether there were also discussions taking place around the alignment of the finance provided by the European Investment Bank (EIB) and the Structural Funds Programmes? For example, there is potential for the provision of Venture Capital but there are no projects yet evident that will address this requirement?

Responses:

- DOB advised that that the EIB are keen to discuss alignment with the Funds. The Finance and Government Business Minister has met with the EIB to discuss synergies. The Metro is one potential investment under discussion that could access both Structural Funds and EIB support, with an exploratory meeting with an EIB 'JASPERS' expert scheduled to take place on 21 January 2016.

- It was suggested and agreed that the next PMC meeting should receive an update presentation on the Metro, as this will help to illustrate how various funding streams can combine to support implementation of such a major project. SP confirmed that WEFO is engaged in discussions with Business Wales around venture capital and repayable finance.

ESF Programmes

Peter Ryland (PR) provided an update on progress in implementing the new ESF programmes. At this early stage in the programme period many of the projects approved are larger strategic projects, including a number of Welsh Government backbone projects which will facilitate Wales-wide delivery. There is an expectation that these projects will reflect regional needs, with a focus being placed on how individual projects deliver in line with the performance framework.

Discussion points:

- A member queried the implications of the UK Government Spending Review for Welsh Government projects?

Responses:

- DOB advised that officials are still working through the implications of the UK Government Spending Review. The general feeling is that the outcome of the Review had not been as bad as had been expected and that therefore the implications could have been worse than now appear to be the case..
- The Chair advised that the implications of the Government Spending Review were probably best discussed at the February PMC meeting.
- ***Action Point: Programme update reports at the February meeting to address the implications of the Government Spending Review***

ITEM 5: ESI Funds and the Future Generation Act Goals

- The Chair welcomed Andrew Charles, Head of Sustainable Development, Welsh Government, and invited him to make a presentation on the goals of the Future Generations Act, in the context of the obvious synergies and alignment between these goals and those of the European Structural and Investment Fund programmes in Wales.
- The presentation included the following videos:
 - Transitioning from the MDGs to the SDGs:
(https://www.youtube.com/watch?v=5_hLuEui6ww)

- Wellbeing of Future Generations Act:

(<http://wales.gov.uk/topics/people-and-communities/people/future-generations-bill/future-generations-act-video/?lang=en>)

The Welsh Government has agreed a set of 17 Sustainable Development Goals which align with the seven Wellbeing Goals of the Future Generations Act. All public bodies in Wales are subject to these Wellbeing Goals:

- A prosperous Wales;
 - A resilient Wales;
 - A healthier Wales;
 - A more equal Wales;
 - A Wales of cohesive communities;
 - A Wales of vibrant culture and thriving Welsh language; and
 - A globally responsible Wales.
- The Act establishes a legal requirement for public bodies in Wales to work to achieve the seven goals, with progress being monitored against a set of national indicators and milestones.
 - A consultation on a proposed set of 40 indicators that are to be used to monitor the delivery of the Act opened in October and will close in December.
 - The 44 public authorities that fall under the duty include the Welsh Government, HEFCW, the NHS, Natural Resources Wales, and the Fire and Police Authorities. Guidance for public bodies on the Future Generations Act will be published in February 2016 and the new Future Generations Commissioner will provide ongoing support and advice, as well as carrying out reviews and making recommendations to public bodies.
 - The Chair commented that the PMC will need to explore the relationship between the indicators for the Programmes and the Act and to consider its relationship with the Commissioner for Future Generations.

ITEM 6: ESI Funds Communications

- TT outlined how different rules apply to the Welsh Government Rural Communities: Rural Development Programme under the EAFRD and to the Structural Funds programmes. One of these is that PMC members are required to approve the Communications Strategy for the Structural Funds whilst being required just to note the EAFRD Communications Strategy.
- Alison Sandford (AS) outlined the Structural Funds communications highlights of the last year. In total, 45 Ministerial press notices had been issued for new projects and key milestones and 27 Ministerial project visits took place. These had required careful planning and development to maximise coverage: over 1,000 press cuttings had been issued and 97% of these received positive coverage.

- In May, there had been a successful Europe Day campaign, which had made greater use of social media channels and of 'infographics'. As an example, WEFO had worked with a range of project sponsors on a Twitter campaign that was viewed by half a million people.
- A series of other events had also been held, including the Horizon 2020 launch in February and the launch of the Ireland/Wales Programme in March.
- The Annual Event in Swansea was a good example of how WEFO had promoted the benefits of EU Funding, with the winners of the new EU Funding Awards being announced at the event. The level of engagement with these Awards had demonstrated the enthusiasm that project sponsors have for communicating the achievements of their projects and the ongoing relevance of the European Programmes. Case studies which help to communicate the human interest dimension to projects have proved to be particularly beneficial. It is therefore intended that more DVDs will be produced next year to showcase the achievements of the Funds, both at events and on YouTube.
- Looking forward AS explained that, in the run up to Europe Day next year, there are opportunities to link up with other Funds to promote the benefits of EU Funding. In this context, the forward campaign will include the Welsh Government Rural Communities: Rural Development Programme and the European Maritime and Fisheries Fund. It is intended that more use will be made of social media, as this has more 'reach' than traditional press and again provides greater opportunity to adopt a human interest dimension to communications than do print media. More work will also take place with sponsors and beneficiaries to promote best practice.

Discussion Points:

- A member commented that it's encouraging that the Welsh Government Rural Communities: Rural Development Programme will be included in this communications activity.
- The Commission recognises the importance of promoting the EU Funds in a challenging environment. The use of social media, press and linking up with stakeholders are all encouraged. In relation to the EAFRD Publicity Strategy, there is scope to make greater acknowledgment of the Commission as a key partner for communications activity. To this end, a meeting was suggested with the Wales Rural Network Support Unit at the start of next year.
- A member asked whether it would be possible to have a 'Europe Week' next year, rather than just a 'Europe Day', and to co-ordinate project sponsors' communication activities.

Responses:

- TT welcomed these suggestions and advised that Steve Jackson, Head of the Wales Rural Network (WRN) Support Unit, will arrange a meeting. The recruitment process for the WRN Steering Group has started and will close in January.
- AS advised that the Europe Day campaign this year did actually span a week and there was co-ordination across and links to sponsors' events.
- Members were also advised that the current standalone WEFO website has been taken down and the content can now be found at www.gov.wales/eu-funding and www.llyw.cymru/ue-ariannu.

Action Point: Steve Jackson Head of the Wales Rural Network Support Unit to arrange a meeting with David Hughes, Head of the European Commission, Wales.

ITEM 7: ERDF Business Survey: Presentation of Key Findings and Recommendations

The Chair introduced John Nolan (JN) from SQW who presented on the findings and recommendations from the ERDF Business Survey and thanked him from travelling from Edinburgh to attend the meeting.

Discussion Points:

- The Chair noted that the survey recommendations support the importance of data capture and having sound IT systems in place for this.
- A member asked whether the survey captured the integrated support provided to businesses, in terms of both ERDF funding and ESF skills interventions?
- A member noted that the last ERDF Business Survey was undertaken in 2011 and asked whether the methodology from the earlier survey is similar to this latest survey?
- A member asked whether the GVA and Return on Investment (ROI) figures were based on figures that combined both the EU and Match Funding?
- A member asked whether the report examined the links between business support and finance?

Responses:

- Kathryn Helliwell advised that the availability of satisfactory business-level data was a limitation of this study, and that this had led to a number of caveats needing to be placed on the analysis. Recommendations made on data capture have been taken

on board for the new Programmes: when projects now submit a claim to WEFO it has to be backed up with adequate details of businesses that have been supported. This is particularly important as one of the key problems associated with conducting this kind of evaluation is that, where small businesses have been assisted by projects, those businesses often do not appear on ONS datasets used as part of the analysis.

- JN advised that the enterprise database identifies what beneficiary businesses have been supported by ERDF projects and what the outcomes were. The integration between the two funds is important, as business development and skills development are interlinked.
- JN explained that the methodologies of this latest ERDF Business Survey and the earlier survey are similar with both surveys drawing on both quantitative and qualitative feedback on the support received. The 2011 survey had attempted to include some counterfactual impact evaluation, but the extent to which this was possible was limited by data related issues.
- It was clarified that the figures presented for both GVA and ROI are based on the EU Funding contribution only.
- JN advised that the links between business support and finance were examined as part of the counterfactual analysis. SP advised that, in the new ERDF Programmes, it is expected that Business Wales will be able to capture better intelligence through improved relationships with businesses, formed via the Business Gateway. In particular, there is a need to be able to identify where supported businesses have grown, as the new ERDF Programmes are targeting start-ups that have the potential to grow beyond having 10 employees (thus potentially making counterfactual analysis more viable).

ITEM 8: PMC Sub-Group: Update on Implementation of Recommendations of Measuring Success 2014-2020 Report

- The Chair invited Rob Halford (RH), WEFO's Head of Planning and Strategy, to present WEFO's response to the Measuring Success Sub-Group's paper considered at the September 2015 PMC meeting..
- RH advised that the new Programmes, through the improved intervention logic that underpinned their development, contained clearer investment priorities than earlier programmes, as well as better definitions of anticipated investment outcomes. Together with the concerted effort being made to improve further monitoring and evaluation of WEFO's strategic performance, this meant that progress has already been made in addressing a number of the concerns raised in the Measuring Success Sub Group's paper.

- In agreeing the new Programmes with the European Commission, WEFO has entered into a commitment to monitor and evaluate programme performance in a specific way and therefore it is on this basis that both the PMC and the Commission will continue to receive progress reports. However, there is the potential to augment this reporting to provide a clearer picture of how investments are addressing the concentration, integration and simplification 'design principles' that guided the development of the new programmes. WEFO therefore intends to explore the provision of additional intelligence, drawing on intermediate data, that provides an overview of how investments are linked both geographically (regionally) and thematically in pursuit of enhanced programme outcomes. This work will be supported through the work of the shortly to be established WEFO Monitoring and Evaluation Advisory Group.
- Additionally, as the previous agenda item had highlighted, the Future Generations Act had implications for the way that WEFO, together with all those public sector organisations involved in delivering EU Funded projects, considers, complies with and reports against Sustainable Development requirements. This links clearly to the challenges associated with embedding the Sustainable Development Cross Cutting Theme that, along with the Cross Cutting Themes of Equal Opportunity and Tackling Poverty, underpin the new programmes.

Discussion Points:

- A member highlighted that in addition to the public sector, businesses also impact on the environment and asked what steps are being taken to ensure that projects targeting support towards businesses reflect CCT requirements?
- A member added that a step should be built in to assure the PMC that the Funds are delivering on the Future Generations Act, and to consider whether any changes need to be made to the delivery of the Programmes at a future point.

Responses:

- RH advised that each project, irrespective of the target audience, is required to deliver against the Cross Cutting Themes, which include sustainable development. The Cross Cutting Theme reports that are scheduled for future PMC meetings will provide further information.
- Tom Smithson advised that work has been undertaken internally to identify the 'golden thread' running through the results indicators for the EU funds and those associated with the Future Generations Act; this would be updated following Welsh Government elections in May 2016, once the new Welsh Government publishes its Wellbeing Objectives as part of their Programme for Government.

- On the contribution of the ESI funds to improving Welsh GVA, it is widely recognised that the funds, being of limited financial value relative to the total value of the Welsh economy, do not represent a reasonable measure of success and it was unrealistic to expect ESI funds to bridge the GVA gap. This is why for the new Programmes, WEFO agreed with the European Commission a set of results and output indicators, with targets, which provide a realistic measure of what Structural Funds can actually achieve.

ITEM 9: AOB

- The Chair reminded members that the next meeting of the PMC has been scheduled for 12 February 2016 at 09:30am in Merthyr Tydfil. It should be noted that the PMC meeting that was planned for Friday 6 May 2016, has now been moved to Friday 17 June 2016 because of the Assembly elections.
- The Chair reminded members that they need to complete a Register of Interest form and return to the secretariat.

The meeting closed at 1:20pm

WPMC Secretariat

December 2015

Wales PMC European Structural and Investment Funds 2014 - 2020

14 December 2015

Welsh Government Office, Merthyr Tydfil

ATTENDEES**Chair** – Mick Antoniw AM***Members nominated on a representative basis, from partners and statutory bodies:***

Phil Fiander	Third sector (WCVA)
Karen Anthony	Rural Economy (CLA – Country Land & Business Association)
Rachel Lewis-Davies	Farming and Rural businesses (NFU)
Rudi Plaut	CBI
Tom Whyatt	Business and Enterprise (Industry Wales)
Dr Greg Walker	Further Education (Colleges Wales)
Cllr Ronnie Hughes	Local Government (WLGA)
Lowri Gwilym	Local Government (WLGA)
Lowri Owain	LEADER
Derek Walker	Social Economy (Wales Cooperative Centre)
Matthew Quinn	Welsh Government (Natural Resources)
Chris Jones	Welsh Government (Education & Skills)
Arfon Williams	Environmental NGOs (Wales Environment Link/RSPB)
Peter Crews	Wales TUC Cymru
Martin Mansfield	Wales TUC Cymru

Members selected via the Public appointments process:

Beth Winkley
Professor Richard B Davies
Siân Price

Advisors:

Nicolas Gibert-Moran	European Commission, DG Employ
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Programme Managing Authorities:***Welsh European Funding Office / Department for Natural Resources***

Damien O'Brien	Chief Executive, WEFO (ERDF, ESF)
Rob Halford	Head of Planning & Strategy (ERDF, ESF)
Terri Thomas	Head of CAP Planning Division, Welsh Government
Peter Ryland	Deputy Director, Programme Performance & Finance, WEFO, Welsh Government
Howard Davies	Welsh Government

Victoria Seddon	Secretariat
Linda Pugh	Secretariat

Observers

Alex Bevan	TUC
David Hughes	Head of European Commission, Wales
Nick Fenwick	FUW
Barbara Burchell	Local Government
Dean Langley	Welsh Government
Kathryn Helliwell	Welsh Government
Tom Smithson	Welsh Government

Presenters

Andrew Charles	Welsh Government
John Nolan	SQW

Interpreter

Steffan Wiliam	Cymen
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APOLOGIES

Professor April McMahon	Higher Education (Aberystwyth University)
Dr Grahame Guilford	Public Appointee
Cath Jenkins	Welsh Government (Education & Skills)
David (Dai) Davies	Public Appointee
Dr David Blaney	HEFCW (Higher Education Funding Council for Wales)
Jocelyn Llewellyn	UK Government (Jobcentre Plus)
Joy Kent	Public Appointee
Julie Cook	Wales TUC Cymru
Paul Byard	Commerce Cymru
Rhian Jardine	Environmental Sustainability (Natural Resources Wales)
Marek Beran	European Commission, Directorate-General for Agriculture and Rural Development
Kristina Kusmanova	European Commission, UK Desk Officer responsible for the 2014-2020 Programmes, DG Regio
Andrew Slade	Director, Agriculture, Food & Marine (RDP)
Jane McMillan	Head of ESF Programmes, WEFO
Elaine DeBono	Head of Rural Payments Division, Welsh Government

European Structural and Investment Funds 2014 - 2020

14 December 2015

Welsh Government Office, Merthyr Tydfil

ACTION POINTS

	Meeting Date	Action Requested	Latest Situation
1.	14 December 2015	Programme update reports at the February meeting to address the implications of the Government Spending Review.	To be covered at the February PMC meeting.
2.	14 December 2015	Steve Jackson Head of the Wales Rural Network Support Unit to arrange a meeting with David Hughes, Head of the European Commission, Wales.	A meeting took place on 19 January to discuss how the Wales Rural Network Support Unit and the European Commission office in Wales can work together on communicating the Welsh Government Rural Communities: Rural Development Programme 2014-2020. The Programme event on 11 February will have a European Commission office in Wales stand providing information.

Ongoing Action Points from previous meetings

	Meeting Date	Action Requested	Latest Situation
1.	11 September 2015	PMC secretariat to include one Cross Cutting Theme as an agenda item at three PMC meetings with a summary report presented at the fourth PMC meeting.	The first Cross Cutting Theme report on the Sustainable Development theme has been included as an agenda item for the February PMC meeting.
2.	05 June 2015	WPMC Secretariat to amend paper WPMC(15)54 in light of advice from European Commission officials and circulate the revised paper to WPMC members.	Ongoing.
3.	05 June 2015	Welsh Government Officials to draft simplified RDP scheme guidance notes.	Ongoing – Welsh Government officials are drafting guidance notes for RDP Measures as they are activated.

5.	23 February 2015	An update from the North Wales Economic Ambition Board to be presented to the WPMC on a regular basis, at least annually. – This can roll forward to another meeting as it's a yearly update	Ongoing. WEFO officials are currently considering arrangements for how the regional partnerships could feed into the PMC
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WPMC Secretariat

January 2015

WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 – 2020:

Update on Welsh Government Rural Communities – Rural Development Programme 2014-2020

Issue

1. This paper gives a review of the state of implementation of the Programme.

Recommendation

2. Members are invited to note the content of the report and to provide comments accordingly.

Background

3. The programme was approved in May 2015. It is being delivered as a number of support schemes that are aligned to Welsh Government objectives and to EU objectives, priorities and focus areas. The projected financial allocation of the programme is as follows:

Proposed RDP 2014 -2020 Schemes	Indicative Allocations	Proportion of RDP
Human And Social Capital Measures	£	%
Knowledge Transfer and Innovation (incl Farming Connect), Rural Business Advisory Services, Co-operation and Supply Chain Development, European Innovation Partnership		
Total	£134,865,474	14%
Investment Measures		
Food Business Investment, Sustainable Production Grant, Young entrants support, Business creation and development of non-agri activity, Timber Business Investment		
Total	£147,434,124	15%
Agri Environment - Climate Measures		
Glastir Entry; Habitat Networks; Small Grant Scheme; Advanced Capital Elements; Commons, Glastir Organics, Glastir Woodland Schemes – Creation; Forest Management Plans; Management (Environment); Small Woodlands or Starter Woodlands; Management (Economy); Monitoring and Restoration; Area Payments		
Total	£530,163,881	55%
Local Development measures		
LEADER, Rural Community Development Fund		
Total	£106,865,475	11%
Technical Assistance		
Technical Assistance	£38,132,898	4%
Total RDP	£957,461,850	100%

Programme Overview

4. Much of the RDP is being delivered through grant programmes. We will be opening Expression of Interest (EOI) windows for all these, where the eligibility and selection criteria are publicised in advance and clearly identified closing dates are set. Each call will be only a part of the overall budget. Calls will be opened at various times throughout the programme and we will advertise them to ensure beneficiaries are aware what window is open, the amount of budget available and when the next window will be opening.
5. We have not yet publicised a forward schedule of EOI windows. The recent HM Treasury budget caused significant uncertainty and the Welsh Government had to hold back the timing of some decisions to avoid overcommitting its domestic funding. It remains the intention to set a forward schedule of EOI windows but in practice Ministers cannot make such a commitment until following the May election.
6. The majority of schemes have already opened, and the Deputy Minister will announce further EOI windows at the 11 February Start-of-Term event. This relates to further EOI windows for schemes previously opened as well as a number of first EOI windows for schemes that have not yet been launched.
7. Schemes already launched are:
 - Farming Connect
 - Glastir Advanced
 - Glastir Commons
 - Glastir Organic
 - Glastir Woodland Restoration
 - Glastir Woodland Creation
 - Sustainable Production Grant
 - Food Business Investment Grant
 - Rural Community Development Fund
 - Co-operation and Supply Chain Development
 - LEADER
 - European Innovation Partnership for Agricultural Productivity and Sustainability
8. In financial terms the amounts made available under these schemes totals £213m. Individual grant applications are currently being assessed.
9. The following table shows the breakdown of the £213m into support schemes. The table also shows spend to date which has been claimed from the EU to the end of December 2015. It relates principally to Agri Environment and Forestry agreements signed during the 2007-2013 programme which have transitioned to the 2014-2020 programme and new agreements. Advance payments have also been made to LEADER groups and other activities to ensure a continuation of delivery but these are not shown in the table.

Scheme	Total made available £m	Cumulative spend £m	Cumulative EAFRD spend £m
Knowledge Transfer	37	#	#
Glastir Woodland Creation	4	*	*

Glastir Woodland Restoration	4	-	-
Glastir Organics	30	-	-
Glastir Advanced	60	-	-
Sustainable Production Grants	2	-	-
Food Business Investment Grant	8	-	-
Co-Operation and Supply Chain Development	10	-	-
Rural Community Development Fund	10	-	-
LEADER	48	#	#
Transition of 2007 – 2014 schemes:			
Glastir Entry	-	4.3	1.8
Glastir Advanced	-	3	3
Glastir Commons	-	0.3	0.1
Glastir Woodland	-	0.1	0.1
Total	213	7.7	5.0

Notes:

* = expenditure of less than £100,000

= advances made

Sectoral views of the Programme

Cross sector

10. The following schemes are already committed and in progress:

- Co-operation & Supply Chain Development (CSCD). This opened sub-measure 16.4 to initiate development of a series of *strategic initiatives* aimed at particular sectors and themes, and their further exploitation through sub-measures 16.2 (pilot projects and for the development of new products, practices, processes and technologies) and 16.3 (co-operation among small operators in organising joint work processes, sharing facilities and resources, and for developing and marketing tourism). We are encouraging the use of strategic initiatives to make sectors take more ownership of their strategic direction.
- LEADER. Although it has a significant community development focus it can support a wide range of interventions in rural areas, including businesses development, farm diversification and environmental schemes.

11. Further sub-measures will be launched later in the programme to capitalise on the above:

- 16.5 - to fund landscape scale approaches to land management not possible under Glastir. This will be to support work to meet climate change challenges, to benefit the environment and thereby the means of farm production more widely, and to make inroads into 'environmental services' that pay an income (PES).

- 16.6 - cooperation for sustainable provision of biomass for use in food and energy production and industrial processes.
- 16.9 - diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food.

Farming

12. The following schemes are already launched and in progress:

- Ongoing portion of multi-year Glastir agreements (from agreements signed in prior years) – Entry, Advanced, Commons, Organic, Woodlands.
- New funding for Glastir Organics and Glastir Advanced.
- Farming Connect, the knowledge transfer and advisory services, commenced in October.
- Sustainable Production Grant (SPG) – the first EOI window was over-subscribed.

13. The following schemes have yet to launch:

- Glastir Small Grants.
- Young Farmers Start-up.
- Rural Business Investment.
- Rural Business Start-up.
- Farm and Forestry Infrastructure.
- Glastir Habitat Network.

14. There is substantial interest in co-operative projects that will over-arch sub-sectors, with a focus on red meat, dairy and animal health. There is scope for Strategic Initiatives to bring forward proposals for smaller grants where their employment will bring about strategic outcomes. The need and the solution will be assessed with industry input.

15. Knowledge Transfer, Innovation and Advisory Service forms the main mechanism and structure for delivering a co-ordinated and integrated package of knowledge transfer, advice and innovation support services targeting rural communities. The new contracts for knowledge transfer, advice and innovation, known as Farming Connect, commenced on 1 October 2015, coinciding with the end of the previous service.

16. Eligibility for the new Knowledge Transfer programme has broadened to enable more businesses and persons engaged in the agricultural, forestry and food sectors to participate, including students. It is aligned with other Welsh Government business support packages and activities, including Business Wales and Resource Efficient Wales. Key stakeholders are represented on the Farming Connect Industry Advisory Board.

17. Further information on the content of the Knowledge Transfer programme is at Annex A.

Woodland and Forestry

18. The following schemes are already launched and in progress:

- Ongoing portion of multi-year woodland agreements (agreements signed in prior years).
- Glastir Woodland Restoration and Glastir Woodland Creation windows have recently closed.
- Farming Connect knowledge transfer and advisory contract will also support this sector.
- Glastir Advanced contributes to this sector through its Woodlands options.

19. The following schemes have yet to launch:

- Follow-on windows for Glastir Woodland Restoration and Glastir Woodland Creation.
- Timber Business Investment.
- Forestry Risk Management.
- Farm and Forestry Infrastructure.
- Woodland Management.

Food

20. The following schemes are already launched and in progress:

- Food Business Investment Grant.
- Farming Connect knowledge transfer and advisory contract will support this sector.

21. There are no “unlaunched” schemes for this sector, but there will be further EOI windows for the Food Business Investment Grant.

22. The first EOI window for Food Business Investment was heavily over-subscribed, indicating a substantial demand from the sector and a willingness to commit to projects. The food sector has also bid strongly into the EOI round for CSCD.

Communities

23. The following schemes are already launched and in progress:

- The LEADER Local Action Groups and their Local Development Strategies have been approved. Although it has a clear community development focus, LEADER is designed to support all six of the Priorities for Rural Development and works across all sectors.
- First EOI window for Rural Community Development Fund closed at the end of January.

24. There are no “unlaunched” schemes for this sector, but there will be further EOI windows for the Rural Community Development Fund. It addresses: drawing up development plans and protection and management plans; small scale infrastructure, including investments in renewable energy and energy saving;- support for broadband infrastructure; setting-up, improvement or expansion of local basic services; tourist information and small scale tourism infrastructure; maintenance, restoration and upgrading of cultural and natural heritage; relocation of activities and conversion of buildings.

25. The two major interventions in this sector have been operative since early in the programme. LEADER and the related strategies are launched, with forward commitments for several years ahead.

Other business support

26. The following schemes are already launched and in progress:

- The LEADER Local Action Groups and their Local Development Strategies offer support here.
- Farming Connect knowledge transfer and advisory contract will support this sector.
- There is some relevant support under the Rural Community Development Fund (see Communities, above).
- The Farming Connect contract has been specified to run more smoothly with Business Connect to give support to rural businesses.

27. The following schemes have yet to launch:

- Rural Business Investment
- Rural Business Start-up.

Next Steps

28. The Committee will continue to receive reports on progress across the various elements of the Programme.

Agriculture, Food and Marine Lead: David McNeill

Approved by: Terri Thomas

Date: 28 January 2016

Knowledge Transfer Programme

1. *Menter a Busnes* are contracted under the Farming Connect Framework to deliver the new Farming Connect Knowledge Transfer Programme. They are supported by a strong consortium consisting of IBERS (Aberystwyth University), the colleges network, ADAS, Kite Consulting, Innovis, Bangor University and Lantra, as well as the levy bodies (HCC and AHDB) as key strategic partners.
2. Activity will focus on improving environmental performance, production efficiency, profitability, and increasing business focused behaviour and attitudes through positive management practices.

Lifelong Learning and Development Programme:

3. The aim is to deliver a more professional farming and forestry industry. It will be delivered through a combination of direct training and on line e-learning provision. It is designed to support the ambition for farming and forestry businesses to become more efficient, perceptive, resilient and fully equipped with the necessary competencies and training skills.
4. The Lifelong Learning and Development Programme will be delivered through:
 - **Continuous Professional Development** – a comprehensive framework which allocates points to an individual for all FC activity completed
 - **Personal Development Plan** – Online tool to help individuals identify short and long term goals, skills gaps and identify training needs
 - **E-Learning** – interactive learning packages which allows users to learn at a time convenient to them
5. The programme will place a greater emphasis on business and transformational skills acquisition and offer more focused and strategic courses. This is line with recommendations from the reviews undertaken by Professor Wynne Jones and Gareth Williams.

Advisory Service:

6. The advisory service will provide independent, bespoke, one to one and group advice to improve the sustainable management and the economic and environmental performance of farming, forestry and food manufacturing SME's operating in rural areas.
7. Businesses can apply for 80% funding towards the cost of the service delivered, up to a maximum of 1500 euros per application.
8. Businesses will be able to access subsidised advice on a range of strategic business and technical issues. The advisor will work with the business to examine the issue (or issues) and produce clear recommendations and an action plan for implementation within agreed timescales. The level of advice and support provided by advisors will be variable to match the desire, knowledge and capability of the business being supported. The aim is to ensure that individual businesses take ownership of and are, as far as possible, responsible for the development of their business plan.

EIP-AGRI – Wales:

9. The European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI) was launched by the European Union in 2012 to contribute to the Union's strategy 'Europe 2020' for smart, sustainable and inclusive growth. This strategy sets the strengthening of research and innovation as one of its five main objectives and supports a new interactive approach to innovation: European Innovation Partnerships.
10. It contributes to ensuring a steady supply of food, feed and biomaterials, and to the sustainable management of the essential natural resources on which farming and forestry depend, working in harmony with the environment.
11. Operational Groups are set up to find an innovative solution to a shared problem or to test an innovative idea in practice.
12. Farming Connect will be supporting the development of EIP-AGRI Wales through various forms, mainly the Knowledge Exchange Hub and Knowledge Brokerage. This support will be aimed at facilitating the development of OG.
13. The Knowledge Exchange Hub, located at IBERS, Aberystwyth, will be the first point of contact for farmers and foresters in Wales to register their interest in developing their innovative ideas, and to enquire about potential suitable partners. The Deputy Minister announced this in a visit to Aberystwyth on 28 January.

Venture

14. This is a new feature. One of the main recommendations from the Malcolm Thomas *Next Generation into Farming* Review (May 2014) was the establishment of a Joint Opportunities Platform arrangement with those young new entrants seeking a route into the industry. Officials have worked closely with Malcolm Thomas and external stakeholders in designing this.
15. The Venture platform is an integrated framework of activity which will support mobility within the agriculture and forestry sectors in Wales. It will identify and match established landowners seeking to enter into a contract or share farming, accommodating prospective new or young entrants to the industry.

WALES PROGRAMME MONITORING COMMITTEE
EUROPEAN STRUCTURAL AND INVESTMENT
FUNDS 2014 – 2020

ERDF PROGRAMMES
Monitoring Report

February 2016

Section 1: ERDF Programmes: Commitment

This section gives details of current financial progress under the ERDF Programmes, including an overview of the Programmes and information at Priority-level.

Table 1 shows the number and amount of EU Grant committed to approved Operations under the West Wales and the Valleys and East Wales ERDF Programmes, along with the potential EU Grant committed if Operations at Business Planning and Pre Planning stages are taken forward.

Table 1: EU Grant Commitment: Approved, Business Planning and Pre Planning stages

£ Millions							
Programme / Priority Axis	Operations			EU Grant Commitment			
	Approved	Business Planning	Pre Planning	Allocation*	Approved	Business Planning	Pre Planning
West Wales and the Valleys ERDF							
Priority 1	8	9	2	221.7	104.3	96.8	3.8
Priority 2	4	3	1	154.1	48.6	67.5	-
Priority 3	2	3	7	126.5	12.6	30.2	16.0
Priority 4	1	6	6	371.3	16.4	118.4	152.1
Priority 5	1	6	1	17.8	0.8	20.2	-
Total	16	27	17	891.5	182.7	333.1	171.9
East Wales ERDF							
Priority 1	5	3	3	66.0	37.9	19.6	1.0
Priority 2	4	3	0	29.5	15.4	11.0	-
Priority 3	0	1	1	16.6	-	5.1	-
Priority 4	0	2	1	35.5	-	3.6	26.7
Priority 5	1	5	1	3.0	0.1	6.4	-
Total	10	14	6	150.6	53.4	45.7	27.7
Total ERDF Programmes	26	41	23	1,042.1	236.1	378.8	199.6

Source: WEFO, 18/01/2016

* EU Grant Allocation based on conversion rate of £1:€1.35

Overall Programme Update

The two ERDF Programmes continue to make good progress with 26 operations approved committing £236m grant being nearly 23% of the programme values an increase of £23 million grant since the PMC last met. As expected parts of the ERDF programmes are more advanced than others in terms of approvals and operations in the business planning phase but this is typical of how the ERDF develops over time. Interest right across the programme areas continues to be strong and in certain areas interest may well outstrip the available resources which will result in some worthy operations not receiving EU support as the funds target those operations that will achieve strongly against the programme targets.

Section 2: Progress by Priority Axis

Please see Portfolio Diagrams for each of the ERDF Priorities at the end of the Update Report.

West Wales and the Valleys Priority 1: Research and Innovation

EU Grant Allocation: £221.7 million

WWV Approvals: Total ERDF approved as of January 2016 - £104.3million

Priority Commitment as of January 2016: 47%

Approvals since the PMC last met:

- Advanced Engineering Materials Research Institute (AEMRI); Total Operation Cost £12.9 million, ERDF Grant £7.5 million)

East Wales Priority 1: Research and Innovation

EU Grant Allocation: £66 million

EW Approvals: Total ERDF approved as of January 2016 - £37.91million

Priority Commitment as of January 2016: 57%

- **Approvals since the PMC last met:** There have been no new approvals since the December 2015 PMC.

The portfolio continues to develop very well. As highlighted in the last report a number of centre of excellence bids are progressing well and the Advance Engineering and Materials Research Institute (AEMRI), the first private sector centre of excellence has now been approved.

AEMRI will provide the resource, equipment and capability where the limits of performance of advanced materials can be determined, tested, proven and certified. The expansion of the existing TWI Wales facilities in Port Talbot will attract the inward investment of R&D activities by Welsh-based anchor companies such as Airbus, as well as UK and globally-based blue chip companies such as Rolls-Royce, Bombardier and Siemens. For all sectors, it will support SMEs that would otherwise be unable to access this type of equipment or afford to access highly qualified and specialised skilled staff. The project aims to attract £12.5million in research income from private and public sources over the next seven years, and will create 16 new skilled technician jobs in the Port Talbot area. AEMRI will be a major addition to the Welsh cluster of advanced engineering materials capabilities, including the Swansea Bay Campus, demonstrating the principles of concentration and targeting.

A number of Higher Education proposals are also progressing well and we expect to approve a number of operations, both centres of excellence and commercialisation activity by the end of March 2016.

There is also emerging evidence that both approved operations and pipeline proposals are embracing the collaboration and integration agenda and looking to work together for common aims as a portfolio should. WEFO welcomes the constructive approach stakeholders are taking to this agenda.

This positive approach is also extending to the synergies agenda, particularly with Horizon 2020. Recent successes such as the €0.4m of Horizon 2020 funding awarded to TrakCel Ltd to help make a technological breakthrough in the performance and safety of cellular cancer therapies are demonstrating that the 'stairway to excellence' is working in Wales. An annual report on Horizon 2020 activity in Wales is currently being prepared and will be available at the Horizon 2020 Annual Event on 17 March. The report will highlight some of Wales' early successes under Horizon 2020, whilst providing a unique opportunity to explore the strategies for success. A copy of the report will be sent to PMC members after the annual event for information.

West Wales and the Valleys Priority 2: SME Competitiveness

EU Grant Allocation: £154.1 million

WWV Approvals: Total ERDF approved as of January 2016 - £48.6 million

Priority Commitment as of January 2016: 31.50%

Approvals since the PMC last met:

There have been no new approvals since the December 2015 PMC

East Wales Priority 2: SME Competitiveness

EU Grant Allocation: £29.5 million

Priority Commitment as of January 2016: 52%

EW Approvals: Total ERDF approved as of January 2016 - £15.4 million

Approval since the PMC last met:

There have been no new approvals since the December 2015 PMC.

The West Wales and the Valleys and East Wales Priority 2 portfolios continue to develop the Business Wales Family around the promotion of entrepreneurship and business start-up and help to SMEs to improve their competitiveness through growing the size of the business to increase productivity.

As reported at the December 2015 PMC the Wales Business Fund is being developed as a successor fund to JEREMIE and this forms the final "backbone" member of the family and the portfolio. A separate paper is presented to PMC today (WPMC (16)71) setting out the key findings and recommendations of the ex ante assessment of the Wales Business Fund.

Subject to a satisfactory assessment of the business plan, WEFO expects to approve the Wales Business Fund as 4 operations under the West Wales and East Wales ERDF programmes by March 2016.

The Funds will specifically deliver 2 of the Specific Objectives (SOs) each for West Wales and East Wales.

- S.O 2.1 To increase the amount of finance available to SMEs for both business start-up and for business expansion; and
- SO (2.5) To address market failures in the availability of finance, in particular risk capital, for Welsh SMEs to undertake innovation and commercialise R&D.

It is expected that the value of the Fund will be £136 million, (£91 million in West Wales and £45 million in East Wales) made up of £76 million ERDF and £60 million public match funding. Additional match funding will come through co-investment from the private sector at deal level on a 1 to 1 basis with the ERDF. Total investment the Fund will enable and facilitate will be in the region of £210 million.

Further regional engagement events are being planned with the support of the WLGA to assist all the backbone members of the Business Wales Family in shaping delivery to meet regional needs. These sessions will also introduce the newly appointed Business Wales Contractors (Business in Focus, Antur Teifi and Peninsula and Prospects) to the regional stakeholders.

A small number of niche proposals that add value to the main backbone operations are under consideration but any such operation will need to align with the Business Wales Family and the Business Wales Fund.

West Wales and the Valleys Priority 3: Renewable Energy and Energy Efficiency

EU Grant Allocation: £126.6 million

WWV Approvals: Total ERDF approved as of January 2016 - £12.6 million

Priority Commitment as of January 2016: 10%

East Wales Priority 3: Renewal Energy and Energy Efficiency

EU Grant Allocation: £16.6 million

No operations to date have been made under the East Wales programme

Whilst no new approvals have been made since the PMC last met progress continues to be made. The development of operations in the energy sector does take time but time spent in the development phase is important to ensure the ERDF helps support those operations that will make the best use of Wales' significant natural resources and assets to help develop the cluster and supply chain opportunities particularly around the manufacturing, operation, maintenance and thereby job creation opportunities for the long term sustainability of the sector.

Marine energy has 2 operations already approved with a further 2 in business planning (the Demonstration Zones). In addition, there are 2 private sector companies in 'advanced' pre-planning. The recently formed Working Group that includes membership from the Third Party Managers, Welsh Government, WEFO, the Offshore Renewable Energy Catapult, the Ocean Renewables Joint Industry Programme and Marine Energy

Pembrokeshire is now meeting on a monthly basis. The Group's aim and objective is to identify and resolve the risks and issues associated with the consent process for the Demonstration Zones.

Small-scale renewable proposals are in the pre-panning phase and WEFO continues to work with Welsh Government colleagues to shape the Renewable Energy Support Programme proposal.

In terms of energy efficiency, WEFO continues to work with Welsh Government colleagues around the Welsh Government Warm Homes proposals, which is in business planning. Whilst there is a pattern of emerging interest to deliver this Specific Objective via regional operations the 'backbone' operation lead by Welsh Government needs to be further defined to establish if there is any 'gaps' in delivery that specific regional operations can fill.

Welsh Wales and the Valleys Priority 4: Connectivity and Urban Development

EU Grant Allocation: £371.3 million

WWV Approvals: Total ERDF approved as of January 2016 - £16.4 million

Priority Commitment as of January 2016: 4%

Approval since the PMC last met:

- National Station Improvement Project Phase 2. This forms part of the Metro Phase 1 (total operation cost £22 million ERDF Grant £16.4 million)

East Wales Priority 4: Connectivity and Urban Development

EU Grant Allocation: £35.5 million

No operations to-date have been approved for the East Wales ERDF Programme

Investment in connectivity and enabling infrastructure are the two most important levers to achieve transformational change. Investment to improve connectivity is a pre-requisite for the long-term success of all the other ERDF Priorities (and all other ESI funds). Activity seeking support under this priority must be able to evidence how investment underpins other ESI investments so that benefits are retained within the programme area.

Overall, the development of operations is progressing well. Investing in TEN-T roads will focus on the A40 in West Wales and A55 in North Wales as agreed following the negotiations with the Commission. These proposals are at the pre-planning phase.

In respect of the Cardiff Capital Region Metro, WEFO has now approved the first operation under Metro Phase 1. NSIP+ Phase 2 was approved in January 2016 comprising improvements to five stations throughout the WW&V Programme area, Frequency Enhancements on the Ebbw Vale Line, which also forms part of Metro Phase 1 is now in Business Planning with forecast total investment of £36 million (ERDF £23million).

The Welsh Government Transport Department continues to make steady progress in evaluating Metro Phase 2 options which will require ERDF support. Metro Phase 2 will be

a major project, as defined in the EU Structural Fund Regulations, and will need to be approved by the European Commission. The Commission has introduced a new approach to the assessment process of major projects which will involve the engagement of JASPERS experts (**J**oint **A**ssistance to **S**upport **P**rojects in **E**uropean **R**egions). Member States are encouraged to engage with the JASPERS as early as possible in the development of major projects and to that end a constructive meeting between WEFO, Welsh Government Transport and JASPERS' expert was held on 21st January 2016. The meeting provided the opportunity for detailed discussion on a number of key areas required for the submission of a major project notification to the European Commission. These covered in detail an overview of the project, options appraisal, the scope of a major project bid, a financial analysis and , the procurement process.

The JASPERS expert is currently assessing the degree of advisory support that may be relevant and appropriate. WEFO considers that the involvement of JASPERS in an advisory capacity throughout the development of a Metro Phase 2 major project will be key to ensuring a positive outcome to the regulatory requirement for an Independent Quality Review (IQR) of the major project documentation. JASPERS have been appointed by the European Commission to undertake the IQR function for member states if they wish and this is the route preferred by WEFO. Whilst the advisory and IQR roles of JASPERS are distinct they are inextricably linked. WEFO believes that engagement with JASPERS in an advisory capacity throughout the development of a major project is likely to achieve faster overall appraisal of the major project documentation and secure a positive IQR outcome.

A positive IQR needs to be confirmed prior to WEFO seeking the European Commission's agreement to commit what is likely to be a significant level of ERDF under Specific Objective 4.4

Next Generation Broadband proposals for Ultrafast and Superfast infrastructure are in WEFO's business planning phase. If approved, these will build on the significant investments made in NGBW in 2007-2013 with the aim of achieving 96% coverage by mid 2017.

For WWV the programme will also support a limited number of regionally prioritised strategic sites that will offer attractive premises for businesses as well as a limited number of tourism and town centre regeneration developments. However, all such operations must be able to demonstrate the potential to create local new jobs for local people. As such three Welsh Government led 'backbone' operations are now in business planning (Building for the Future, Attractor Destinations and Strategic Sites and Premises). All have been through a process of regional engagement and prioritisation. The assessment of these operations is progressing well with approval envisaged shortly.

A process to identify gaps in provision around the delivery of priority targets for urban developments is being taken forward by the Regional Engagement Teams. Following this process it is anticipated that a limited number of additional prioritised regional operations will also seek ERDF support that add value and complement the backbone operations. A meeting between WEFO and the Regional Engagement Teams was held on 25th January and overall good progress is being made by the Regions to priorities key added value

operations and it is envisaged that specific operations will enter the business planning phase over the coming months.

West Wales and the Valleys Priority 5: Technical Assistance

EU Grant Allocation: £17.8 million

WWV Approvals: Total ERDF approved as of January 2016: £0.844 million

Priority Commitment as of January 2016: 4%

Approvals since the PMC last met:

WCVA Third Sector European Team West Wales and the Valleys (Total Operation cost £1.125 million, ERDF Grant £0.844 million)

East Wales Priority 5: Technical Assistance

EU Grant Allocation: £3.0 million

EW Approvals: Total ERDF approved as of January 2016: £0.115 million

Priority Commitment as of January 2016: 3%

WCVA Third Sector European Team East Wales (Total Operation Cost £0.230 million, ERDF Grant 0.115 million)

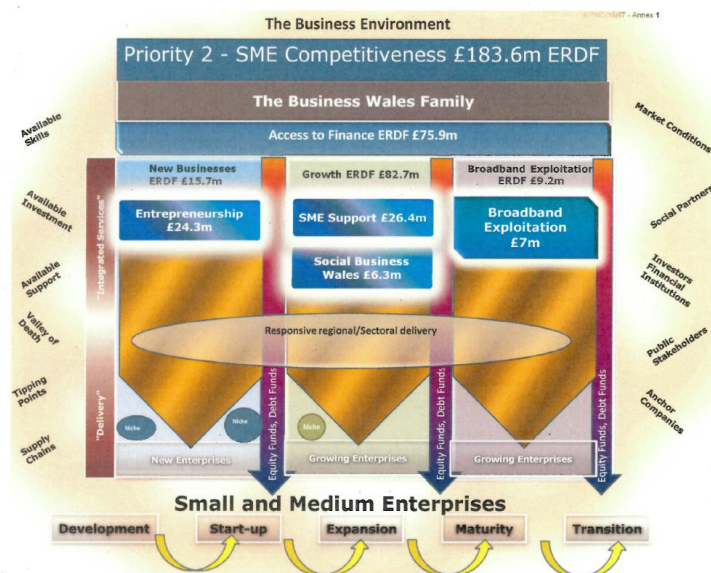
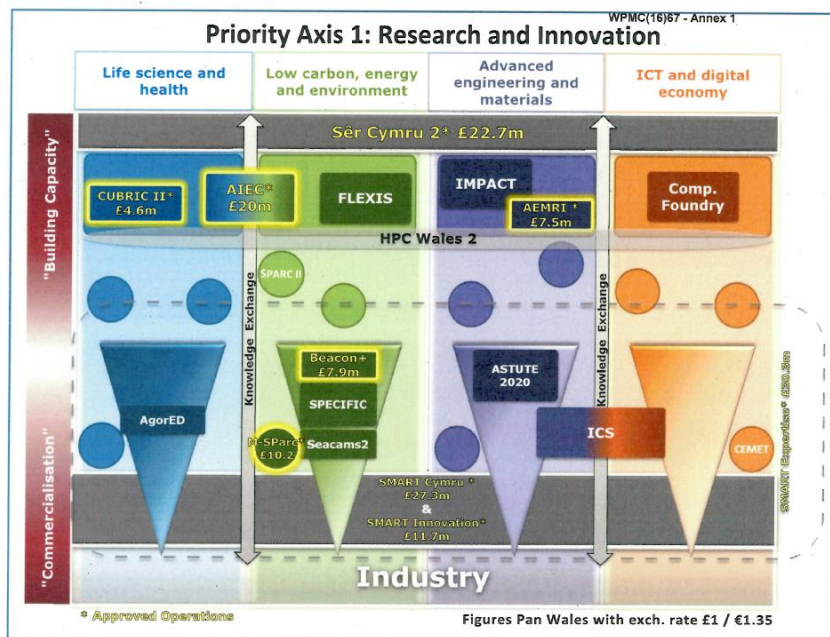
The Third Sector European Team (3-SET) operations will deliver a national, consistent service to provide the third sector with information and advice, training and events, networking opportunities and representation on the European Structural & Investment Funds 2014-2020, drawing links between other EU funding streams such as Erasmus+ and Horizon 2020.

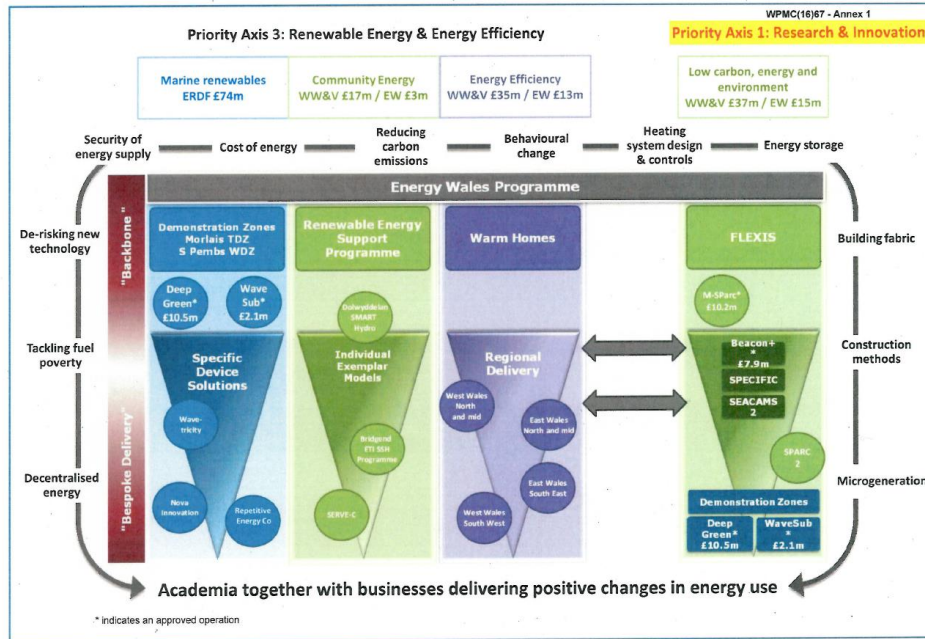
Around a dozen operations are in the Business Planning phase, including Regional Engagement Team bids from all four regions in Wales and EST operations which contain their aid scheme and Intermediary Body revenue costs. We expect most, if not all of these to receive a funding decision during this quarter. We also anticipate to be assessing other operations shortly, including WEFO TA bids and possibly Welsh Government Regional Engagement bids.

Paper Prepared by: ERDF Priority Controllers

Cleared by: Sue Price

Date: 26 January 2016





**WALES PROGRAMME MONITORING COMMITTEE
EUROPEAN STRUCTURAL AND INVESTMENT
FUNDS 2014 – 2020**

**ESF PROGRAMMES
Monitoring Report**

February 2016

Section 1: ESF Programmes: Commitment

This section gives details of current financial progress under the ESF Programmes, including an overview of the Programmes and information at Priority-level.

Table 1 shows the number and amount of EU Grant committed to approved Operations under the West Wales and the Valleys and East Wales ESF Programmes, along with the potential EU Grant committed if Operations at Business Planning and Pre Planning stages are taken forward.

Table 1: EU Grant Commitment: Approved, Business Planning and Pre Planning stages

£ Millions							
Programme / Priority Axis	Operations			EU Grant Commitment			
	Approved	Business Planning	Pre Planning	Allocation*	Approved	Business Planning	Pre Planning
West Wales and the Valleys ESF							
Priority 1	7	5	1	145.2	53.2	18.9	-
Priority 2	8	12	5	256.0	97.6	68.0	-
Priority 3	5	15	3	181.3	49.2	72.0	-
Priority 4	1	6	0	11.9	5.9	1.4	-
Total	21	38	9	594.3	205.9	160.3	-
East Wales ESF							
Priority 1	4	4	0	32.4	10.0	1.0	-
Priority 2	4	8	3	70.7	13.5	11.8	-
Priority 3	3	13	1	44.4	16.3	14.1	-
Priority 4	1	5	0	3.0	1.0	0.6	-
Total	12	30	4	150.6	40.8	27.5	-
Total ESF Programmes	33	68	13	744.9	246.7	187.8	-

Source: WEFO, 15/01/2016

* EU Grant Allocation based on conversion rate of £1:€1.35

Overall Programme Update

The ESF Programmes continue to make good progress; as at 15/01/16, 33 operations across both Programmes have been approved (mainly consisting of key backbone operations), with 35% of the financial allocation of the West Wales and the Valleys Programme and 27% of the financial allocation of the East Wales Programme committed. This West Wales and the Valleys Programme has already exceeded WEFO's objective of committing approximately 33% of the financial allocations for both Programmes by the end of the 2015/16 financial year, and the East Wales Programme is well on target to achieve this. Further detail on the development of the portfolios within each of the Priority Axes is given below.

Organisations applying for ESF are responding positively to the simplified cost options available under the 2014-20 programmes. All 33 operations approved so far have taken advantage of one of the available 'flat rate' options (15% rate for indirect costs; 40% rate for all non-direct-staff costs or 25% rate for indirect costs in research and innovation operations).

Section 2: Progress by Priority

Priority 1: Tackling Poverty through Sustainable Employment

As at 15/01/16, 37% of the Priority allocation has been committed in West Wales and the Valleys (WWV) and 31% in East Wales (EW). All operations are required to identify and address specific barriers to engagement with, and continued participation within, the labour market. The design of individual interventions will be underpinned by Labour Market Intelligence and the intelligence on key employment and economic growth opportunities provided by the EPF and the Regional Learning Partnerships' emerging Employment and Skills Plans.

Specific Objective 1: Increasing Employability Of Those Closest To the Labour Market At Most Risk of Poverty, in WWV only, is being focused around the approved pan-programme Welsh Government **ReACT** backbone operation, supporting individuals impacted by redundancy. An additional skills support operation for short term unemployed individuals with no or low skills is being developed by the Welsh Government for approval early 2016. Other support, specifically for short term unemployed individuals with work limiting health conditions or disabilities, is likely to be more appropriately addressed through smaller scale niche activity. WEFO will keep this potential gap in provision under review as the portfolio develops.

Specific Objective 2 in WWV and Specific Objective 1 in EW: Increasing The Employability of Economically Inactive And Long Term Unemployed Aged 25 And Over, is being developed around a mixed portfolio of geographically and cohort-group focused operations, with national, pan-Wales operations such as the approved Welsh Government **Communities for Work** initiatives, **Parents, Childcare and Employment** and **Healthy Working Wales** operations, and the WCVA-led **Active Inclusion** operations. These backbone operations are complemented by a number of regional operations, such as the collaborative local authority led **Bridges 2 Work** operation across the South East of the WWV area, and the proposed South West Wales **Workways** and North Wales **OPUS** operations, currently in development.

These proposals sit alongside some developing niche operations delivering very targeted support to specific demographic or cohort groups, including proposals to support those facing particular barriers relating to ethnicity or disability or work limiting health conditions.

Early indications show that there may be an emerging gap in East Wales particularly around the regional and niche level activity. This is likely to be driven by the lower potential intervention rates and the significantly higher values available within the portfolio.

The emerging portfolio predicts strong coverage of the required outputs with predicted conversion to the required employment results; however, this will need to be monitored closely as the programme progresses to ensure the focus on specific target groups is maintained.

Specific Objective 3: Reducing Under-employment Or Absence Rates for Employed Individuals with Work Limiting Health Conditions, in WWV only, will primarily be centred on the Welsh Government's **Healthy Working Wales** pan-programme backbone proposal supporting individuals who are at risk of dropping out of employment due to a work limiting health condition. WEFO is also encouraging proposals for delivering support to those who

are 'underemployed' due to a work limiting health condition. No operations have been approved to date.

WEFO is working closely with beneficiaries and those developing operations under this Priority to ensure the development of a coherent and integrated portfolio delivering to the concentration and targeting principles and results targets set out within the Operational Programme, and avoiding duplication of activity and potential double-counting of participants.

Priority 2: Skills for Growth

As at 15/01/16, 38% of the Priority allocation has been committed in WWV and 19% in EW. Building on the achievements of the 2007-2013 programme, specific focus is being given within the developing portfolio on the delivery of the essential, technical and specialist skills required to build an agile and responsive workforce equipped to fully capitalise upon the opportunities and growth potential offered by a modern, knowledge-based economy. Whilst basic and essential skills constitute a common, and necessary, foundation across the entire workforce, the intelligence on key growth opportunities and emerging and priority sectors provided by the EPF, together with the Regional Learning Partnerships' emerging Employment and Skills Plans and Labour Market Intelligence constitute key tools to guide the targeting and focusing of skills interventions, particularly those delivering skills at an intermediate and higher level.

Specific Objectives 1 and 2 in WWV and EW: Development Of Lower Level And Intermediate/Advanced Level Skills, are being implemented around the approved backbone Welsh Government **Apprenticeships** operations. These operations introduce an explicit focus on enabling participants to progress, where relevant, onto higher level apprenticeships, responding to the opportunities emerging with the economy and the needs of business.

Regional provision of essential, technical and job-specific skills, led in most cases by the FE sector, will sit alongside these backbone Apprenticeships operations, complemented by some collaborative local authority led proposals, such as the Torfaen CBC led **Working Skills for Adults** operation which engages with employed individuals outside of their employment context, supporting those unwilling to admit skills deficits to their employers or whose employers fail to engage. This regional delivery is being complemented by proposed collaborative provision of shorter work-focussed courses at HE level and specialist leadership and management programmes. Operations include the Swansea University led **Leading Business Growth** and the University of Wales Trinity St David led **Growing Workforces Through Learning and Development (GWLAD)** operations in WWV.

Some niche proposals relating to more specific sectors or target groups are also being brought forward; the approved **Welsh Financial Services Graduate Programme** is a graduate training scheme in the financial services sector in EW, responding to the opportunities for economic growth and high quality employment opportunities offered by that sector, as articulated within the EPF. All proposals are being challenged to demonstrate alignment with the EPF as appropriate to the operation (for example through targeting recruitment of employers or aligning course offers to EPF areas).

Specific Objective 3: Increasing the Number of Graduates Undertaking Research And Innovation Activities With Enterprises, in WWV only, is focusing on supporting

collaborative research with enterprise focused on the Science for Wales 'Grand Challenge' areas, aligning and adding value to the economic opportunities and existing investment context set out within the EPF. The **Materials and Manufacturing Academy** operation, led by Swansea University, approved in December 2015 and another, led by Bangor University, is currently in development. These proposals focus respectively on support for Engineering Doctorate and Research Masters in the field of advanced materials and manufacturing and collaborative Research Masters and Doctoral level opportunities focusing on increasing research and innovation within SMEs, including micro companies.

Specific Objective 4 in WWV and Specific Objective 3 in EW: Improving The Position Of Women In The Workforce, is being implemented around the approved Chwarae Teg led **Agile Nation 2** operation delivering skills support and mentoring for women in employment, focusing, in line with the principles of the EPF, on women in growth sectors where they are under-represented in the workforce and in senior management roles, as well as working with employers to promote diversity and tackle gender disadvantage in the workforce.

Beneficiaries who are looking to deliver training to the employed workforce are responding positively to the new policy direction of co-investment by employers which was set out in the Welsh Government's Skills Implementation Plan and encouraged by the Operational Programmes. Private match-funding from employer cash contributions is being built into these operations as they are developed and approved.

The highest output targets are in Specific Objective 1 (lower level training). Whilst the Foundation Apprenticeships backbone operation puts us well on track to meet the Performance Framework milestones for 2018, WEFO is working with the emerging FE and local authority led workplace and essential skills operations to ensure delivery of overall targets in this area.

WEFO has convened a number of regional meetings of key stakeholders, such as FE colleges, to facilitate the development of collaborative regional delivery of essential and intermediate/higher level skills operations. These discussions include work with DfES/SHELL policy colleagues looking at how the delivery of some national skills priorities can be devolved to regionally-led projects, as an alternative to bringing forward Welsh Government-led operations.

Priority 3: Youth Employment and Attainment

As at 15/01/16, 27% of the Priority allocation has been committed in WWV and 37% in EW. The emerging portfolio focuses on addressing youth unemployment and the issues around NEET. This will be achieved through ensuring that the skills and career aspirations of young people most at need of support are consistent with employer demand, emerging growth opportunities and the long term needs of the economy, utilising Labour Market Intelligence, the Regional Learning Partnerships' emerging Employment and Skills Plans and the EPF as underpinning tools to guide interventions.

Specific Objective 1: Reducing the Number of 16-24 Year Olds who are NEET in WWV and EW, is being implemented around the Welsh Government backbone **Jobs Growth Wales** and **Traineeships** operations. Jobs Growth Wales focuses on work ready 16-24 year olds who are unemployed, not on the DWP's Work Programme and have completed all relevant training but failed to secure employment due to a lack work experience. It has a clear focus on supporting its otherwise work-ready participants to enter employment

upon leaving. This approach is complemented by the Traineeships operation, which targets 16-18 year olds who have left compulsory education, who are undecided on a post-16 learning opportunity and/or do not have the skills and aptitudes to secure employment. This operation aims to improve the skills levels of its participants, enabling them to enter further training or employment upon leaving.

The Welsh Government led **Communities for Work** (youth) operations will add to the portfolio by providing support within Communities First cluster areas to young NEET individuals, aged 16-24, to re-engage with labour market activity and access sustainable employment. These significant back bone proposals will collectively be key in the delivery of the performance framework targets and the employment outcomes within the Operation Programmes.

Further proposals, including Welsh Government pan-programme operations and local authority led collaborative regional operations, are currently under development. These include proposals to deliver a range of engagement, learning and training activities for 16–24 year olds to reduce youth unemployment and the number of young people who are NEET, as well as interventions designed to increase attainment levels among 16-24 year old NEETs, overcome barriers relating to childcare, increase self esteem, develop employability skills and support participants to move closer to the labour market.

Specific Objective 2 in WWV and EW: Reducing The Number Of Young People (11-24) At Risk of Becoming NEET, is being developed through a portfolio of regionally based operations led by Local Authorities in partnership with FE colleges, targeting young people in schools and colleges. The significant challenge to all proposals will be to articulate a clear and demonstrable focus on those young people aged 11-24 who are most at risk of becoming NEET. The expectation is that this will be achieved through utilising the early identification and risk tracking principles of the Welsh Government's Youth Engagement and Progression Framework to underpin this approach. Pan-Wales provision is complemented by smaller scale and niche activity to support those in the HE sector between the ages of 19 and 24 who are at highest risk of becoming NEET. Reflecting the increased emphasis in the 2014-2020 programmes on identifying and addressing the barriers faced by those most at risk of becoming NEET, many of these operations are being designed to proactively identify and target participants who face specific and significant barriers to attainment or engagement.

Specific Objective 3: Increasing The Take-Up and attainment Levels in Stem Subject amongst 11-19 year olds, in WWV only, is centred on the approved backbone **STEM Cymru II** operation, which builds on the good practice established during the 2007-2013 programme period. This operation targets young people at key decision and transition points during secondary and tertiary education, with attention given to female take-up and, attainment levels in STEM subjects. This approach will be in clear alignment with the economic growth opportunities articulated within the EPF, on engineering and related areas. There is potential within this Specific Objective for additional STEM activity to be developed and WEFO is in discussion with 2 further potential operations in this area.

Specific Objective 4: Increasing the Skills of the Early Years and Childcare Workforce, in WWV only, will be built around the Welsh Government **Progress for Success** operation approved in January 2016. The main focus will be on up-skilling Childcare and Play sector workers to Level 3; with a smaller proportion of childcare workers to be up-skilled to Levels 5 and/or 6.

WEFO is working closely with beneficiaries and those developing operations under this Priority alongside those in the poverty priority to ensure the development of a coherent and integrated portfolio and programme of operations, particularly those focusing on employability and employment outcomes. WEFO has held a number of engagement meetings with potential beneficiaries to discuss proposed activity, to encourage collaborative delivery and to identify any emerging gaps or duplication in provision. Further meetings will be held as projects progress to continue the strong collaborative approach developing in this priority.

Priority 4: Technical Assistance (West Wales and East Wales)

One operation has been approved in each of the WWV and EW programmes – these are the WCVA's Third Sector European Team and Intermediary Body revenue costs operations; 33% of the P4 allocation in WWV has been committed, and 32% in EW.

A number of operations are in the Business Planning phase – the Regional Engagement Team (RET) bids from SHELL, and the four WLGA-led RETs - North Wales, Mid Wales and South East in EW and WWV, plus South West Wales in WWV only. Funding decisions on these operations are expected to be made during this quarter. Bids from WEFO are also anticipated to be in Business Planning shortly.

Cleared by: Jane McMillan

Date: 27 January 2016

WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND INVESTMENT (ESI) FUNDS 2014 – 2020:

IMPLEMENTATION OF THE CROSS CUTTING THEME: SUSTAINABLE DEVELOPMENT

Issue

1. This paper provides the first annual review of progress with the implementation of the Sustainable Development (SD) Cross-Cutting Theme in the ERDF and ESF European Structural Fund programmes (2014 – 2020).

Recommendation

2. Members are invited to note the content of the report and to provide comments accordingly.

Background

3. Sustainable Development (SD) is one of the three cross-cutting themes (CCTs) integrated into the 2014-2020 ESI Programmes. The General Regulations governing the Programmes stipulate that all operations, funded through the Common Strategic Framework, must integrate Sustainable Development under Article 8. The Regulations state that 'Member States and the Commission shall ensure that environmental protection requirements, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience and risk prevention and management are promoted in the preparation and implementation of Partnership Agreements and Programmes.

CCT Evaluation: Lessons Learned from 2007- 2013 Structural Fund Programmes

4. In 2014, research was undertaken to evaluate the extent to which the CCTs had been successfully integrated into the 2007- 2013 Structural Funds Programmes in Wales: the research findings were reported to PMC on 16th January 2015. A central purpose of the study was to produce evidence to feed into system improvements and to inform a clearer, realistic vision for the CCTs in future programmes, including a more robust process for measuring success.
5. The key findings of the research were:
 - The importance of early engagement and collaboration on CCT aims between those proposing operations and WEFO.
 - The need for a clear understanding, both from those proposing operations and WEFO staff, of the added value the CCTs provide.
 - Continue to raise the profile of the CCTs in the Welsh Structural Funds culture (good progress has been made here) drawing on wider resources to support the Cross Cutting Themes Team.
 - Address the disconnection between the planning and delivery stages and the 'box ticking' mentality which sometimes exists within operations.

- Promote best practice in relation to the CCTs, encouraging the sharing of information and knowledge between operations, partners and beneficiaries.
6. In addition to recognising the need to take steps to address the above issues, the evaluation also reported on evidence from a number of beneficiaries regarding the current requirements for monitoring and reporting, which were often perceived to be inappropriate, inconsistent and which fail to capture the full range of CCT activity. It was evident that operations wanted to be able to demonstrate more fully the activity they had been delivering to support the CCT agenda. Beneficiaries did not want their success defined purely by the delivery of the formal indicators, which were perceived as restrictive, but rather wanted an opportunity to demonstrate the creativity many had shown in the delivery of CCT activity. To this end, a recommendation was made for a more creative system through which to measure, monitor and demonstrate CCT progress.
 7. At the September 2015 PMC, members therefore agreed a set of additional case level CCT indicators which have been designed to meet this recommendation. These can be found at **Annex 1**.
 8. The additional case level CCT indicators have been added to the WEFO assessment process and will be recorded, monitored and reported on as the programmes progress.
 9. The Cross Cutting Themes Team have delivered a series of workshops with WEFO staff to explain how these indicators can be used to capture and demonstrate progress and are supporting those applying for funding to identify how they can contribute and which indicators are appropriate to their proposals. This development has been welcomed by operation beneficiaries as an opportunity for them to demonstrate more broadly the contribution their operations are making to the CCT agenda.
 10. Work is also underway to ensure engagement, collaboration and understanding of the added value the CCTs bring to operations. With the support of senior managers within WEFO, the Cross Cutting Themes Team are positioning the CCT agenda within the context of a wider corporate vision to help 'make Wales a better place' and contribute to the delivery of Welsh Policy, demonstrated in the item below on the Well Being of Future Generations (Wales) Act.
 11. Complimenting this strategic vision is a transparent system of support, which involves the following:
 - early specialist advice both for beneficiaries and WEFO staff;
 - a formal CCT assessment on all funding applications which identifies CCT opportunities and identifies relevant additional case level CCT indicators and;
 - continual support throughout the life of the operation from a named CCT advisor.
 12. Opportunities to promote best practice and share information and knowledge between operations, partners and beneficiaries are being explored. Bringing key stakeholders together within a region may offer a way of achieving this, perhaps making use of existing structures and partnerships.

13. This shift at the strategic level alongside changes at the implementation level is designed to enhance the impact achieved through the delivery of the CCTs as a core and integral component of new operations.

Well Being of Future Generations (Wales) Act

14. WEFO, through the Cross Cutting Themes Team, has also actively engaged with the development of the Well Being of Future Generations Act, which was the subject of a report at the last PMC meeting. Given that the concept of sustainable development lies at the core of the CCTs and also the new Act, the Well Being Duty placed on public bodies in Wales should help to ensure that those public bodies engaged in delivering EU funded programmes put more of an emphasis on attainment of associated sustainable development objectives. Each funding application submitted to WEFO undergoes a formal CCT assessment which provides an opportunity to enhance proposed activity in line with the Act's sustainable development principles.
15. A series of pan-Wales workshops have been delivered by the CCT team to all WEFO colleagues to introduce the Act and to highlight the linkages between the Act's provisions and the challenges associated with improving the sustainable development content of all EU funded operations.

Sustainable Development Indicators

16. It is, as yet, too early in the lifecycle of the new programmes to report any meaningful data in relation to the Sustainable Development CCT indicators. However, the tables in **Annex 2** provide an illustration of the expected contributions across the priorities, both of the formal Sustainable Development CCT indicators as described in the Operational programme documents and of the additional project level CCT indicators which aim to demonstrate the broader good practice.

Next Steps

17. Future reports will highlight the progress made on both the formal Sustainable Development CCT indicators and the additional case level indicators, alongside a general update on progress.

Drafted by: Rhian Power-Batrick WEFO

Approved by: Rob Halford WEFO

Date 26/01/2016

Annex 1.**Additional Cross Cutting Themes Project Level Indicators**

Some of the positive outcomes for EO&GM and TP&SE CCT's are inter-related and as such can be counted for both CCT's.

Equal Opportunities and Gender Mainstreaming

Positive action measures (can be across a broad range of activities) for underrepresented groups (Women, BME, Disabled, older workers etc.)

Activities which challenge occupational segregation

Activity which is aimed at promoting the Welsh language and supporting speakers of the language.

Activity supporting female participation in STEM

Activity specifically working with local Disability Access Groups

Workplace health programmes supported

Childcare / care provision funded

Sustainable Development

Develop an organisational Eco Code - practical tips and reminders for saving energy, conserving water and encouraging improved waste management

Operations developing local sustainable supply chains

Operations integrating small scale Green and Blue infrastructure

Activity which is supporting bio-diversity on a site funded through SF's

Development of an organisational Travel Plan and sustainable transport initiatives

Resource efficiency measures integrated into activity

Site environmental management plans

BREEAM excellent where applicable

Attainment of CEQUALL for construction activity

Use of Sustainable Urban drainage Systems (SUDS) where applicable

Tackling Poverty and Social Exclusion

Activity which builds skills within the community

Mentoring, advocacy and peer support activity funded

Volunteering schemes supported

Organisations / projects paying the living wage

Cross Cutting Themes general

Good practice stakeholder engagement activity

Promoting the CCT's in organisations by developing champions etc.

Operations integrating Social Clauses into activity (detail)

CCT Toolkits, health checks, training packages, Apps etc. funded

Annex 2.1.**Formal SD CCT indicators.****ERDF**

Priority	Indicator
P1 WW&V SO2	20% of Enterprises adopting or improving their sustainable development strategies.
P2 WW&V all specific objectives	50% of Enterprises adopting or improving their sustainable development strategies.

Priority	Indicator
P1 EW SO2	20% of Enterprises adopting or improving their sustainable development strategies.
P2 EW all specific objectives	50% of Enterprises adopting or improving their sustainable development strategies.

ESF

Priority	Indicator
P1 WW&V all specific objectives	75% operations integrating sustainable development into awareness raising, education and training programmes.
P2 WW&V all specific objectives	10% operation integrating sustainable development into awareness raising, education and training programmes.
P2 WW&V SO2.4	20% of Enterprises adopting or improving their sustainable development strategies.
P3 WW&V all specific objectives	10% operation integrating sustainable development into awareness raising, education and training programmes.

Priority	Indicator
P1 EW SO1	75% operations integrating sustainable development into awareness raising, education and training programmes.
P2 EW all specific objectives	10% operation integrating sustainable development into awareness raising, education and training programmes.
P2 EW SO 2.3	20% of Enterprises adopting or improving their sustainable development strategies.
P3 EW SO 3.1 & 3.2	10% operation integrating sustainable development into awareness raising, education and training programmes.

Annex 2.2: Additional Cross Cutting Themes Case Level Indicators**Sustainable Development**

The information presented below proposes where each indicator may be recorded to relate to the activity which may be established under a specific ESI fund or individual priorities.

SD Additional CCT Case Level Indicators	ESI Fund
Develop an organisational Eco Code - practical tips and reminders for saving energy, conserving water and encouraging improved waste management	ESF/ ERDF
Operations developing local sustainable supply chains	ESF/ERDF
Operations integrating small scale Green and Blue infrastructure	ERDF P1, 3 and 4
Activity which is supporting bio-diversity on a site funded through SF's	ERDF P1, 3 and 4
Development of an organisational Travel Plan and sustainable transport initiatives	ESF/ERDF
Resource efficiency measures integrated into activity	ESF/ERDF
Site environmental management plans	ERDF P1, 3 and 4
BREEAM excellent where applicable	ERDF P1, 3 and 4
Attainment of CEQUALL for construction activity	ERDF P1, 3 and 4
Use of Sustainable Urban drainage Systems (SUDS) where applicable	ERDF P1, 3 and 4

General Additional CCT Case Level Indicators	ESI Fund
Good practice stakeholder engagement activity	ESF/ERDF
Developing/engaging CCT champions	ESF/ERDF
CCT Toolkits, health checks, training packages, Apps development	ESF/ERDF
CCT training packages developed	ESF/ERDF
Operations integrating Social Clauses into activity (detail)	ESF/ERDF (if procurement part of the delivery process)
CCT staff training programme introduced	ESF/ERDF
Activity supporting CCT formal indicators (In Priorities / Objectives where the indicators aren't included)	ESF/ERDF

WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 – 2020: ERDF West wales and the Valleys, ERDF East wales

ERDF Financial Instruments Assessment: Key Findings and Recommendations

Issue

1. Article 37 (2) of the Common provision Regulations 1303/2013 states “Support of Financial Instruments shall be based on an Ex Ante assessment which has established evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of Financial Instruments to be supported”.
2. Article 37 (3) states “The summary findings and conclusions of Ex Ante assessments in relation to Financial Instruments shall be published within three months of their date of finalisation. The Ex Ante assessment shall be submitted to the Monitoring Committee for information purposes in accordance with the Fund-specific rules”
3. In accordance with the second sentence of Article 37(3) WEFO as the Managing Authority for the Structural Funds in Wales submits the Ex Ante Assessment to the Monitoring Committee for information. This accompanying paper highlights the key findings and recommendations of the Ex Ante assessment and is supported by the presentation REGENERIS will give at the Programme Monitoring Committee meeting on 12th February 2016.
4. In accordance with the first sentence of Article 37(3) the summary findings and conclusions of the Ex Ante assessment will be published on the Welsh Government Website (<http://gov.wales/funding/eu-funds>) during March 2016.

Recommendation

5. The WPMC is invited to note the key findings and recommendations of the Ex Ante Assessment undertaken by REGENERIS.
6. Links to the documents can be found as <http://gov.wales/funding/eu-funds/2014-2020/delivering-your-project/monitoring/programme-evaluations/financial-instruments/?lang=en>)but hard copies can be sent on request.

Background

7. Financial Instruments are a mechanism for making investments by way of loans, equity or guarantees into viable projects that can generate returns on the investment made. These returns can be reinvested in further projects delivering a more efficient

use of public funds. Financial instruments also help to mobilise additional public or private co-investments and the fact that the investment is to be repaid also incentivises better performance, including greater financial discipline at the level of supported projects.

8. Under the 2007-2013 programmes Finance Wales delivered the Financial Instrument known as JEREMIE in the Convergence and Competitiveness regions of Wales. JEREMIE was launched in 2009 with a Fund value of £150 million (£75 million EIB loan, ERDF £59.7 million and £15 million public match funding). Over the lifetime of the programming period the 'Fund' was increased to £157.5m with additional ERDF and match funding to meet particular market demand in R&D&I. The Fund was fully invested by September 2015, and while the final indicators will not be known until later this year, the position at the end of December 2015 was 600 Enterprises were assisted with access to Finance resulting in £201.7 million total investment.

Ex Ante Assessment for 2014-2020 Programmes

9. The objective of the Ex Ante assessment is to develop a sound evidence-base for decision making by WEFO on the design and implementation of a Financial Instrument to address an identified market failure and to ensure that the Financial Instrument will contribute to the achievement of the Programme objectives.
10. The Initial high level scoping exercise was undertaken in 2013, in parallel with negotiations with the European Commission on the Welsh ERDF 2014-2020 programmes but at the same time as the Common Provision Regulations were agreed by the Commission
11. The high level study (Wales Ex Ante Assessment - Financial Instruments Stage One Screening) identified a number of possible areas where Financial Instruments (FIs) could be an effective delivery model. Strong potential was identified in the area of access to finance for SMEs. Other areas identified as having some potential for an FI approach were Renewable Energy and Energy Efficiency, Urban Regeneration and small scale loan funds for rural businesses and farms.
12. The Stage 2 report examined these areas in more detail and indicated that while some areas were worthy of further exploration, there was a strong case for access to finance for SMEs and proposed recommended scales for such future Funds. These recommendations informed the development of the ERDF Operational Programmes for Wales, as reflected in Priority 2 - SME Competitiveness for both programmes
13. The conclusions draw together the research of the documents listed below that form the ex ante assessment.
 - a. Wales Ex Ante Assessment – Financial Instrument Stage One Screening. (REGENERIS 2013)
 - b. Wales Ex Ante Assessment – Financial Instruments Stage Two Market Assessment. (REGENERIS 2014)
 - c. Wales Ex Ante Assessment – Financial Instruments Stage Two Appendix. (REGENERIS 2014)

- d. Grants for SMEs in Wales: A Thinkpiece, (REGENERIS 2015)
- e. WEFO's response to SMEs and Grants – REGENERIS Report (WEFO 2015),
- f. A review of the Ex Ante Assessment of the Business Wales Fund – (REGENERIS – December 2015)

A number of other reports have informed the Ex Ante assessment including:

- g. Venture Capital and Loans Market Assessment for SMEs in Wales, (REGENERIS 2014), and
- h. Access to Finance Review: Stage 1 report June 2013 and Stage 2 Report November 2013 (Professor Dylan Jones Evans)

Other reports are referenced in the Review of the Ex Ante Assessment and the documents listed above.

Key findings and recommendations

14. That demand for finance exceeds supply is not itself a failure of the market. The market will make investments based on the expected financial return as the private investor does not take into account the wider economic and social benefits, sometimes called spillovers effects, that an investment may generate. These spillovers are in the areas of

- Technology and Innovation,
- Enterprise
- Employment,
- Regeneration and
- Regional Development

The Glossary of terms attached at Annex 1 describes spill overs.

The overall conclusion is that there are viable deals which would not occur due to market failure but do offer sensible levels of risk vs return for the public sector; and will deliver the desired benefits.

15. Quantifying the gap between supply and demand poses challenges with estimates varying between £400m and £700m per annum, well beyond the scope of the Structure Funds or even the European Structural and Investment Funds to fill. In fact the demand is potentially infinite if the conditions are advantageous enough for the firm seeking the finance; however in reality there are a smaller number of viable deals that offer sensible levels of risk vs return and the desired socio economic positive spill overs. The recommendation from the Ex Ante takes this approach and is summarised in table 1 below.

Table 1: Recommended Ranges for 2014 2020 Access to Finance SME Fund of Funds			
	Annual	Over 5 years	Comment
Debt for microbusinesses	£0.8-£1m	£4m-£5m	Potential for a larger fund (up to £6m over 5 years) with the introduction of an online application system; if B2C markets are eligible and if loan limit is increased from £25k to £50k.
Debt for established SMEs	£9m-12m	£45-£60m	Potential for a larger fund (up to £75m over 5 years), if the investment limit can increase to £2.5-£3 million and/or if there is potential to increase the loan tenor.
Risk capital for established SMEs	£9m-11m	£45-£55m	Potential for a larger fund (up to £70m over 5 years) if investment limit can be increased.
Early stage finance	£6-£9m	£30m-£45m	Potential for a larger fund (up to £55m over 5 years) given the emphasis in GBER on Life Sciences, the strength of the Life Sciences sector in Wales and the need for follow on investment for companies in current JEREMIE portfolio

16. In light of this evidence, the investment strategy, which Welsh Government has led on has proposed a fund size, over an investment period of 7 years (to 2022) for Equity and 6 years for Debt as set out in table 2 below. The scale and scope of the proposed Funds fits with the market evidence and has been based on relatively conservative and prudent assumptions on what is deliverable over the investment period of the Fund

Table 2: Wales Business Fund proposed scale	Annual £m	Total £m
Mezzanine, early stage and later risk capital (* see glossary at annex 1)	11.2	78.4
Debt	9.6	57.5
Total	20.8	135.9
<i>Micro finance not included. It will be operated separately but alongside the Wales Business Fund by Finance Wales</i>	N/A	N/A

17. The proposal called 'The Wales Business Fund' will be made up of £75.9 million ERDF and £60 million of National (public) co-financing. Further private co-financing at individual deal level is targeted at 1:1 with the ERDF, indicating total investment of £212 million.
18. The Wales Business Fund plans to invest in over 400 Enterprises assisted' and deliver 'growth in employment in assisted enterprises' of 3,585. The target result indicator for the programmes is an increase in equity investment by 2023 of at least £13million per annum.
19. Provisions to review the Ex Ante assessment will be built into the funding agreement to be signed between WEFO and Finance Wales who will act as the "entrusted entity" to manage the Fund. An "entrusted entity" is a financial institution established in a Member State aiming at the achievement of public interest under the control of a public authority, a public law body, or a private law body with a public service mission. A review will be triggered by a 20% variation from profiled investments (ahead or behind profile), and if there is a clear change in market conditions. However there will be an automatic review two years from the date of the signing of the funding agreement with Finance Wales.

Next Steps

20. Subject to a satisfactory assessment of the business plan and alignment with the Ex Ante assessment it is expected the Wales Business Fund will be approved during the first quarter 2016.
21. The implementation of the Fund will be through Finance Wales. However Fund Managers will be procured to undertake the delivery role of making investments via Equity or Debt. This procurement exercise will be led by the National Procurement Unit of the Welsh Government with Finance Wales.
22. The European Commission is encouraging the use of Financial Instruments in delivering programmes funded by the European Structural Investment Funds; in particular by proposing Member States double their use of Financial Instruments in delivering ESI funds in key investment areas such as RD&I, SME Competitiveness, Low Carbon Transition, and ICT infrastructure. Improving the use of Financial Instruments was also highlighted as a key priority in the UK Partnership agreement. As such following the Ex Ante assessment for Access to Finance, further research is planned to take place during 2016 to inform the development of any future Financial Instruments in Wales by identifying market failure and gaps in, and opportunities for, the financing of infrastructure in the following areas:
 - a) Research and Innovation infrastructure across the whole of Wales
 - b) Marine energy infrastructure (technology and / or test sites) in West Wales and the Valleys
 - c) Broadband infrastructure in 'White Areas' across the whole of Wales
 - d) Business sites and premises development in West Wales and the Valleys

WEFO, as the Managing Authority will consider the findings of this research and update the WPMC on how it is likely to proceed at a future meeting.

WEFO Lead: Ken Cook

Approved by: Sue Price

Date: 12 February 2016

Annex 1. Glossary of terms

Loan – (generically called ‘debt’ as opposed to ‘equity’) An agreement which obliges the lender to make available to the borrower an agreed sum of money for an agreed period of time and under which the borrower is obliged to repay that amount within the agreed time.

Equity – Provision of capital to a firm, invested directly or indirectly in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits. In the context of the Wales Business Funds the return on an equity investment is realised when the fund sells on its stake in the firm.

Early Stage – Equity investment in companies that are able to begin operations but are not yet at the stage of commercial manufacturing and sales.

Risk capital - Funds used for high-risk, high-reward equity investments

Mezzanine - Mezzanine financing is basically debt capital (a loan) that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt provided by lenders such as banks and venture capital companies. Sometimes referred to as ‘quasi-equity’

Senior Debt - Borrowed money that a company must repay first if it goes out of business.

Junior debt – Debt that is usually unsecured, and/or with a lower priority to be repaid than other debt (Senior Debt). Also known as ‘subordinated debt’

Spillovers

Technology and Innovation Spillovers – firms which develop or commercialise new technology will tend to generate economic returns beyond the firm as the technology or innovation is imitated. There is a strong rationale for supporting new or existing firms to develop and commercialise new technology. In our experience most firms supported by equity funds are engaged in some form of innovation, and this is an important rationale for Venture Capital and Loan Funds (VCLFs) as a direct way to support innovation.

Enterprise Spillovers – enterprise, through the creation of new and innovative firms, generates benefits for the regional economy beyond those reaped by the firm. This is through spurring greater productivity, innovation and creating employment.

Employment and Regeneration Spillovers – in regions where there is a need to support employment, worklessness and deprivation creates negative spillovers on others in families and communities. There is a strong market failure as well as equity argument for supporting employment in relatively deprived areas. This type of argument is likely to be more important for Funds providing mezzanine or loan finance to established firms, or non-technology start-ups rather than equity funds. It is likely to be more important in a recessionary macroeconomic climate.

Regional Development and Lock-In Arguments – firms and regional economies can become ‘locked into’ low or high growth trajectories. This is a form of market failure, since

firms which contribute to a 'better' trajectory confer benefits on others in the future. Regional development policy is often predicated on the basis of developing knowledge or technology-based sectors in regions with relatively low productivity. Publically backed funds tend to directly support the growth of these sectors and as such are potentially valuable tools of regional economic development policy.

A comprehensive glossary of terms relative to Financial Instruments supported under the ESIF can be found on the Fi-Compass Website at

<https://www.fi-compass.eu/publication/ec-regulatory-guidance/ec-regulatory-guidance-guidance-member-states-financial>

**WELSH GOVERNMENT RURAL COMMUNITIES – RURAL DEVELOPMENT
PROGRAMME 2014 - 2020
WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND
INVESTMENT FUNDS 2014 – 2020:**

Financial Instruments in the WGRC-RDP 2014-2020

Issue

29. This paper provides an update on the progress of the implementation of financial instruments under the WGRC-RDP 2014-2020.

Recommendation

30. Members are asked to note the content of the paper.

Background

31. The draft RDP 2014 – 2020 makes provision for the future (but not immediate) use of FIs. In the consultation process there was positive stakeholder feedback to combine them with traditional grants.
32. It is important to recognise that this is not an additional EC fund, and that no additional funds will be made available. We can put some RDP funding into an FI in order for that to act as seed funding that we will use to attract additional funding (private sector or other public sector, such as the European Investment Bank). Once FIs are completed they are repaid into the FI fund and can be recycled into other projects.

Progress to Date

33. Initial areas for consideration were included in the analysis that WEFO carried out for its intentions, which indicated that there was the potential for FIs in the RDP. However, at that time, the suggested areas for consideration were not developed enough to provide information to take the work forward.
34. As FIs are new to the RDP it has been necessary to increase knowledge and understanding within Agriculture, Food and Marine. Officials have attended a number of EU wide events and worked closely with WEFO colleagues to develop their awareness and identify the assistance that is available for the progression of the implementation of FIs.
35. In order to implement FIs there is a regulatory requirement that an ex ante evaluation is carried out for each potential FI. Work is currently underway to identify the potential areas of the RDP which should be considered as part of the ex ante evaluation.
36. Discussions with policy teams are ongoing in order to identify potential uses for FIs and the scope of the ex ante is being considered.

37. Officials from Agriculture, Food and Marine are working closely with WEFO Research Monitoring and Evaluation officials to take the evaluation forward.

38. The ex ante evaluation will address:

- a) Analysis of market failures, suboptimal investment situations and investment needs;
- b) Assessment of the added value of the FI;
- c) Estimate of additional public and private resources to be potentially raised by the FI;
- d) Assessment of lessons learned from similar instruments and ex-ante assessments carried out in the past;
- e) Proposed investment strategy; and
- f) Specification of expected results.

This exercise will take several months to complete.

39. If this results in a Ministerial decision to progress with FIs then we would need to make a modification to the RDP and to procure a financial intermediary to deliver the instruments.

40. Preparation of the modification and development of any Fi progressed will be carried out through close working with the European Commission.

Next Steps

41. A draft timetable has been produced to show the length of time needed to fully implement a new FI.

Step Required	Indicative Timescale for Completion
Scope Ex Ante Requirements	March 2016
Procurement of Ex Ante Contractor	June 2016
Carry Out Ex Ante Evaluation	November 2016
Present Ex Ante to Programme Monitoring Committee for information	December 2016
Prepare Modification to Programme in collaboration with DG Agri/EIB	February 2017
Present Modification to Programme Monitoring Committee for consultation and submit to European Commission	March 2017
Commission Approval of Modification	June 2017
Procurement of Financial Intermediary	December 2017
Launch of Financial Instruments	January 2018

42. The ex ante evaluation will be provided to PMC members for information. Summary findings and conclusions will be published within 3 months of the completion of the evaluation.

Agriculture, Food and Marine

Lead: Gordon Smith - Head of RDP and EMFF Finance

Approved by: Terri Thomas – Deputy Director Rural Development Division

Date: 19th January 2016

WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 – 2020:

Amendment to Selection Criteria: Welsh Government Rural Communities - Rural Development Programme 2014-2020

Issue

43. The paper “WPMC(15)56 Selection Criteria – European Agricultural Fund for Rural Development (EAFRD) 2014 -2020” was presented to Members at the 11th September 2015 meeting of the Wales Programme Monitoring Committee. Annex 1 to WPMC(15)56 set out the Selection Criteria to be used by Schemes under the Welsh Government Rural Communities - Rural Development Programme 2014-2020.
44. As explained in WPMC(15)56 the Welsh Government as Managing Authority can amend these selection criteria or introduce new selection criteria within the programming period according to programming needs, following consultation with the Wales Programme Monitoring Committee.
45. The Welsh Government is proposing to alter the selection criteria for several schemes (see Annex 1) and seeks the opinion of the Members regarding these changes.

Recommendation

2. The Welsh Government is consulting the Members on the changes proposed to the selection criteria as described in Annex 1.

Background

3. Annex 1 is split into two sections. The first presents schemes which have not yet opened: the Timber Business Investment Scheme and the Sustainable Management Scheme.
4. The second section presents an amendment to the scoring criteria to be used for the Co-operation and Supply Chain Development Scheme. This scheme has already opened with one EOI window having closed on the 14th December 2015. The amendment proposed introduces an additional scoring criterion “Additionality and Strategic Compliance”. This also results in the quality threshold changing. These alterations are shown in red for ease.

Next Steps

5. The Welsh Government welcomes the views of Members on the changes proposed.

Agriculture, Food and Marine

Lead: Gail Merriman

Approved by: Mrs Terri Thomas

Date: 28/01/16

Section 1: New Schemes

Measure 8.6 - Timber Business Investment Scheme

Thumbnail sketch: The Timber Business Investment Scheme (TBIS) will fund capital investments by SMEs in timber processing (prior to industrial scale processing); forestry harvesting contracting; other timber processing such as wood fuel; certain investments within the forest to improve commercial management such as stacking places.

Selection Criteria and Scoring at Expression of Interest (EOI) Stage:

TBIS EOI projects proposals will be scored using the following scoring scale of 0 – 4, then multiplied by the associated weighting factor to give a total score. Projects which have scored zero points in any one or more of criteria 1 to 3 will be excluded from selection.

These criteria have been selected because the Intervention Logic for the Welsh Government Rural Communities – Rural Development Programme 2014-2020 and Welsh Government policy highlights the need to bring unmanaged woodlands into management. These criteria have been chosen so that the capital investments available under M8.6 can be applied where value will be added to specific forest areas.

	Selection Criteria	Score	Weighting Factor
1	Improve capacity to grow or use timber grown in Wales.	0 to 4	X 2
2	Expand local markets and their benefits	0 to 4	X 1
3	Improve harvesting of timber from thinnings, or small scale, inaccessible woodland using appropriate machinery.	0 to 4	X 1
4	Demonstrate that specific forests will be improved as a result of the project. Calculated based on area of woodland to be managed	0 to 4	X 1
5	Value for money Calculated based on area of woodland and gross project value.	0 to 4	X 1

Selection Criteria and Scoring at Application Stage:

The 9 ESI criteria are to be used:

- Strategic Fit
- Delivery
- Financial & Compliance
- Management of Operation
- Indicators & Outcomes

- Value for Money
- Long Term Sustainability
- Cross Cutting Themes
- Suitability of Investment

The scoring matrix for the 9 Selection Criteria is: High / Medium / Low / Minimal.
The threshold is to be at least 9 Lows.

Measure 16.5 - Sustainable Management Scheme

Thumbnail sketch: The Sustainable Management Scheme aims to support collaborative landscape-scale projects delivering action that improves our natural resources in a way that delivers benefits to farm and rural businesses and rural communities. It will also support and facilitate co-ordination with other schemes to undertake the vital action needed to improve the resilience of farm and rural businesses and rural communities to the climate impacts through support for projects that directly reduce greenhouse gas emissions from land management and farm business activities.

Selection Criteria and Scoring at Expression of Interest (EOI) Stage:

The minimum quality threshold is a score of 20.

An EOI proposal will be scored where a score of 5 is the highest and a score of 0 is the lowest with two increments in between.

A 0 score in criteria 1-3 will prevent the EOI from progressing.

	Selection Criteria	Score	Weighting factor
1	Action to tackle one or more of the emerging national priorities from the Natural Resources Policy Statement 2015	0-5	x 3
2	Application of the principles of sustainable management of natural resources	0-5	x 4
3	Action to tackle Local area challenges and take forward opportunities	0-5	x 3
4	Ensuring good governance, project management & clearly identified outcomes	0-5	x2
5	Clear and appropriate monitoring and evaluation plans.	0-5	x 2

The purpose of the Sustainable Management Scheme is to support collaborative landscape scale projects taking action to improve the resilience of our natural resources and ecosystems in a way that also delivers benefits to farm businesses and rural communities. It will also support the reduction of greenhouse gases from the sector and the vital action needed to help farm businesses and rural communities adapt to the impacts of climate change.

There is often a time commitment needed to develop fully functioning collaborations and to undertake the planning required for some land management activities linked to seasonality. This scheme recognises this and will also support proposals seeking to facilitate, develop or establish new collaborations and activities; to facilitate agreements of local priorities and to help potential new collaborations develop project proposals. Projects of this type will need to provide clear evidence that this activity will include or is likely to result in the delivery of tangible action on the ground with environmental, social or economic benefits.

For each criterion the assessment will be made on the basis of the information and explanations given. Higher scores will be achieved by providing clear explanations supported by examples of proposed activities and details of how those activities will be taken forward and managed.

The adoption of the principles of sustainable management of natural resources (SMNR) is key to achieving the aim of the Sustainable Management Scheme therefore this has been given the highest weighting of the five criteria. Projects that provide clear evidence of how they have considered and applied the nine principles of sustainable management of natural resources to the approach they are proposing in their EOI will score more highly.

In addition to the principles, when taking forward projects under this scheme it is important for the applicant to ensure that they have addressed one or more of the national emerging priorities as set out in the Welsh Government's Natural Resources Policy Statement 2015 and summarised in the Sustainable Management Scheme Guidance notes.

As well as these national emerging priorities, applicants must also demonstrate that the project addresses the local challenges and opportunities presented within the landscapes and communities of the defined *focus area*. The equal high weighting reflects the importance of an EOI being inclusive of both national and local priorities.

The final two selection criteria are an opportunity for applicants to show they are planning a well thought out and structured project with clearly defined outcomes and deliverables. Working in collaboration can present a number of challenges and so clarity and good project management will be essential to success. Equal importance is given to the early consideration of the appropriate level of requirements for monitoring and evaluating the proposed project as it progresses against its aims, therefore equal weighting have been given to these criteria.

Selection Criteria and Scoring at Application Stage:

The 9 ESI criteria are to be used:

- Strategic Fit
- Delivery
- Financial & Compliance
- Management of Operation
- Indicators & Outcomes
- Value for Money
- Long Term Sustainability
- Cross Cutting Themes
- Suitability of Investment

The scoring matrix for the 9 Selection Criteria is: High / Medium / Low / Minimal.
The threshold is to be at least 9 Lows.

Section 2: Amendments to Existing Schemes

Measure 16.2 and Measure 16.4 – Co-operation and Supply Chain Development Scheme

Thumbnail sketch: *Co-operation and Supply Chain Development Scheme*

“The Co-operation and Supply Chain Development Scheme is designed to make new things happen. It cannot be used to support joint activities which are already taking place but could support an existing group of co-operating entities in undertaking a new joint project. As part of the above it can also support the adaptation of existing farming practices, research when directly linked to a practical project, and demonstration activities when linked to the final stage of testing / validating technology. It will provide support for the full scope of a project from the initial stages through delivery and into dissemination and evaluation and as such will require as relatively detailed plan to be prepared unless funding is being sought for the initial stage only. It will provide both revenue and capital support.”

Selection Criteria and Scoring at Expression of Interest (EOI) Stage:

The minimum quality threshold is a score of **25**.

	Selection Criteria	Score	Weighting factor
1	Stakeholder engagement	0-5	x 5
2	Barriers to engagement	0-5	x 4
3	Additionality and Strategic Compliance	0-5	x 5
4	Communication	0-5	x 3
5	Evaluation	0-5	x 2
6	Outputs / Outcomes	0-5	x 2

The additional criterion shown in red above will make it possible for the Welsh Government to assess how proposed projects contribute to the strategic aims and objectives of the Scheme and to relevant Welsh Government strategies. Applicants will also be asked to show that their project will not duplicate existing provisions or any known intended provisions either through statutory service providers, other Welsh Government funded initiatives or other EU funded projects.

Selection Criteria and Scoring at Application Stage:

The 9 ESI criteria are to be used:

- Strategic Fit
- Delivery
- Financial & Compliance
- Management of Operation
- Indicators & Outcomes
- Value for Money
- Long Term Sustainability
- Cross Cutting Themes
- Suitability of Investment

The scoring matrix for the 9 Selection Criteria is: High / Medium / Low / Minimal.
The threshold is to be at least 9 Lows.