

# Enterprise and Business Committee

## SF-04

### Inquiry into the draft legislative proposals for EU Structural Funds for 2014 - 2020

#### Evidence from Sustrans



#### Submission to the Enterprise and Business Committee: EU Structural Funds 2014-2020

Sustrans Cymru welcomes the continuing pro-active engagement of the third sector by the Enterprise and Business Committee on the issue of European Structural Funds Programmes post-2013.

We will attempt to frame our response around the terms of reference for the inquiry.

Sustrans Cymru co-ordinates the Valleys Cycle Network, a £17 Million three year project to develop 100 km of walking and cycling paths across the old south Wales coalfield. It will provide new infrastructure within 2 miles of some 600,000 people and is expected to generate a return on investment of at least 4:1; 9:1 when health benefits are taken into account. The programme is a partnership with the Sewta and SWWITCH Regional Transport Consortia and has attracted match funding from the Big Lottery and the Welsh Government. We are directly managing £3.5m of ERDF funding via Sustainable Transport Framework, and a further £2.9m Via Valleys Regional Park from Environment for Growth Framework

As an organisation that receives funding from both the European Social Fund (ESF) and the European Regional Development Fund (ERDF), we will focus our response to the changes proposed that are specific to these two Funds.

#### **1. What the European Commission's newly-published legislative proposals for the future of EU Cohesion Policy could mean for Wales.**

**Focus on Europe 2020:** Sustrans is broadly supportive of the alignment of funding policy to the goals outlined in the Europe 2020 Strategy. Our work has been proven to contribute towards the achievement of all six of the goals identified; employment, education, poverty, innovation, research and development and climate. We hope that this alignment will enable us to further demonstrate the benefits our work can bring to these areas and to engage more fully policy agendas outside of the traditional fields of transport and the environment, facilitating a more integrated approach to sustainable transport in Wales.

We also welcome the greater emphasis of ESF on promoting active and healthy ageing, indicating a dedicated priority to combat social exclusion and poverty that is not solely focused on employment and that is closely connected to the work we

undertake in Wales. We believe the only way to tackle poverty and social exclusion in a holistic manner is to focus not only on jobs but, more importantly, on progression towards employment and on addressing the wider inequalities that arise as a result of living in poverty.

**Better Coordination of Funds:** We believe the definition of a set of common rules governing the European Regional Development Fund (ERDF) and the European Social Fund (ESF) will further support the integrated approach that is already taken by the Welsh Government to the planning and delivery of the Structural Funds and Rural Development programmes in Wales. In addition, the option for Member States to combine ERDF, ESF and Cohesion Fund in “multi fund” programmes will present a number of opportunities in Wales to combine the existing physical infrastructure with relevant support structures as a vehicle for community economic development and regeneration.

**Rewarding Performance:** We welcome the move to incentivise performance further and to place contingencies on the release of additional funds. Sustrans already employs a robust monitoring and evaluation framework and our projects consistently meet the outcomes required, achieving strong returns on investment.

Within the European Social Fund proposed changes, the greater emphasis on social innovation is particularly welcomed. Too frequently, innovative pilot programmes that have been demonstrated to deliver results are not mainstreamed due to lack of follow-on funding. We therefore welcome this commitment to test and scale up solutions.

**Territorial Cohesion:** Sustrans welcomes the objective to earmark ERDF allocation to “integrated actions”. Sustainable transport projects necessitate the early engagement and continued joint working of a number of agencies; funding streams that recognise the importance of and support this collaborative working will therefore bring further benefits to our work.

Managed effectively, this earmarked allocation could enable us to capitalise on the synergy that can result from new infrastructure projects, education and smarter choices programmes and community development schemes being delivered in coordination.

**Further Simplification:** We welcome the move towards further simplification of the policy and simplification of reimbursement rules. In particular, indications that the rules governing the reimbursement of projects by the ESF will be simplified for NGO beneficiaries are welcome.

Allowing for considerable lead-in times for capital ERDF projects is particularly important to enable outputs to be achieved within the timescale. Given the long lead-in time experienced in moving from project development to delivery in the 2007-2013 programmes, we would advocate that 80% of the total funds available should be committed up front, at the start of the 2014-2020 programmes to enable projects to hit the ground running and to avoid the delays experienced at the start of the Convergence programme.

We welcome the continuation of permission to allow schemes to competitively award grants, rather than contracts for project activity. Large scale procurement is appropriate for road and transport schemes, whereas grants are more appropriate than contracts for small scale, local ESF interventions that are designed to provide tailored solutions for participants with complex needs. The Welsh Government is

asked to encourage and enable project sponsor's to use the most appropriate approach, either procurement or grants, depending on the scale, level and type of activity.

We, along with the WCVA, also endorse the need for continued Technical Assistance funding to support and facilitate the third sector's access to European Structural Funds post-2013, including an allocation of funding to third sector, and other, providers of support.

## **2. What the Welsh Government's priorities should be in its negotiations on the proposals.**

We support the priorities outlined by WCVA in their submission 'The Third Sector in Wales and European Structural Funds Programmes post -2013', namely:

**Supporting the growth of charitable trading and social enterprises including through financial instruments:** There is a need to broaden the third sector's access to financial instruments through any new programmes post-2013. The current instruments are targeted predominantly at the private and public sector (JESSICA and JEREMIE) and are not appropriate to meet the growing needs of the third sector. Innovative financial instruments that meet the particular needs of the sector, especially as a growing emphasis is placed on payment by results, need to be brought to market and any new funding post-2013 would be an appropriate vehicle to deliver these instruments.

The Welsh Government is asked to ensure not only access to financial instruments but a full suite of investment, grant, start up, business and intellectual support is made available to enterprising third sector organisations and social enterprises. The effect would be twofold: to increase jobs and prosperity but also enable third sector organisations to become more self-sufficient and less reliant on grant funding and donations.

**Advance payments to third sector sponsors and contractors:** WCVA recognises that the Welsh Government's Funding Code of Practice has been adhered to in the 2007-2013 programmes in order to facilitate advance payments to provide cash flow to third sector project sponsors. However the advance payments facility should also be available to third sector organisations that are joint sponsors led by public sector project sponsors, as well as to those delivering EU funded contracts on behalf of public sector project sponsors.

**A focus on green jobs and renewable energy with the importance of community led interventions:** The Europe 2020 priorities of 20% carbon reductions, 20% energy efficiency improvements and 20% renewable energy increases should act as minimum requirements to the Welsh Government and a more ambitious set of targets should be adopted. The role of the third sector and especially community groups should be central to this plan. It should include financial instruments for community led micro and small scale renewable energy generation schemes and a specific green jobs strand for Intermediate Labour Market (ILM) activity.

**Sustainability – where do we want to be at the end of 2020?** Planning should begin now for the landscape post-2020, when the level of European interventions is likely to be greatly reduced. This means that more must be done to encourage and incentivise financial sustainability within key areas. One barrier to projects developing income streams, especially under ESF, is that organisations are penalised for

generating an income through a reduction in grant. To genuinely promote and encourage financial sustainability the Welsh Government should scope opportunities to improve flexibility in EU funding rules to incentivise, rather than hinder, sustainable financial models such as loan and legacy funding.