

29<sup>th</sup> November 2010

## **EAST MIDLANDS COUNCILS EUROPEAN AND INTERNATIONAL BOARD**

### **AGENDA**

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  - 7 March 2011, 6 June 2011, 5 September 2011



**MINUTES OF EUROPEAN AND INTERNATIONAL AFFAIRS BOARD  
14<sup>TH</sup> SEPTEMBER 2010**

**Present:** Cllr D Wilcox – Chair- Derbyshire County Council  
 Cllr D Sprason – Leicestershire County Council – Vice Chair  
 Cllr D Bill – Hinckley & Bosworth Borough Council  
 Cllr Neil Clarke – Rushcliffe Borough Council  
 Cllr Harvey Jennings – Derby City Council  
 Cllr D Kelly – Bolsover District Council  
 Cllr A Osman – Leicester City Council  
 Cllr P Robinson – Lincolnshire County Council  
 Cllr I Selby- South Kesteven District Council (substitute for Cllr A Clark)  
 Cllr D Stephenson- East Lindsey District Council  
 Cllr M Tebbutt – Kettering Borough Council  
 Cllr Ernie White – Blaby District Council

Mrs S Smith – Harborough District Council  
 Jenny Goulding - *EMDA*  
 Liz Wigley - GOEM

Matthew Wheatley – East Midlands Councils  
 Stuart Young – East Midlands Councils  
 Richard Woods – East Midlands European Office

**Apologies:** Cllr A. Clark – Nottingham City Council  
 Mayor T Egginton – Mansfield District Council  
 Cllr Hilary Jones – Derby City Council

		<b>ACTION</b>
<b>1.</b>	<b>Apologies and Introductions</b>	
1.1	Cllr David Wilcox welcomed Members to the meeting.	
1.2	Apologies were received as noted above.	
<b>2.</b>	<b>Declarations of Interest</b>	
2.1	None	
<b>3.</b>	<b>Terms of Reference &amp; Role of the European and International Affairs</b>	

		<b>ACTION</b>
	<b>Board</b>	
3.1	Matthew Wheatley provided Members with an outline of the purpose of the Board. These were agreed.	
<b>4.</b>	<b>The Work Programme for 2010/11</b>	
4.1	Matthew Wheatley East Midlands Councils introduced this report. Cllr D Wilcox outlined LGA items of interest to Members.	
4.2	Richard Woods – East Midlands European Office gave a presentation to Members. Discussion by Members followed. Richard Woods agreed to provide members with a narrative to accompany slides.	<b>RW</b>
<b>5.</b>	<b>European Funding in the East Midlands</b>	
5.1	Jenny Goulding – <i>emda</i> presented a report on funding streams, advising Members of the Annual Information Event on 13 <sup>th</sup> October 2010, further information available at <a href="http://www.eastmidlandserdf.org.uk">www.eastmidlandserdf.org.uk</a> . MW to circulate information to Members	<b>MW</b>
5.2	Liz Wigley- GOEM presented a report outlining information to Members on European Social Fund and provided the following link for Members to obtain further information <a href="http://www.esf.gov.uk">www.esf.gov.uk</a> . Members discussed how practical information to support bids might be disseminated. LW to consider what might be available.	<b>LW</b>
5.3	Members requested examples of successful projects in the East Midlands and discussed how Councils share and publicise good practice and what funding Councils might be Local Authorities be able to access now and in the future.	
5.4	A question was raised relating to the position of audit for funding once <i>emda</i> /GOEM had ceased.	
<b>6.</b>	<b>East Midlands Office Representation in Brussels</b>	
6.1	Richard Woods – East Midlands European Office left the meeting. Stuart Young, Executive Director, East Midlands Councils introduced this report outlining the current position of the European Office, the potential impact of the withdrawal of <i>emda</i> funding, a potential relationship with LEPs and how future options for representation in Brussels would be considered. SY will report further work back to the Board.	<b>SY</b>
<b>7.</b>	<b>Feedback from Member on their European Roles</b>	
7.1	Held over until the next meeting of the European and International Board	

The meeting closed at 4.10pm



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Our Ref: BH/BH/034103/10

A handwritten signature in black ink that reads "David Parsons".

10 NOV 2010

#### **ERDF PROGRAMME MANAGEMENT**

Many thanks for your letter of 21 October and your continued interest in the transfer of ERDF programme management responsibilities from the RDAs. We are keen to establish efficient and effective new arrangements whilst maintaining the continuity and compliance in the delivery of the 10 ERDF programmes in England.

We are currently looking at a number of possible options for future management of the funds which would enable us to retain the expertise and skills of existing staff and this involves a comprehensive review of the possible hosting arrangements available to us.

Furthermore we are also considering how we can develop a new approach to PMC meetings and membership to ensure that we are better able to engage local communities and improve accountability and local focus.

This work continues to be taken forward at pace by the Department and we are working hard to ensure that we can extend the role of local people as far as possible in the process. We will continue to engage positively with all our partners and ensure that key decisions are taken, tested and disseminated as quickly as possible.

A handwritten signature in black ink that reads "Baroness Hanham".

An official signature in black ink, appearing as a stylized, looped signature.

**BARONESS HANHAM CBE**



29<sup>th</sup> November 2010

**EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD  
REPORT**

**Updated Terms of Reference & Work Programme**

**Synopsis**

This paper invites members to consider and approve the updated Terms of Reference and Work Programme for East Midlands Councils European and International Affairs Board attached as item 5(a).

**Recommendation**

**Members of the European and International Board are invited to APPROVE the revised Terms of Reference and Work Programme for East Midlands Councils' European and International Affairs Board.**

## **1. Introduction**

- 1.1 At its last meeting East Midlands Councils' European and International Board considered a suggested Work Programme and Terms of Reference. As a result of the Board's discussion, the Terms of Reference and Work Programme have been slightly amended. The suggested revised versions are attached as item 5(a).

## **2. Changes to Terms of Reference and Work Programme**

- 2.1 The changes made to the Terms of Reference and Work Programme are not substantive. The key change is to structure the agenda for the meeting into three broad parts;
- i. European funding
  - ii. European policy
  - iii. Other work, including international issues
- 2.2 The stronger emphasis put on funding reflects the focus of the Board's discussions at its last meeting.

## **3. Recommendations**

- 3.1 **Members of the European and International Board are invited to APPROVE the revised Terms of Reference and Work Programme for East Midlands Councils' European and International Affairs Board.**

**Matthew Wheatley**

East Midlands Councils

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**Item 5(a) European and International Affairs Board Terms of Reference and Work Programme**

**Suggested Revised Terms of Reference**

The European and International Affairs Board leads East Midlands Council's engagement with the key European and International issues that affect the region, it will;

- a) Contribute to the achievement of East Midlands Council's overall policy priorities and objectives
- b) Develop European and international policy priorities for EMC
- c) Influence the development of European and international policy by others to benefit the East Midlands, particularly maximising the flow of EU funding to the East Midlands
- d) To lead the input of local government to the regional implementation and management of the European Regional Development Fund, the European Social Fund and the Rural Development Programme for England
- e) To disseminate relevant information and best practice between Local Authorities
- f) To report, and be accountable, to East Midlands Councils through its Executive Board.
- g) To support co-ordination and co-operation between the region's Local Authorities on European issues.
- h) To establish task groups from its membership from time to time to undertake specific tasks on behalf of the Board.

## Item 05(b) European and International Board Work Plan – 2010/11

Q1	Q2	Q3(i) (14 <sup>th</sup> Sept)	Q3(ii) (29 <sup>th</sup> November)	Q4 (7 <sup>th</sup> March)
		Terms of Reference & role of the E&I Board	Updated Terms of Reference & Work Programme	
		Draft Work Programme 2010/11	European Funding <ul style="list-style-type: none"> <li>▪ Successful Projects and Bids</li> <li>▪ Funded projects and exemplars</li> <li>▪ Summary of current opportunities Funding opportunities</li> </ul>	Update on European Funding <ul style="list-style-type: none"> <li>▪ Management arrangements</li> <li>▪ Influencing policy / targeting</li> </ul>
		ERDF Current and Future issues	European Policy Update <ul style="list-style-type: none"> <li>▪ Fifth cohesion report</li> <li>▪ Common Agricultural Policy – options for review</li> </ul>	European Policy Update <ul style="list-style-type: none"> <li>▪ Budget</li> <li>▪ Climate Proofing Strategy</li> <li>▪ Green paper on e-procurement</li> </ul>
		ESF Current and Future issues  RDPE Current and Future issues  East Midlands Office in Brussels	International Issues <ul style="list-style-type: none"> <li>▪ East Midlands India Bureau</li> <li>▪ East Midlands China Bureau</li> </ul> East Midlands Platform on Physical Activity and Health  Feedback from members on their European roles  European Issues Seminar (20 <sup>th</sup> January 2011)	International update   East Midlands Office representation in Europe  Feedback from members on their European roles



29<sup>th</sup> November 2010

## **EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD REPORT**

### **European Policy Update**

- a. **The European Commission's 5th Report on Economic, Social and Territorial Cohesion (Fifth cohesion report)**
- b. **Commission Communication on the future of the CAP (Common Agricultural Policy)**

### **Synopsis**

This paper invites members to consider the implications of the European Commission's Fifth Cohesion Report and Communication on the future of the CAP and how East Midlands Councils might influence them for the benefit of the East Midlands.

### **Recommendations**

**Members of the European and International Board are invited to:**

- a) **CONSIDER** the 'Fifth cohesion report' and, 'Common Agricultural Policy – options for review' and the respective summaries
- b) **DISCUSS** the relevant arising issues and;
- c) **IDENTIFY** the key issues that East Midlands Councils should emphasise when working with the national LGA on its response to the European Commission's Fifth Cohesion Report
- d) **ENDORSE** the approach to responding to Commission proposals on the future of the CAP when they are published in mid 2011, as detailed in paragraph 4.6

## 1. Introduction

- 1.1 At its last meeting East Midlands Councils' European and International Board considered a work programme focused on opportunities to influence the most important European and International issues for the region, including responding to policy consultations.

## 2. Policy issues and the East Midlands Councils response

- 2.1 The European Commission published its Fifth Report on Economic, Social and Territorial Cohesion on 10<sup>th</sup> November and a Communication on the future of the CAP (Common Agricultural Policy) entitled 'The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future' on 19<sup>th</sup> November.
- 2.2 The reports could have major implications for the amount of European funding coming into the East Midlands from the European Union. Both reports are complex and raise a number of potential issues that local authorities may wish to comment upon. Analysis of both reports has been undertaken by East Midlands Councils and East Midlands European Office and it is detailed below and in the attached appendices.
- 2.3 It is suggested that East Midlands Councils does not make detailed responses to the reports in its own right. The issues of general importance to local Government in the reports are likely to be covered by the responses of the national Local Government Association and Councils can respond to issues of local relevance in their own responses. It is therefore suggested that East Midlands Councils seeks to identify common areas and principles to underpin joint working with the national LGA and support its responses, which can also be shared with Councils in the East Midlands.

## 3. The European Commission's Fifth Cohesion Report

- 3.1 The European Commission's Fifth Cohesion Report monitors progress in achieving economic, social and territorial cohesion across the European Union. It assesses the contribution made by the EU, particularly through its Cohesion Policy, and that made by national and regional governments. The report will inform the EU's review of its post 2013 Cohesion Policy and the future of structural funds and other policy implementation initiatives.
- 3.2 You can download the full 5<sup>th</sup> Cohesion Report from the European Commission's website @ [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/cohesion5/pdf/5cr\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/pdf/5cr_en.pdf). It is a large document, at 301 pages and over 160mb, therefore a summary is attached as Item 6(a) together with the consultation questionnaire as Item 6(b) and East Midlands European Office's briefing on the Cohesion Report as Item 6(c). The two references to the East Midlands in the report both involve *emda*. They are a case study of the Regional Index of Sustainable Economic Welfare and reference to the EU 'JESSICA' funded Urban Development Fund.
- 3.3 The overall key findings of the report are;

- **Disparities** between EU regions **are narrowing** - differences in GDP per head have shrunk substantially
- **More developed regions are more competitive**, e.g. because they:
  - are more innovative
  - are better trained
  - have higher rates of employment
  - have better infrastructure
- **Well-being and life satisfaction** are strongly linked to higher household income in the less developed parts of the EU, but not in the more developed regions
- **Environmental sustainability:**
  - some regions are at high risk from **climate change**
  - others have a strong potential to produce more **renewable energy**
  - many city centres have poor **air quality**
- **Better coordination is needed** between regional development and other EU and national policies
- **Europe 2020 strategy:**
  - regions and regional development policy can significantly contribute
  - there should be a **balanced approach to investment**, e.g. right balance between different types of investment
  - the **strong diversity** among EU regions (e.g. differences in characteristics, opportunities and needs) need to be taken into account
  - there must be a **strong role for regions, cities and local authorities**

3.4 As detailed in the European Office briefing, which is attached as Item 6(c), there are a number of broad issues in the report, which could have potential implications for the East Midlands, including;

1. Continuation of structural funds for all regions
2. Focus on fewer more targeted priorities
3. Supporting urban areas
4. A new intermediate category of regions
5. A place-based development approach
6. Streamlined and simplified administration.

3.5 In addition, the proposals for modulating co-financing rates to reflect a region's GDP, greater emphasis on Territorial Cooperation (INTERREG) and the introduction of Financial Engineering Initiatives could have implications for how and whether the East Midlands accesses European funding in the future.

3.6 It is suggested that in responding to the report, East Midlands Councils should;

1. Support proposals that seek to promote the continued availability of funding from Europe to tackle need and promote opportunity in the East Midlands

2. Engage in discussions on the management and prioritisation of funding at a local level
3. Promote maximum flexibility for localities to use funding in order to tackle issues including climate change, the low carbon economy and stimulating wider innovation.

3.7 The European Commission has launched a period of public consultation on the report, which will run until 31 January 2011. The Fifth Cohesion Forum taking place in Brussels on 31 January and 1 February 2011 will provide another opportunity to discuss the orientations and options presented in the report. The Commission will table formal legislative proposals on the future cohesion policy by the summer of 2011 following the adoption of proposals on the new EU budget.

3.8 It is suggested that members identify the key issues that East Midlands Councils should emphasise in working with the national LGA in its response.

#### 4. Commission Communication on the future of the CAP

4.1 The European Commission's Communication on the future of the CAP, entitled 'The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future', aims to support reform to make the European agriculture sector more dynamic, competitive, and effective in responding to the Europe 2020, the EU's growth strategy, with its vision of stimulating sustainable, smart and inclusive growth.

4.2 The Communication is attached as item 6(d). It suggests that the key challenges for European agriculture are;

##### *Food security*

- a) **Given that demand worldwide will continue rising in the future, the EU should be able to contribute to world food demand. Therefore** it is essential that EU agriculture maintains its production capacity and improves it.
- b) EU citizens demand **high quality** and a **wide choice** of food products, reflecting high safety, quality and welfare standards, including **local products**.
- c) EU agriculture finds itself today in a considerably more **competitive environment**, as the world economy is increasingly integrated and the trading system more liberalized. This trend is expected to continue in the coming years. Favourable in the medium-term, the perspectives for agricultural markets are expected nonetheless to be characterised by greater **uncertainty** and increased **volatility**
- d) After a decade of mere **income** stagnation, agricultural income dropped substantially in 2009 adding to an already fragile situation of an agricultural income significantly lower (by an estimated 40% per working unit) than that in

the rest of the economy, and income per inhabitant in rural areas is considerably lower (by about 50%) than in urban areas.

*Environment and climate change*

- e) Although greenhouse gas (GHG) emissions from agriculture in the EU have decreased by 20% since 1990, further efforts are possible and will be required to meet the ambitious EU energy and climate agenda. It is important to further unlock the agricultural sector's potential to mitigate, adapt and make a positive contribution through GHG emission reduction, production efficiency measures including improvements in energy efficiency, biomass and renewable energy production, carbon sequestration and protection of carbon in soils based on innovation.

*Territorial balance*

- f) A growing number of **rural areas** have become increasingly driven by factors outside agriculture due to diversification of their socio-economic structure. Nevertheless, agriculture remains an essential driver of the rural economy in much of the EU. The vitality and potential of many rural areas remain closely linked to the presence of a **competitive and dynamic farming sector**, attractive to young farmers.

4.3 The communication outlines three broad options for reform, which are detailed on its last page (page 42). The communication makes no direct reference to the East Midlands or any other region. East Midlands European Office's briefing is attached as Item 6(e).

4.4 The Commission communication will be discussed in Council and the European Parliament as well as in the European Economic and Social Committee and the Committee of the Regions of the EU. The Commission will organise a consultation during which stakeholders will be invited to submit their views on the options and contribute to the impact assessment of the different options by submitting their analysis. EMC should wait until the formal launch of consultation to submit its key points of feedback.

4.5 This will support the Commission to prepare legislative proposals by summer 2011. The reformed CAP should enter into force on 1 January 2014

4.6 As detailed above, consultation on the proposals is not yet open, the document deals with general principles of strategy and the implications may be complex. It is therefore suggested that East Midlands Councils seeks to consult with its officer network on any points to include in a suggested dialogue with the national LGA before bringing this back to members for sign off. However, members are invited to suggest any initial areas any response may focus on.

## 5. Recommendations

### 5.1 Members are asked to;

- a) **CONSIDER** the 'Fifth cohesion report' and, 'Common Agricultural Policy – options for review' and the respective summaries
- b) **DISCUSS** the relevant arising issues and;
- c) **IDENTIFY** the key issues that East Midlands Councils should emphasise when working with the national LGA on its response to the European Commission's Fifth Cohesion Report
- d) **ENDORSE** the approach to responding to Commission proposals on the future of the CAP when they are published in mid 2011, as detailed in paragraph 4.6

**Matthew Wheatley**

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EUROPEAN COMMISSION

Brussels, 9.11.2010  
COM(2010) 642 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN  
INVESTMENT BANK**

**Conclusions of the fifth report on economic, social and territorial cohesion: the future of  
cohesion policy**

{SEC(2010) 1348 final}

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN  
INVESTMENT BANK**

**Conclusions of the fifth report on economic, social and territorial cohesion: the future of  
cohesion policy**

**1. INTRODUCTION**

Europe faces a daunting task. It must exit from a deep crisis and reduce unemployment and poverty, while switching to a low-carbon economy. Such an ambitious task requires swift action on many fronts, which is why the European Council adopted the Europe 2020 Strategy<sup>1</sup>. For Europe to succeed, European, national, regional and local levels all need to play their part. Cohesion policy should continue to play a critical role in these difficult times, in order to deliver smart, sustainable and inclusive growth, while promoting harmonious development of the Union and its regions by reducing regional disparities.

Cohesion policy has made a significant contribution to spreading growth and prosperity across the Union, while reducing economic, social and territorial disparities. The fifth report on economic, social and territorial cohesion shows that the policy has created new jobs, increased human capital, built critical infrastructure and improved environmental protection, especially in the less developed regions. Undoubtedly, without cohesion policy, disparities would be greater. Yet the lasting social effects of the crisis, the demand for innovation arising from increased global challenges and the imperative to make the most of every euro of public expenditure call for an ambitious reform of the policy.

As indicated in the EU budget review<sup>2</sup>, in particular progress needs to be made in the following key areas: concentrating resources on the Europe 2020 objectives and targets; committing Member States to implementing the reforms needed for the policy to be effective; and improving the effectiveness of the policy with an increased focus on results. The explicit linkage of cohesion policy and Europe 2020 provides a real opportunity: to continue helping the poorer regions of the EU catch up, to facilitate coordination between EU policies, and to develop cohesion policy into a leading enabler of growth, also in qualitative terms, for the whole of the EU, while addressing societal challenges such as ageing and climate change.

With these conclusions, the Commission opens a public consultation on the future of cohesion policy. This is organised around a series of questions on the main ideas for its reform.

The following sections look, in turn, at how the policy can be made more effective and its impact improved so as to enhance the European added value (Section 2), at how governance of the policy can be further strengthened (Section 3), at how the delivery system can be streamlined and made simpler (Section 4) and at the architecture of the policy (Section 5).

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<sup>1</sup> 'Europe 2020: A strategy for smart, sustainable and inclusive growth' - COM(2010) 2020, 3.3.2010.

<sup>2</sup> 'The EU Budget Review' - COM(2010) 700, 19.10.2010.

## 2. ENHANCING THE EUROPEAN ADDED VALUE OF COHESION POLICY

The added value of cohesion policy is recurrently debated by policy-makers, academics and stakeholders. Some argue that cohesion policy is loosely linked to EU priorities, that it spreads resources too thinly across policy areas and that its impact is often difficult to measure. Though the report shows that cohesion policy has contributed to economic and social development of regions and to the well-being of people, the Commission takes these criticisms very seriously.

Further reforms of cohesion policy, while preserving its overall objective, should therefore aim to steer the policy decisively towards results and enact the reforms needed in order to achieve results, while cutting red-tape and simplifying the daily management of the policy.

### 2.1. Reinforcing strategic programming

Cohesion policy has already been substantially aligned with the Lisbon Strategy, in particular by earmarking financial resources. However, this alignment is not sufficient due to a governance gap between the two strategic processes. More can be done in the future to further alignment of cohesion policy with the Europe 2020 Strategy. This requires, first of all, clear guidance at European level and a more strategic negotiating process and follow-up.

The EU budget review outlined a new strategic programming approach for cohesion policy with a view to closer integration of EU policies to deliver the Europe 2020 Strategy and the Integrated Guidelines. This approach would consist of:

- a **common strategic framework** (CSF) adopted by the Commission translating the targets and objectives of Europe 2020 into investment priorities. The framework would cover the Cohesion Fund, the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund;
- a **development and investment partnership contract** which, based on the common strategic framework, would set out the investment priorities, the allocation of national and EU resources between priority areas and programmes, the agreed conditionalities, and the targets to be achieved. This contract would cover cohesion policy. In order to promote economic, social and territorial cohesion in a coherent and integrated manner, it might be useful to extend its scope to other policies and EU funding instruments. The contract will be the fruit of the discussions between Member States and the Commission on the development strategy presented in their National Reform Programmes. It would also describe the coordination between EU funds at national level; and
- **operational programmes** (OPs) which, as in the current period, would be the main management tool and would translate the strategic documents into concrete investment priorities accompanied by clear and measurable targets — which should contribute to reach the national targets set in the framework of Europe 2020.

The timing of the **annual reports** monitoring progress towards the targets would be aligned with the Europe 2020 governance cycle. On this basis, a regular **political debate** in the relevant Council formations and European Parliament committees would improve transparency, accountability and assessment of the effects of cohesion policy.

Three proposals in the EU budget review have a particular impact on cohesion policy: concentrating financial resources, the system of conditionality and incentives, and focus on results.

## **2.2. Increasing thematic concentration**

The *ex-post* evaluations of cohesion policy concluded that greater concentration of resources is required to build up a critical mass and make a tangible impact.

In the future it will therefore be necessary to ensure that Member States and regions **concentrate EU and national resources** on a small number of priorities responding to the specific challenges that they face. This could be achieved by establishing, in the cohesion policy regulations, a list of thematic priorities linked to the priorities, Integrated Guidelines and flagship initiatives of Europe 2020.

Depending on the amount of EU funding involved, countries and regions would be required to focus on more or fewer priorities. Thus, Member States and regions receiving less funding would be required to allocate the entire financial allocation available to two or three priorities, whereas those receiving more financial support may select more. Certain priorities would be obligatory.

At the same time, thematic concentration should not prevent Member States and regions to experiment and fund innovative projects. Ring-fencing expenditure for specific target groups or experimental approaches (e.g. local development) might also be considered, possibly in the form of global grants.

## **2.3. Strengthening performance through conditionality and incentives**

The financial and economic crisis has already compelled the Commission to propose measures to improve the economic governance of the Union<sup>3</sup>. Sound macroeconomic policies, a favourable microeconomic environment and strong institutional frameworks are preconditions for creating jobs, stimulate growth, reduce social exclusion and bring about structural changes.

This is even truer of cohesion policy, since its effectiveness largely depends on the economic environment in which it operates. It is therefore possible to strengthen the links between cohesion policy and the economic policy framework of the Union.

First, to support the new economic governance system new conditionality provisions would be introduced creating incentives for reforms. Member States would be required to introduce the reforms needed to ensure effective use of financial resources in the areas directly linked to cohesion policy, for example environmental protection, flexicurity policies, education or research and innovation.

For each thematic priority the CSF would establish the key principles which interventions should follow. These principles must leave room for adaptation to national and regional contexts. Their main purpose would be to help countries and regions to tackle the problems that past experience has shown to be particularly relevant to policy implementation. These

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<sup>3</sup> 'Enhancing economic policy coordination for stability, growth and jobs — Tools for stronger EU economic governance' - COM(2010) 367.

principles could be linked to, for example, transposition of specific EU legislation, the financing of strategic EU projects, or administrative, evaluation and institutional capacity.

On this basis, specific binding conditionality in the areas directly linked to cohesion policy would be agreed with each Member State and/or region — depending on the institutional context — at the beginning of the programming cycle in the programming documents (i.e. the development and investment partnership contracts and the operational programmes), in a coordinated approach with all relevant EU policies. Their fulfilment could be a prerequisite for disbursing cohesion resources either at the beginning of the programming period or during a review in which the Commission would assess progress towards completing agreed reforms.

Achievement of institutional reform is critical to underpin structural adjustment, foster growth and jobs and reduce social exclusion, notably by reducing regulatory and administrative burdens on businesses or by improving public services. As now, these would be complemented by support under cohesion policy to develop administrative and institutional capacity and effective governance. This should be available to every Member State and region.

Second, financial sanctions and incentives linked to the Stability and Growth Pact have been so far limited to the Cohesion Fund. The Commission has proposed to extend it to the rest of the EU budget as complementary leverage to ensure the respect of key macro economic conditions in the context of the corrective arm of the Pact. In cases of non-compliance with the rules of the Pact, incentives should be created by suspending or cancelling part of current or future appropriations from the EU budget without affecting end-beneficiaries of EU funds. Resources cancelled would remain within the EU budget.

Still in the context of the wider economic governance of the EU, the verification of the **principle of additionality** should be reformed by linking it to the EU economic surveillance process, using indicators already provided in the Stability and Convergence Programmes which Member States submit to the Commission every year.

**Co-financing** is one of the fundamental principles of cohesion policy ensuring ownership of the policy on the ground. Its level should be reviewed and, possibly, differentiated to reflect better the level of development, EU added value, types of action and beneficiaries.

Finally, other instruments which could further strengthen the effectiveness of cohesion policy also need to be explored. For example, a **performance reserve** could be established at EU level to encourage progress towards Europe 2020 targets and related national targets and objectives: a limited share of the cohesion budget would be set aside and be allocated, during a mid-term review, to the Member States and regions whose programmes have contributed most – compared to their starting point – to the 2020 targets and objectives. Also, the experience gained over the current period has demonstrated that the Commission needs some resources to support directly **experimentation and networking**, along the lines of the innovative actions of previous programming periods.

**2.4. Improving evaluation, performance and results**

Higher-quality, better-functioning monitoring and evaluation systems are crucial for moving towards a more strategic and results-oriented approach to cohesion policy. A number of changes would support this shift.



First, the starting point for a results-oriented approach is *ex-ante* setting of clear and **measurable targets and outcome indicators**. Indicators must be clearly interpretable, statistically validated, truly responsive and directly linked to policy intervention, and promptly collected and publicised. Indicators and targets should be agreed in the discussions on the programming documents in addition to a few core Fund-specific indicators for all operational programmes linked to the Europe 2020 framework. Moreover, timely and complete submission of accurate information on the **indicators** and on the progress towards the agreed targets would be central to the annual reports.

Second, *ex-ante evaluations* should focus on improving programme design so that the tools and incentives for achieving objectives and targets can be monitored and evaluated during implementation.

Third, evaluation should make much greater use of rigorous methods in line with international standards, including **impact evaluation**. Whenever possible, impact evaluations would be designed at an early stage to ensure collection and dissemination of the appropriate data. Moreover, plans for **on-going evaluation** of each programme would become an obligation, since they facilitate transparency at EU level, foster evaluation strategies and improve the overall quality of evaluations. Evaluations could also be envisaged once a certain amount of the funds has been certified to the Commission.

Finally, Member States could prepare a report synthesising results of on-going evaluations they conduct during the programming period with a view to giving a comprehensive summative evaluation of programme performance.

## 2.5. Supporting use of new financial instruments

The EU budget review makes a strong case for increasing the leverage effect of the EU budget. New forms of finance for investment have been developed in the 2007-2013 programming period, moving away from traditional grant-based financing towards innovative ways of combining grants and loans. The Commission would like Member States and regions to make a more extended use of such instruments in the future.

Financial instruments help to create revolving forms of finance, making them more sustainable over the longer term. This is also one way of helping Europe to increase resources for investment, especially in times of recession. It opens new markets to different forms of public-private partnership, bringing in the expertise of international financial institutions.

To improve financial engineering instruments within cohesion policy, a number of measures could be examined:

- Provide greater **clarity and differentiation between rules** governing grant-based financing and rules governing repayable forms of assistance in the regulatory framework, especially on eligibility of expenditure and audits;
- Channel **generic financial support to firms** mainly via financial engineering instruments and use grants to co-finance targeted support schemes (innovation, environmental investments, etc.);
- **Extend both the scope and scale of financial engineering instruments:** in terms of scope, to encompass new activities (e.g. sustainable urban transport, research and development, energy, local development, lifelong learning or mobility actions, climate

change and environment, ICT and broadband); in terms of scale, to combine interest subsidies with loan capital or other forms of repayable financing.

- How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels?
- Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?
- How could stronger thematic concentration on the Europe 2020 priorities be achieved?
- How could conditionalities, incentives and results-based management make cohesion policy more effective?
- How could cohesion policy be made more results-oriented? Which priorities should be obligatory?

### 3. STRENGTHENING GOVERNANCE

#### 3.1. Introducing a third dimension: territorial cohesion

The Lisbon Treaty has added territorial cohesion to the goals of economic and social cohesion. As a result, it is necessary to address this objective in the new programmes, with particular emphasis on the role of cities, functional geographies, areas facing specific geographical or demographic problems and macro-regional strategies.

Urban areas can be the engines of growth and hubs for creativity and innovation. Higher growth levels and new jobs can be created provided a critical mass of actors like companies, universities and researchers is established. Urban problems, whether related to environmental degradation or to social exclusion, call for a specific response and for direct involvement of the level of government concerned. Accordingly, an ambitious **urban agenda** should be developed where financial resources are identified more clearly to address urban issues and urban authorities would play a stronger role in designing and implementing urban development strategies. Urban action, the related resources and the cities concerned should be clearly identified in the programming documents.

For the future, one aspect which should be examined is whether the regulatory architecture of cohesion policy should allow **greater flexibility** in organising operational programmes in order to reflect the nature and geography of development processes better. Programmes could then be designed and managed not only at national and regional levels, but also — for example — at the level of groups of towns or of river and sea basins.

The report has shown that in some cases **geographical or demographic features** could intensify development problems. This is particularly true of the outermost regions but also of northernmost regions with very low population density and island, cross-border and mountain regions, as explicitly recognised by the Lisbon Treaty. It will be necessary to develop targeted provisions to reflect these specificities, without unnecessarily multiplying instruments and programmes. Territorial cohesion also means addressing urban-rural linkages in terms of access to affordable and quality infrastructures and services, and problems in regions with a high concentration of socially marginalised communities.

Finally, further work on new **macro-regional strategies** should be based on a thorough review of existing strategies and the availability of resources. Macro-regional strategies

should be broad-based integrated instruments focused on key challenges and supported by a reinforced trans-national strand, although the bulk of funding should come from the national and regional programmes co-financed by cohesion policy and from other national resources.

### **3.2. Reinforcing partnership**

Effective implementation of Europe 2020 requires a governance system that involves the actors of change in Member States and that links the EU, national, regional and local levels of administration.

In order to mobilise fully all involved, representation of local and regional stakeholders, social partners and civil society in both the policy dialogue and implementation of cohesion policy should be strengthened. With this in mind, support for the dialogue between public and private entities, including socio-economic partners and non-governmental organisations, should be maintained.

In this context, the role of **local development approaches** under cohesion policy should be reinforced, for example by supporting active inclusion, fostering social innovation, developing innovation strategies or designing schemes for regeneration of deprived areas. These should be closely coordinated with similar actions supported under rural development and maritime policies.

- How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies?
- How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

## **4. A STREAMLINED AND SIMPLER DELIVERY SYSTEM**

Although it is too early to draw final conclusions on the effectiveness of the delivery system of cohesion policy in the period 2007-2013, Member States have argued against too frequent and drastic amendments of the rules that could hamper implementation. Nevertheless, a number of targeted changes deserve to be examined.

### **4.1. Financial management**

In line with the recent proposal for revision of the Financial Regulation<sup>4</sup>, each year the authority responsible for managing cohesion policy programmes would present a management declaration accompanied by the annual accounts and an independent audit opinion. This would strengthen the line of accountability for expenditure co-financed by the EU budget in any given financial year.

On the basis of the annual management declaration, the Commission proposes to introduce a periodical clearance of accounts procedure for cohesion policy. This would reinforce the assurance process and also allow regular partial closure of programmes.

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<sup>4</sup> 'Proposal for a Regulation of the European Parliament and of the Council on the Financial Regulation applicable to the general budget of the European Union' - COM(2010) 260.

The Commission has to consider whether not reimbursing national authorities until the corresponding EU contribution has been paid to beneficiaries would speed up payments of grants to beneficiaries and increase the incentive for strong national control.

Also, the Commission will examine the possibility of introducing output- or results-based elements for disbursement of the EU contribution to operational programmes or parts of programmes, depending on the type of action.

Finally, simplified methods of reimbursement, such as the standard scale of unit costs and lump-sum payments for grants introduced for 2007-2013, should be further promoted, thus increasing their impact. This would be another way of moving towards a more results-based approach.

#### **4.2. Reducing the administrative burden**

The general approach for 2007-2013, under which eligibility rules are set at national level, should be retained. However, common rules should be adopted on key points such as overheads covering different EU Funds. Alignment of rules on eligibility of expenditures across policy areas, financial instruments and funds would simplify use of funds by beneficiaries and management of funds by national authorities, reducing the risk of errors while providing for differentiation where needed to reflect the specificities of the policy, the instrument and the beneficiaries.

In line with the proportionality principle, it would also be useful to examine how control measures could be made more cost-effective and risk-based to improve their effectiveness and efficiency while ensuring adequate coverage of the inherent risks at a reasonable cost, in accordance with the principle of sound financial management.

#### **4.3. Financial discipline**

The de-commitment rule aims to ensure that projects are implemented within a reasonable timeframe and to encourage financial discipline. However, it can distort the behaviour of Member States and regions by concentrating too much attention on quick, and less on effective, use of resources. Furthermore, application of the de-commitment rule has been complicated by a number of derogations. There is a need to strike a careful balance between ensuring the quality of investment and smooth and rapid implementation. One possibility would be to apply N+2 with the exception of the first year to all programmes and remove exemptions and derogations.

#### **4.4. Financial control**

With regard to management and control systems, there is a need not only to deliver stronger assurance but also to achieve greater commitment, on the part of Member States, to quality control. This would allow the European Parliament, the Commission and Member States to focus more on the results and impact of the policy.

The first proposal is to review the procedure for *ex-ante* assessment of the systems, taking account of the experience gained from the *ex-ante* compliance assessment for 2007-2013 programmes in order to prevent problems in management and control systems. The procedure should be streamlined whilst retaining its benefits. This can be achieved by targeting the assessment on the main management body responsible by means of an accreditation process and by reviewing the Commission's involvement in this process.

The second proposal is to reinforce assurance by concentrating responsibilities. An accredited body would assume sole responsibility for proper management and control of the operational programme.

- How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed?
- How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes?
- How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules?
- How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?

## **5. THE ARCHITECTURE OF COHESION POLICY**

Cohesion policy aims to promote harmonious development of the Union and its regions by reducing regional disparities (Article 174 of the Treaty). It also underpins the growth model of the Europe 2020 strategy including the need to respond to societal and employment challenges all Member States and regions face. The policy supports such development with a clear investment strategy in every region by increasing competitiveness, expanding employment, improving social inclusion and protecting and enhancing the environment. The multilevel governance system for the policy helps to make the EU more visible to its citizens.

All regions and Member States would be eligible to cohesion policy and able to tailor their strategy in an integrated manner to their specific strengths and weaknesses.

As today, support would be differentiated between regions based on their level of economic development (measured by GDP per capita), drawing a clear distinction between 'less' and 'more' developed regions. To soften the transition between these two categories and ensure a fairer treatment for regions with similar level of economic development, the question could be asked as to whether a simpler system with a new intermediate category of regions could replace the current phasing-out and phasing-in system. This category would also include regions currently eligible under the 'convergence' objective but whose GDP would be higher than 75% of the Union average according to the latest statistics.

At the same time, and consistently with the EU Budget Review, there is a need to consider for the future architecture of cohesion policy, how the ESF could be refocused on securing the 2020 targets and objectives and how to achieve greater visibility and predictable funding volumes. It is also important to examine how the Fund could better serve the European employment strategy and contribute to the comprehensive European employment initiative called for by the EU Budget Review.

The policy will continue to focus on implementing the Integrated Guidelines for economic and employment policies.

The Cohesion Fund would continue to benefit Member States whose GNI per capita is lower than 90% of the Union average.

Finally, cohesion policy would continue to foster territorial dimensions of cooperation (cross-border, transnational and inter-regional). This would include a review and simplification of the current arrangements for cross-border cooperation, including IPA, ENPI and EDF cross-border cooperation at the EU's external borders, and also of current practices in transnational action supported both by the ERDF and the ESF.

- How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?
- How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

## 6. NEXT STEPS

The fifth cohesion report sets out some of the Commission's key ideas for the reform of cohesion policy following a long discussion which started with the fourth cohesion report in 2007. These will be fine-tuned and consolidated in the next few months.

The Commission invites all stakeholders to give their responses to the questions presented in this Communication. Comments can be posted until 31 January 2011 on:

[http://ec.europa.eu/regional\\_policy/consultation/index\\_en.htm](http://ec.europa.eu/regional_policy/consultation/index_en.htm).

Due account will be taken of the responses received when drafting the legislative proposals to be presented immediately after the adoption of the new Multi Annual Financial Framework in 2011.

The Fifth Cohesion Forum which will take place in Brussels on 31 January and 1 February 2011 will provide a good opportunity to discuss these ideas.

## **Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy**

### **Questionnaire**

- How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and sub-national levels?
- Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?
- How could stronger thematic concentration on the Europe 2020 priorities be achieved?
- How could conditionalities, incentives and results-based management make cohesion policy more effective?
- How could cohesion policy be made more results-oriented? Which priorities should be obligatory?
- How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies?
- How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?
- How can the audit process be simplified and how can audits by Member States and the Commission be better integrated, whilst maintaining a high level of assurance on expenditure co-financed?
- How could application of the proportionality principle alleviate the administrative burden in terms of management and control? Should there be specific simplification measures for territorial cooperation programmes?
- How can the right balance be struck between common rules for all the Funds and acknowledgement of Funds' specificities when defining eligibility rules?
- How can financial discipline be ensured, while providing enough flexibility to design and implement complex programmes and projects?
- How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?
- How could a new intermediate category of regions be designed to accompany regions which have not completed their process of catching up?

# Briefing

## England's East Midlands European Office

Fifth Cohesion report

[www.eastmidlandseurope.org](http://www.eastmidlandseurope.org)

### Introduction

The European Commission launched the [5th Report of Economic, Social and Territorial Cohesion](#) on the 10 November, giving its first indication on its thoughts on the future shape of European Regional Development Funding after 2013. This briefing highlights key issues for partners in the East Midlands and an initial analysis of the proposals.

### Policy Context

The report proposes a continuation of Regional Development funding for all European regions, although less developed EU regions (mainly in central and Eastern Europe) could get increased support, meaning that funds for the UK would need to be targeted on fewer priorities to ensure a tangible impact.

The Commission proposes a number of new approaches including the introduction of a single Common Strategic Framework covering all the Structural Funds (European Regional Development Fund, European Social Fund, Fisheries Funds and Rural Development) and similarly, at national level, a "Development and Investment Partnership Contract". Finally the opportunity for a common framework for eligibility of expenditure for Regional Development Policy and Research and Development programmes is proposed.

### Proposals in brief

#### Continuation of Structural Funds for all regions

The report proposes that all regions and Member States would be eligible to receive regional development funding and tailor their strategy in an integrated manner to their specific strengths and weaknesses.

### Focus on fewer more targeted priorities

This approach would be linked to Europe 2020 (the Commission's jobs and growth strategy) and seek to **concentrate EU and national resources on a small number of priorities** responding to the specific challenges individual regions face. Thus, Member States and regions receiving less funding would be required to allocate their entire financial allocation to two or three priorities e.g. climate change and innovation, whereas those receiving more financial support could select more. Ring-fencing expenditure for specific target groups or experimental approaches (e.g. local development) might also be considered.

### Supporting urban areas.

The report proposes a strong **urban dimension to future Programmes** where financial resources are identified more clearly to address urban issues and urban authorities would play a stronger role in designing and implementing urban development strategies. It also proposes that related resources and the cities concerned should be clearly identified in the programming documents.

### Introducing a new intermediate category of regions

The report suggests developing this category of support to differentiate between regions based on their level of economic development (measured by GDP per capita), and to draw a clearer distinction between 'less' and 'more' developed regions. To soften the transition between these two categories and ensure a fairer treatment for regions with a similar level of economic development this intermediate or transition category is proposed.

**Comment: This is seen as a means of ensuring that richer Member States don't lose out. However there is no specific detail on how this would work in practice.**

## A place-based local development approach

The report highlights the importance of targeting spend towards a local development approach i.e. fulfilling the EU's regional development goals through tailored interventions to address local needs. The report argues that the sub region or "functional economy" is the main level at which real labour, transport and housing markets operate. The report argues that in the current programming environment eligibility for EU intervention is decided via administrative (NUTS 2) regions, which subsequently do not always ensure that funds are targeted in the most effective way or at the most appropriate level.

**Comment: It is clear that while eligibility and resource allocation is determined on the basis of the NUTS approach this should not be mistaken as the unit of reference for all interventions. In the East Midlands NUTS 2 is designated as follows:**

- Derbyshire and Nottinghamshire;
- Leicestershire, Rutland and Northamptonshire;
- Lincolnshire.

## Assisting areas facing specific geographical or demographic problems

The report emphasises the need to support regions with certain **geographical or demographic features**. This would include regions with very low population density and island, cross-border and mountain regions.

## Common Strategic Framework (CSF)

The report proposes one common European framework for the Structural Funds translating the targets and objectives of Europe 2020 into investment priorities. The framework would cover the European Regional Development Fund, the European Social Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund.

## Development & Investment Partnership Contracts (DIPCOs)

The report suggest that DIPCOs would set out the investment priorities, the allocation of national and EU resources between priority areas and programmes, and the targets to be achieved.

## Streamlined and simplified administration

Member States have long argued against too frequent and drastic amendments of the rules that have hampered implementation. The proposal to issue a number of targeted changes is a positive step forward.

## Focus on results

The report recommends the setting of clear and measurable targets and outcome indicators.

## Using financial engineering instruments

The reports suggests moving away from traditional grant-based financing towards innovative ways of combining grants with EU loans such as those supplied from the European Investment Bank.

## Macro-regional Strategies

The report suggests the development of macro-regional strategies that promote regions from across Europe working together on key challenges e.g. climate change and supported by a reinforced trans-national (European cross border) strand within a regional operational Programme.

## Conclusions

The Commission proposes a number of new approaches in this report including modulating co-financing rates to reflect a region's GDP and a ceiling on the number of priorities more developed regions can spend funds on. It is also suggested that the urban dimension; local development; and macro-regional strategies could also be reinforced in future Programmes. Territorial Cooperation (INTERREG) and Financial Engineering initiatives are anticipated to play a greater role in terms of scope and scale, with a more results orientated approach and more conditions on how funds are deployed. This report launches a [consultation](#) which closes on the 31 January 2011.



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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**The CAP towards 2020:**

**Meeting the food, natural resources and territorial challenges of the future**

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

*The CAP towards 2020:*

*Meeting the food, natural resources and territorial challenges of the future*

**1. INTRODUCTION**

The Common Agricultural Policy (CAP) is confronted with a set of challenges, some unique in nature, some unforeseen, that invite the EU to make a strategic choice for **the long-term future of its agriculture and rural areas**. To be effective in addressing these challenges, the CAP needs to operate within the context of sound economic policies and sustainable public finances contributing to the achievement of the objectives of the Union.

In preparation for this Communication, the Commission organised an extensive public debate earlier in 2010 that concluded with a conference in July 2010<sup>1</sup>. The Council discussed during four successive Presidencies the reform, the European Parliament (EP) adopted an own-initiative report on the post-2013 CAP<sup>2</sup>, and its link with the Europe 2020 Strategy and both the Economic and Social Committee and the Committee of the Regions (CoR) have come forward with position papers.

In the course of these discussions, the overwhelming majority of views expressed concurred that the future CAP should remain a **strong common policy** structured around its **two pillars**. In broad terms, the views expressed recommended the following strategic aims:

- To preserve the food production potential on a sustainable basis throughout the EU, so as to guarantee long-term **food security** for European citizens and to contribute to growing world food demand, expected by FAO to increase by 70% by 2050. Recent incidents of increased market instability, often exacerbated by climate change, further highlight these trends and pressures. Europe's capacity to deliver food security is an important long term choice for Europe which cannot be taken for granted.
- To support farming communities that provide the European citizens with **quality, value and diversity of food** produced sustainably, in line with our environmental, water, animal health and welfare, plant health and public health requirements. The active management of natural resources by farming is one important tool to maintain the rural landscape, to combat biodiversity loss and contributes to mitigate and to adapt to climate change. This is an essential basis for dynamic territories and long term economic viability.
- To maintain viable rural communities, for whom farming is an important economic activity creating local **employment**; this delivers multiple economic, social, environmental and

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<sup>1</sup> 5,600 contributions were received in the public debate and the Conference assembled over 600 participants.

<sup>2</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2010-0286&language=EN&ring=A7-2010-0204>

territorial benefits. A significant reduction in local production would also have implications with regards to greenhouse gases (GHG), characteristic local landscapes as well as more limited choice for the consumer.

Agriculture is an integral part of the European economy and society. In terms of indirect effects, any significant cut back in European farming activity would in turn generate losses in GDP and jobs in linked economic sectors – notably within the agri-food supply chain, which relies on the EU primary agricultural sector for high quality, competitive and reliable raw material inputs, as well as in non-food sectors. Rural activities, from tourism, transport, to local and public services would also be affected. Depopulation in rural areas would probably accelerate. There would therefore be important environmental and social consequences.

Reform of the CAP must also continue, to promote greater competitiveness, efficient use of taxpayer resources and effective public policy returns European citizens expect, with regard to food security, the environment, **climate change** and social and **territorial** balance. The objective should be to build more sustainable, smarter and more inclusive growth for rural Europe.

To achieve this, in line with the Budget Review Communication<sup>3</sup> and with its market orientation, the future CAP should contain a **greener** and more **equitably distributed** first pillar and a second pillar focussing more on **competitiveness** and **innovation, climate change** and the **environment**. This would allow EU agriculture to release its latent productivity potential, notably in the new Member States, and contribute to the Europe 2020 objectives. Targeting support exclusively to **active farmers and remunerating the collective services they provide to society** would increase the effectiveness and efficiency of support and further legitimize the CAP. Ensuring controllability of measures proposed together with continued work on simplification of the policy are other essential elements in achieving these aims. All this needs to happen within the constraints of limited budgetary resources and taking into account the severe impact of the economic crisis on agriculture.

## 2. THE CAP REFORM PATH

The main objectives of the CAP set out in the Treaty of Rome have remained the same over the years. However, the reform path of the CAP since the early 1990s has led to a completely new policy structure.

The challenges addressed relate to agriculture's productive capacity, the increasing diversity of agriculture and rural areas following successive enlargements, and the demands by EU citizens on the environment, food safety and quality, healthy nutrition, animal health and welfare, plant health, the preservation of the countryside, biodiversity and climate change. At the same time, the instruments to achieve the objectives have also changed considerably. Today, they are structured in **two complementary pillars**, with annual direct payments and market measures making up the first, multi-annual rural development measures the second pillar.

The introduction of direct payments has been a lever for consistent market-oriented reforms, enhancing the competitiveness of the agricultural sector by encouraging farmers to adapt to

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<sup>3</sup> The EU Budget Review - COM(2010) 700.

market conditions. Decoupled direct payments provide today basic income support and support for basic public goods desired by European society.

Because of this greater market orientation, to a large extent the market measures, which were the main instruments of the CAP in the past, today provide merely a safety net only used in cases of significant price declines.

Rural development aims at promoting competitiveness, the sustainable management of natural resources, and the balanced development of rural areas by more specific and targeted measures. It gives Member States flexibility to address the issues of most concern within their respective territory with co-financing. Other CAP initiatives, such as quality policy, promotion and organic farming, also have an important impact on farmers' situation.

Together, the present set of policy measures results in what is the **main contribution of the CAP – a territorially and environmentally balanced EU agriculture** within an open economic environment. Delivering more public benefits in future will require a strong public policy because the goods provided by the agricultural sector cannot be adequately remunerated and regulated through the normal functioning of markets.

Withdrawing public support would lead to greater concentration of agricultural production in some areas with particularly favourable conditions, using more intensive farming practices, while the less competitive areas would face marginalisation and land abandonment<sup>4</sup>. Such developments would result in increased environmental pressures and the deterioration of valuable habitats with serious economic and social consequences including an irreversible deterioration of the European agricultural production capacity.

**3. WHAT ARE THE CHALLENGES?**

**3.1. Food security**

The primary role of agriculture is to supply **food. Given that demand worldwide will continue rising in the future, the EU should be able to contribute to world food demand. Therefore** it is essential that EU agriculture maintains its production capacity and improves it while respecting EU commitments in international trade and Policy Coherence for Development. A strong agricultural sector is vital for the highly competitive food industry<sup>5</sup> to remain an important part of EU economy and trade (the EU is the leading world exporter of, mostly processed and high value added agricultural products)<sup>6</sup>. It should encourage the synergies between crop and livestock farming, e.g. in proteins. Moreover, EU citizens demand **high quality** and a **wide choice** of food products, reflecting high safety, quality and welfare standards, including **local products**. In this context, the issues of access, availability and acceptability of healthy food and nutritional efficiency have also become more apparent. EU agriculture finds itself today in a considerably more **competitive environment**, as the world economy is increasingly integrated and the trading system more liberalized. This trend is expected to continue in the coming years, in view of the possible conclusion of the Doha round negotiations and of the bilateral and regional agreements at present under negotiation.

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<sup>4</sup> See Scenar 2020 – Prospective scenario study on agriculture and the rural world.  
<sup>5</sup> Food Industry represents 13.5% of total employment and 12.2% of gross value added of European manufacturing Industry.  
<sup>6</sup> Agri –food exports represent 6.8 % of total EU exports.

This represents a challenge for EU farmers, but also offers an opportunity for EU food exporters. Therefore, it is important to continue to enhance the competitiveness and productivity of the EU agriculture sector. Favourable in the medium-term, the perspectives for agricultural markets are expected nonetheless to be characterised by greater **uncertainty** and increased **volatility**.

Moreover, the future CAP will operate in the aftermath of an **economic crisis** that has seriously affected agriculture and rural areas by linking them directly to wider macroeconomic developments affecting its cost of production. After a decade of mere **income** stagnation, agricultural income dropped substantially in 2009 adding to an already fragile situation of an agricultural income significantly lower (by an estimated 40% per working unit) than that in the rest of the economy, and income per inhabitant in rural areas is considerably lower (by about 50%) than in urban areas.

**3.2. Environment and climate change**

Agriculture and forestry play a key role in producing public goods, notably environmental such as landscapes, farmland biodiversity, climate stability and greater resilience to natural disasters such as flooding, drought and fire. At the same time, many farming practices have the potential to put pressure on the environment, leading to soil depletion, water shortages and pollution, and loss of wildlife habitats and biodiversity.

Although GHG emissions from agriculture in the EU have decreased by 20% since 1990, further efforts are possible and will be required to meet the ambitious EU energy and climate agenda. It is important to further unlock the agricultural sector's potential to mitigate, adapt and make a positive contribution through GHG emission reduction, production efficiency measures including improvements in energy efficiency, biomass and renewable energy production, carbon sequestration and protection of carbon in soils based on innovation.

**3.3. Territorial balance**

A growing number of **rural areas** have become increasingly driven by factors outside agriculture due to diversification of their socio-economic structure. Nevertheless, agriculture remains an essential driver of the rural economy in much of the EU. The vitality and potential of many rural areas remain closely linked to the presence of a **competitive and dynamic farming sector**, attractive to young farmers. This is particularly the case in predominantly rural areas where the primary sector represents around 5% of value added and 16% of employment, and in the new Member States where it is important to consolidate the recent gains in productivity and fulfil the full potential of agriculture. In addition, agriculture plays an important role in rural areas through generating additional economic activities, with especially strong linkages with food processing, tourism and trade. In many regions agriculture is the basis of local traditions and of the social identity.

**4. WHY DO WE NEED A REFORM?**

The CAP has evolved, but further changes are necessary in order to respond to the new **challenges** notably:

- to address rising concerns regarding both EU and global food security,

- to enhance the sustainable management of natural resources such as water, air, biodiversity and soil,
- to deal with both the increasing pressure on agricultural production conditions caused by ongoing climatic changes, as well as the need for farmers to reduce their contribution to GHG emissions, play an active role in mitigation and provide renewable energy,
- to retain and enhance competitiveness in a world characterized by **increasing globalisation, and rising price volatility while maintaining agricultural production across the whole European Union**,
- to make best use of the diversity of EU farm structures and production systems, which has increased following EU enlargement, while maintaining its social, territorial and structuring role,
- to strengthen territorial and social cohesion in the rural areas of the European Union, notably through the promotion of employment and diversification,
- to make CAP support **equitable and balanced** between Member States and farmers by reducing disparities between Member States taking into account that a flat rate is not a feasible solution, and better targeted to active farmers,
- to pursue the simplification of the CAP implementation procedures and enhance control requirements and reduce the administrative burden for recipients of funds.

By responding to these challenges, the CAP will also contribute to the *EU 2020 Strategy* in terms of:

- *Smart growth* – by increasing resource efficiency and improving competitiveness through technological knowledge and innovation, developing high value added and quality products; developing green technologies and using information and communication technology, investing in training, providing incentives for social innovation in rural areas and improving uptake of research;
- *Sustainable growth* – by maintaining the food, feed and renewable production base, ensuring sustainable land management, providing environmental public goods, addressing biodiversity loss, promoting renewable energies, fostering animal and plant health, increasing resource efficiency through technological development and using results of research, further reducing emissions, enhancing carbon stocks and fully developing the potential of rural areas; and
- *Inclusive growth* – by unlocking economic potential in rural areas, developing local markets and jobs, accompanying the restructuring of agriculture and supporting farmers' income to maintain a sustainable agriculture throughout Europe<sup>7</sup>.

This means **green growth** in the agricultural sector and the rural economy as a way to enhance well being by pursuing economic growth while preventing environmental degradation.

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<sup>7</sup> The CAP in particular will provide contributions to the EU flagship initiatives on "Low carbon, resource efficient Europe", "Innovation Union", and "An European Platform against Poverty".

## 5. OBJECTIVES OF THE FUTURE CAP

The three main objectives for the future CAP would thus be:

### *Objective 1: Viable food production*

- to contribute to **farm incomes** and limit farm income variability, recalling that price and income volatility and natural risks are more marked than in most other sectors and farmers' incomes and profitability levels are on average below those in the rest of the economy<sup>8</sup>.
- to improve the **competitiveness** of the agricultural sector and to enhance its value share in the **food chain**, because the agricultural sector is highly fragmented compared to other sectors of the food chain which are better organised and have therefore a stronger bargaining power. In addition European farmers face competition from the world market while also having to respect high standards relating to environmental, food safety, quality and animal welfare objectives requested by European citizens.
- to compensate for production difficulties in areas with specific **natural constraints** because such regions are at increased risk of land abandonment.

### *Objective 2: Sustainable management of natural resources and climate action*

- to guarantee sustainable production practices and secure the enhanced provision of **environmental public goods** as many of the public benefits generated through agriculture are not remunerated through the normal functioning of markets.
- to foster **green growth** through **innovation** which requires adopting new technologies, developing new products, changing production processes, and supporting new patterns of demand, notably in the context of the emerging bioeconomy.
- to pursue **climate change** mitigation and adaptation actions thus enabling agriculture to respond to climate change. Because agriculture is particularly vulnerable to the impact of climate change, enabling the sector to better adapt to the effects of extreme weather fluctuations, can also reduce the negative effects of climate change.

### *Objective 3: Balanced territorial development*

- to support rural employment and maintaining the social fabric of rural areas.
- to improve the rural economy and promote **diversification** to enable local actors to unlock their potential and to optimize the use of additional local resources.
- to allow for **structural diversity** in the farming systems, improve the conditions for small farms and develop local markets because in Europe, heterogeneous farm structures and production systems contribute to the attractiveness and identity of rural regions.

Achieving all these objectives will require that public support to the agricultural sector and rural areas be maintained. Policies set at European level are therefore needed in order to

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<sup>8</sup> Source: European Commission - DG Agriculture and Rural Development, based on Eurostat data on national and agricultural accounts.

ensure fair conditions with a common set of objectives, principles and rules. Also, an agricultural policy designed at EU level provides for a more efficient use of budgetary resources than the coexistence of national policies. In addition to single market concerns, several other objectives are better addressed at trans-national level, e.g. cohesion across Member States and regions, cross-border environmental problems, and global challenges such as climate change, water management and biodiversity, animal health and welfare, food and feed safety, plant health and public health as well as consumer interests.

**6. REFORM ORIENTATION**

**6.1. Future instruments**

All potential options of the future CAP imply changes in present CAP instruments. This section explores how instruments could be defined in order to respond in a more efficient way to the above objectives.

*Direct payments*

The necessary adaptations of the direct payment system relate to the **redistribution, redesign** and better **targeting** of support, to add value and quality in spending. There is widespread agreement that the distribution of direct payments should be reviewed and made more understandable to the taxpayer. The criteria should be both economic, in order to fulfil the basic income function of direct payments, and environmental, so as to support for the provision of public goods.

The use of a single, flat rate direct payment was one of the proposals floated in the public debate. However, agricultural producers face very different economic and natural conditions across the EU which advocates for an equitable distribution of direct aids.

Thus the question is how to reach an equitable distribution that reflects, in a pragmatic, economically and politically feasible manner, the declared objectives of this support, while avoiding major disruptive changes which could have far reaching economic and social consequences in some regions and/or production systems. A possible route could be a system that limits the gains and losses of Member States by guaranteeing that farmers in all Member States receive on average a minimum share of the EU-wide average level of direct payments.

The future of direct payments to be granted to active farmers could be based on the following principles, taking up the concept proposed by the European Parliament:

- **Basic income** support through the granting of a basic decoupled direct payment, providing a uniform level of obligatory support to all farmers in a Member State (or in a region) based on transferable entitlements that need to be activated by matching them with eligible agricultural land, plus fulfillment of cross-compliance requirements. Introducing an **upper ceiling** for direct payments received by large individual farms ("capping") should be considered to improve the distribution of payments between farmers. Disproportionate effects on large farms with high employment numbers could be mitigated by taking into account salaried labour intensity.
- Enhancement of environmental performance of the CAP through a mandatory **“greening”** component of direct payments by supporting environmental measures

applicable across the whole of the EU territory. Priority should be given to actions addressing both climate and environment policy goals. These could take the form of simple, generalised, non-contractual and annual environmental actions that go beyond cross-compliance and are linked to agriculture (e.g. permanent pasture, green cover, crop rotation and ecological set-aside). In addition, the possibility of including the requirements of current NATURA 2000 areas and enhancing certain elements of GAEC standards should be analysed.

- Promotion of the sustainable development of agriculture in areas with **specific natural constraints** by providing an additional income support to farmers in such areas in the form of an area-based payment as a complement to the support given under the 2<sup>nd</sup> pillar.
- In order to take account of specific problems in certain regions where particular types of farming are considered particularly important for economic and/or social reasons, voluntary **coupled** support, may continue to be granted, within clearly defined limits (with support based on fixed areas, yields or number of heads).
- A simple and specific support scheme for **small farmers** should replace the current regime in order to enhance the competitiveness and the contribution to the vitality of rural areas and to cut the red tape.
- Simplification of **cross compliance** rules by providing farmers and administrations with a simpler and more comprehensive set of rules without watering down the concept of cross compliance itself. The inclusion of the Water Framework Directive within the scope of cross compliance will be considered once the Directive has been implemented and the operational obligations for farmers have been identified.

These changes in the design of direct payments should go hand in hand with a better definition and targeting of support to **active farmers** only, responding to the criticism of the European Court of Auditors.

### *Market measures*

The public debate revealed a broad consensus on keeping the overall **market orientation** of the CAP while also maintaining the general architecture of the market management tools. Indeed the 2009 dairy market crisis highlighted the important role that existing mechanisms play in supporting the market in times of crisis. However, some specific adaptations appear necessary, most notably in **streamlining** and **simplifying** instruments currently in place, as well as in introducing new policy elements with respect to the functioning of the food chain.

Potential adaptations could include the extension of the intervention period, the use of disturbance clauses and private storage to other products, and other revisions to enhance efficiency and improve controls. Such market measures, and in particular the intervention instrument, should only be used as a safety net in case of price crisis and potential market disruption. A proposal for a revised quality policy will be presented by the end of 2010 to improve possibilities for farmers to communicate specific qualities or attributes of their product to consumers<sup>9</sup>.

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<sup>9</sup> See COM(2009) 234 on quality products and the forthcoming report on the application of the new organic farming Council Regulation (EC) No 834/2007.

The removal of dairy quotas will take place in 2015. Legal proposals are to be tabled shortly on the basis of the recommendations of the High Level Expert Group on Milk to enable long-term planning, and thereby ensuring stability, for the dairy sector. In the sugar and isoglucose sectors, the current regime is set to expire in 2014/15. Several options for the future, including a non-disruptive end of the quotas at a date to be defined, need to be examined to bring about increased efficiency and greater competitiveness for the sector.

Finally, improving the functioning of the **food supply chain** is necessary. Long term prospects for agriculture will not improve if farmers cannot reverse the steadily decreasing trend in their share of the value added generated by the food supply chain<sup>10</sup>. Indeed, the share of agriculture in the food supply chain has decreased from 29% in 2000 to 24% in 2005, while over the same period the share of the food industry, wholesale and the distribution sector have all increased.

Without well-functioning transmission of market signals, the long-term prospects of the farm sector and its share of the value added generated by the whole food chain are in jeopardy. Key issues of interest relate to the current imbalance of bargaining power along the chain, the level of competition at each stage in the chain, the contractual relations, the need for restructuring and consolidation of the farm sector, transparency, and the functioning of the agricultural commodity derivatives markets.

### *Rural Development*

As an integral part of the CAP, rural development policy has proved its value by reinforcing the sustainability of the EU's farm sector and rural areas – economically, environmentally and socially.

There are strong calls for the policy to continue to fully integrate the constraints and opportunities of the environment and climate change and to deliver a wide range of benefits for farming, the countryside and wider society and contribute to:

- the **competitiveness of agriculture**: by promoting innovation and restructuring and by enabling the farm sector to become more resource efficient;
- the **sustainable management of natural resources**, by taking care of the environment and agriculture's resilience to climate change and the countryside, and maintaining the production capacity of the land;
- the **balanced territorial development** of rural areas throughout the EU by empowering people in local areas, building capacity and improving local conditions and links between rural and urban areas.

Within this framework, **environment**, **climate change** and **innovation** should be guiding themes that steer the policy more than ever before. For example, investments should lift both economic and environmental performance; environmental measures should be more closely tailored to the specific needs of regions and even local areas such as Natura 2000 and HNV areas; measures to help unlock the potential of rural areas should pay close attention to innovative ideas for business and local governance. The new opportunities of local development such as alternative distribution channels which add value to local resources need

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<sup>10</sup> "A better functioning food supply chain in Europe" – COM(2009) 591, 28.10.2009.

to be seized. Support for developing direct sales and local markets should also be important. Addressing the specific needs of young farmers and new entrants will be a priority.

For the policy objectives to translate into results on the ground, **effective delivery mechanisms** are of paramount importance. The current strategic approach would be strengthened by setting quantified targets at EU and then at programme level, possibly coupled with incentives to be studied, such as for example performance reserve. Such a shift towards a more outcome based approach would best steer the policy towards EU priorities and show what it actually achieves. The set of indicators in the Common Monitoring and Evaluation Framework should be both simplified and improved for this purpose.

For the sake of efficiency, it will be essential to strengthen the **coherence** between rural development policy and other EU policies, while also simplifying and cutting red tape where possible. To this end, a **common strategic framework** for EU funds may be envisaged.

In terms of instruments, a wide range of tools would remain useful, from investments and infrastructure to payments for ecosystem services, support for LFA, environmental and climate change measures, support for innovation, knowledge transfer and capacity building, business creation, social and institutional development fostering production methods with a link to local specificities and considering specific needs of Member States to increase their economic efficiency. Improvements may consist in better linking measures together, especially with training, creating packages to address the needs of specific groups or areas (e.g. small farmers, mountain areas), facilitating the collaboration of farmers to achieve connectivity of landscape features for biodiversity and climate change adaptation ('green infrastructure'), or offering incentives such as preferential aid intensity rates for improved targeting.

In addition, a **risk management toolkit** should be included to deal more effectively with income uncertainties and market volatility that hamper the agricultural sector's possibility to invest in staying competitive. The toolkit would be made available to Member States to address both production and income risks, ranging from a new WTO green box compatible income stabilization tool, to strengthened support to insurance instruments and mutual funds. Coherence with other CAP instruments, in particular market instruments, will be ensured for new instruments introduced.

As regards the distribution of rural development support among Member States, the use of objective criteria should be considered, while limiting significant disruption from the current system.

It is also essential to further strengthen and simplify the **quality** (including organic farming) and **promotion** policies in order to enhance the competitiveness of the agricultural sector. Finally, the Innovation Union initiative should also allow new approaches to achieve the goals of the Europe 2020 Strategy for a smart, sustainable and inclusive economy<sup>11</sup>.

### *Overall architecture*

The instruments of the future CAP should continue to be structured around two pillars: this was also the overwhelming view expressed in the public debate and was clearly favoured by the Council, the EP and the CoR. The first pillar would contain the support paid to all farmers

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<sup>11</sup> Including the innovation partnership "agricultural productivity and sustainability".

on a yearly basis, whereas the 2<sup>nd</sup> pillar would remain the support tool for community objectives giving the Member States sufficient flexibility to respond to their specificities on a multi-annual, programming and contractual basis. In any case, the separation between the two pillars should bring about clarity, each pillar being complementary to the other without overlapping and focussing on efficiency.

## 6.2. Broad policy options

Three broad policy options, reflecting the main orientations of the public debate without being mutually exclusive, merit further consideration. They are presented here as indicative of potential paths whose impact will be analysed before final decisions are made. All three options are based on a two-pillar structure (with a different balance between pillars).

### *Option 1*

This option would introduce further gradual changes to the current policy framework. It would build upon the well-functioning aspects of the policy and focus on **adjustments** and improvements in the area of the most significant criticism to the CAP, i.e. the issue of equity in the distribution of direct payments between Member States. This option would ensure continuity and stability with the current CAP, thus facilitating long-term planning for operators along the food chain.

### *Option 2*

Another alternative would be to capture the opportunity for reform, and make major overhauls of the policy in order to ensure that it becomes more **sustainable**, and that the **balance** between different policy objectives, farmers and Member States is better met. This would be done through more **targeted** measures which would also be more understandable to the EU citizen. This option would imply greater spending efficiency and greater focus on the EU value added. Such an orientation would allow to address EU economic, environmental and social challenges and strengthen the contribution of agriculture and rural areas to the objectives of Europe 2020 of smart, sustainable and inclusive growth.

### *Option 3*

Another option would be a more far reaching reform of the CAP with a strong focus on environmental and climate change objectives, while moving away gradually from income support and most market measures. Providing a clear financial focus on environmental and climate change issues through the Rural Development policy framework would encourage the creation of regional strategies in order to assure the implementation of EU objectives.

The above options have clear, but different advantages and drawbacks in fulfilling the objectives of the new CAP as presented in this Communication. They will need to be evaluated on the basis of their economic, environmental and social impacts.

## 7. CONCLUSIONS

The Commission's response to the debate on the future CAP comes in the form of the present Communication, which outlines options and launches the debate with the other institutions and with stakeholders. The legal proposals will be presented in 2011.

The options for reform consist of both major changes that require a new design, and improvements of the elements that have proven their usefulness in their current design. On this basis, the future CAP should become a more sustainable, more balanced, better targeted, simpler and more effective policy, more accountable to the needs and expectations of the EU citizens.

## ANNEX

### DESCRIPTION OF THE THREE BROAD POLICY OPTIONS

	<b>Direct payments</b>	<b>Market measures</b>	<b>Rural development</b>
<b>Option 1</b>	<p>Introduce more equity in the distribution of direct payments between Member States (while leaving unchanged the current direct payment system)</p>	<p>Strengthen risk management tools</p> <p>Streamline and simplify existing market instruments where appropriate</p>	<p>Maintain the Health Check orientation of increasing funding for meeting the challenges related to climate change, water, biodiversity and renewable energy, and innovation.</p>
<b>Option 2</b>	<p>Introduce more equity in the distribution of direct payments between Member States and a substantial change in their design.</p> <p>Direct payments would be composed of:</p> <ul style="list-style-type: none"><li>• a basic rate serving as income support,</li><li>• a compulsory additional aid for specific "greening" public goods through simple, generalized, annual and non-contractual agri-environmental actions based on the supplementary costs for carrying out these actions,</li><li>• an additional payment to compensate for specific natural constraints,</li><li>• and a voluntary coupled support component for specific sectors and regions<sup>12</sup>,</li></ul> <p>Introduce a new scheme for small farms.</p> <p>Introduce a capping of the basic rate, while also considering the contribution of large farms to rural employment.</p>	<p>Improve and simplify existing market instruments where appropriate</p>	<p>Adjust and complement existing instruments to be better aligned with EU priorities, with support focused on environment, climate change and/or restructuring and innovation, and to enhance regional/local initiatives.</p> <p>Strengthen existing risk management tools and introduce an optional WTO green box compatible income stabilization tool to compensate for substantial income losses.</p> <p>Some redistribution of funds between Member States based on objective criteria could be envisaged.</p>
<b>Option 3</b>	<p>Phase-out direct payments in their current form</p> <p>Provide instead limited payments for environmental public goods and additional specific natural constraints payments</p>	<p>Abolish all market measures, with the potential exception of disturbance clauses that could be activated in times of severe crises</p>	<p>The measures would be mainly focused on climate change and environment aspects</p>

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<sup>12</sup> This would be equivalent to today's coupled support paid through Article 68 and other coupled aid measures.

# Briefing

## England's East Midlands European Office

### The CAP towards 2020

[www.eastmidlandseurope.org](http://www.eastmidlandseurope.org)

On 18 November 2010, the European Commission published its [Communication \(opening views\) on the Common Agricultural Policy \(CAP\) towards 2020: meeting the food, natural resources and territorial challenges of the future](#). The Communication highlights the key challenges the CAP must address and outlines a number of policy options for further debate.

#### Policy context

The 2003 reform and the 2008 "Health Check" both formed part of a wider review of the Common Agricultural Policy (CAP) up to 2013. However, the new proposals presented this month further the debate on the future of the CAP from 2014 and beyond. The publication of the Communication also kick-starts the institutional debate on the formal legislative proposals, which will be adopted by the Commission in 2011.

#### Challenges facing the CAP

Based on the [public consultation](#) undertaken earlier this year, the Communication identifies three main challenges for the CAP to address going forward. These including:

- Food security: with a focus on high quality and diversity in food production;
- Environment: unlocking the agriculture sector's potential to mitigate and adapt to climate change;
- Territorial balance: recognising the importance of agriculture to local economies and increasing local employment to maintain viable rural communities.

Set against this backdrop the Communication recognises that the CAP has evolved, but further reforms are needed in order to respond to new challenges such as globalisation, price volatility, and increased competition for natural resources.

In responding to these challenges the Commission hopes that the CAP will contribute to Europe 2020 (the EU's Jobs and Growth strategy) by promoting green growth in the agricultural sector and wider rural economy and enhance competitiveness through stimulating economic growth while preventing environmental degradation.

#### Strategic objectives for 2014-2020

The Communication outlines three overarching strategic objectives for the future, linked to the challenges faced:

- Viable food production which contributes to farm incomes and to increase the competitiveness of the sector;
- Sustainable management of natural resources to enhance the provision of environmental public goods, to tackle climate change and to foster green growth through innovation;
- Balanced territorial development to support farm diversification, enhance rural employment and promote rural identities.

The policy options listed below have clear, but different advantages and disadvantages in fulfilling these longer-term strategic objectives.

## Options for the future

In terms of the structure of the CAP, the Commission still favours the two-pillar approach i.e. **Market and income support (Pillar 1)** - covering direct payments to farmers and continuing market-related subsidies and **Rural development (Pillar 2)** - promoting diversification of economic activities through measures targeting the farm sector and other rural partners.

However, the paper calls for the future CAP to focus on a “greener and more equitably distributed” first pillar and a second pillar that supports innovation, competitiveness and climate change.

The Communication sets out three broad policy options for the future which, the Commission believes merit further analysis. All three options are based on the two-pillar structure:

**Option 1:** build upon well-functioning aspects of the current policy framework and make adjustments to the distribution of direct payments. This would ensure continuity and stability with the current CAP, facilitating long-term planning for operators across the sector.

**Option 2:** capture the opportunity for reform and make major overhauls to policy. This would be achieved through more targeted measures to improve spending efficiency and EU added-value. Such an option would allow the CAP to be reshaped in line with the Europe 2020 objectives of smart, sustainable and inclusive growth.

**Option 3:** a more far-reaching reform of the CAP with a strong focus on environment and climate change objectives. This option would see a gradual move away from income support and market measures. This would be replaced with a clear financial focus on environmental issues through the Rural Development policy framework and would encourage the creation of regional strategies in order to ensure the implementation of EU objectives.

All potential options imply changes to present CAP instruments. The Communication argues that future instruments should continue to be structured around the two pillars: the first pillar

containing support to farmers paid on a yearly basis; the second allowing member states flexibility to develop tools which meet their specific needs while contributing to the wider EU community objectives.

## Impact on rural development policy

The Communication makes a strong case for fully integrating rural development with innovation, environmental and climate change policy. These themes will steer the policy more than ever before.

The paper argues that rural development policy should be refocused on

- Making the agriculture sector more resource efficient;
- Maintaining the production capacity of land;
- Improving links between rural and urban areas;
- Ensuring that investment raises both economic growth and environmental performance.

The Commission also believes it is essential to strengthen the coherence between rural development policy and wider EU policies while cutting red tape where possible. To this end, the Commission will investigate setting up a common strategic framework to align EU funds.

Finally, the paper recommends a simplification of the current delivery mechanisms and proposes a shift to a more outcome-based approach.

## Next steps

The Commission will now undertake a consultation with the Parliament and Council to evaluate the economic, environmental and social impact of the three policy options. Based on these discussions, the Commission hopes to develop its full legislative proposals by mid-2011. A final agreement on these proposals is expected in late 2012. The legislation will come into force in 2014.



29<sup>th</sup> November 2010

## **EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD REPORT**

**International Issues: *emda* supported international work, including the East Midlands India and China Bureau**

### **Synopsis**

This paper invites Members to consider the role, activity and future of the East Midlands China and India Business Bureaus.

### **Recommendation**

**Members of the European and International Board are invited to:**

- a) **NOTE** the activities of the East Midlands China and India Bureaus, discuss any issues arising with representatives of *emda*, and:
- b) **ADVISE** of matters that they wish the Executive Board to consider when further discussing potential role and funding of work to promote the region's interests in China and India

## 1. Introduction

- 1.1 The European and International Board's work plan includes a commitment to consider international as well as European issues. Due to resources, the Board needs to be targeted about the issues that it considers.
- 1.2 Public agencies in the East Midlands, including local government pursue a range of international activities and international issues can affect many 'mainstream' areas.
- 1.3 Local Government's dedicated international work includes twinning, exchange of expertise and leadership development. Collectively, through the national Local Government Association, Councils support a wide variety of international activities to support democratisation, decentralisation and local government capacity.
- 1.4 *emda* engage in a wide range of international activities to promote economic growth, including attracting inward investment and working with UKTI to promote international trade. A summary of *emda's* work in these areas is attached as Appendix 7(b). Two areas of international focus where *emda* has worked closely with local government include the East Midlands China Business Bureau and the East Midlands India Business Bureau. Fuller details of the offices and their activities are presented below, including their objectives, activities, financing and performance.
- 1.5 The planned closure of *emda* will have implications for the future viability of the India and China offices, which have been referenced in a number of Local Enterprise Partnership bids from Councils in the East Midlands. East Midlands Councils' Executive Board will be considering the any potential future collective relationship between Local Enterprise Partnerships in the East Midlands and the offices. The European and International Board is invited to consider the issues detailed below and provide any advice it considers necessary to the Executive Board when it considers the issue further.

## 2. East Midlands China Business Bureau (EMCBB)

- 2.1 The rationale for establishing EMCBB in 2006 was to implement the East Midlands Opportunity China Strategy, exploiting opportunities arising from the growth of the Chinese economy by matching the East Midlands offer with market demand in China. China's growth in 2010 is forecast to be around 9.5%, with the Chinese economy now considered the second largest in the world and continuing to grow. Opportunities are focused in three areas: trade, investment and further/higher education.
- 2.2 The primary objective of the Opportunity China Strategy is to drive up the economic value of the region's connections with China. The strategic priorities for EMCBB are:
- a. to build upon the region's existing links with Ningbo, Sichuan Province and Chongqing Municipality; and
  - b. to exploit the region's capabilities in transport and environmental technologies.

### *Operation of EMCBB*

- 2.3 EMCBB became fully operational in October 2006. In August 2010 the staffing of the bureau comprised a Head of Bureau and 2 China Business Advisors with administrative support is drawn from *emda*.
- 2.4 EMCBB is a Partner Group with strong local authority involvement. It includes *emda*, UK Trade and Investment (UKTI), China Britain Business Council (CBBC), the Leicestershire County Council, and Nottingham City Council.

#### *Budget Breakdown*

- 2.5 Below is a summary of project spend (excluding salaries) from FY 2008/9 until 2010/11. It represents actual spend and includes partner contributions.

<b>FY</b>	<b>Project Spend (Excluding Salaries)</b>
2006/7 (half year)	£90,400
2007/8	£181,642
2008/9	£163,000
2009/10	£208,500
2010/11	£241,000 <b>(Forecast)</b>

#### *Financial Information*

- 2.6 EMCBB approximately apportions its budget as below;
- i. 60%-Provision of 1-2-1s; and Regional Business Development Seminars
  - ii. 20%-Support for Inward delegations (trade & investment)
  - iii. 20%-Delivery of Market Visit programme and Subventions

#### *Partner Targets*

- 2.7 EMCBB has responsibility to deliver partner revenue targets, specifically through UKTI Overseas Market Information Service and China Britain Business Council membership and services e.g. Launchpad scheme in China. Partner revenue targets are set at £25,000 each. EMCBB is anticipates these revenue targets will be met.

#### *Impact of EMCBB*

- 2.8 EMCBB has;
- Helped cement strategic relationships in China.
  - Provided trade support to some 1,500 SMEs across the region to help them break into the Chinese market and win new business (32% Leicestershire, 29% Nottinghamshire, 21% Derbyshire, 13% Northamptonshire, 5% Lincolnshire).
  - Organised 43 China-themed seminars in the region.
  - Played a significant role in securing new investment; Chinese-speaking markets have accounted for almost 30% of new inward investment projects into the region over the last 2 years.

- 2.9 Feedback from companies receiving support from EMCBB point to the following benefits for their business:
- Understanding the market and raising awareness of potential issues to be addressed during market entry
  - Help including grant, language support and new contacts/clients
  - Advice and information including: protocols, visas, contracts, labelling, regulations, travel information, freight & logistics contacts, trading tips, pricing.
  - Opening doors/facilitating market entry by linking in to UK Trade & Investment and China Britain Business Council (CBBC)
- 2.10 Case studies of EMCBB's activities are provided in Appendix 7(a).

### 3. East Midlands India Business Bureau (EMIBB)

- 3.1 The East Midlands India Bureau (EMIBB) was established in October 2007, to help implement the East Midlands Opportunity India strategy. The Indian economy is growing at about 10% year-on-year and there are opportunities in a range of sectors that fit the strengths of the East Midlands.
- 3.2 The priorities in the strategy are to:
- a. Help more East Midlands' firms and organisations do more and higher value business with India
  - b. Increase the value of Indian investment attracted to the region
  - c. Strengthen education links between the region and India and facilitate exchange and joint ventures between both science and technology bases
  - d. Raise awareness of the East Midlands region as a tourist destination from India.
- 3.3 EMIBB's core business has been the first of these objectives, trade. Although it supports visits by inward investors, this has not been a major role for EMIBB, unlike the China Bureau, given that *emda* has had an inward investment representative based in India, in Mumbai.

#### *Operation of EMIBB*

- 3.4 EMIBB became fully operational in November 2007. Staffing levels are now 1 Head of Bureau (joint with EMCBB); and 1 India Business Development Advisor.

#### *Financials*

- 3.5 Financial information provides a summary of project spend (excluding salaries) from 2007/8 until 2010/11. It represents actual spend.

<b>FY</b>	<b>Project Spend (exc. Salaries)</b>
2007/8 (half year)	£49,700
2008/9	£124,500
2009/10	£114,700
2010/11	£200,000 (Forecast)

*Budget Breakdown*

- 3.6 EMIBB splits its budget as below;
- a) 70%-Provision of 1-2-1s; and Regional Business Development Seminars
  - b) 10%-Support for Inward delegations
  - c) 20%-Delivery of Market Visit programme and Subventions

*Impact – Summary*

- 3.7 From October 2007 to date EMIBB has supported some 450 companies, providing each of them with at least 2 hours of specialist support.
- 3.8 The case studies at Appendix 7(a) give a flavour of the support provided.

**4. Future of the East Midlands China and India Business Bureaus**

- 4.1 The Government's decision to close down RDAs by March 2012 will have significant implications for the East Midlands China and India Business Bureaus.
- 4.2 The 'successful' LEP bids from Leicester and Leicestershire and Derby, Derbyshire, Nottingham and Nottinghamshire made reference to supporting trade with China and India as did the 'unsuccessful' 'Crossroads of England' LEP bid covering Leicester, Leicestershire and Northamptonshire.
- 4.3 East Midlands Councils Executive Board agreed in September that East Midlands Councils would work with LEP representatives and *emda* to develop proposals to ensure a smooth transfer of relevant functions from the Bureaus to LEP-led arrangements.
- 4.4 Members are invited to consider the reports, discuss the issues arising and advise of matters that they wish the Executive Board to consider when further discussing potential role and funding of work to promote the region's interests in China and India.

**5. Recommendation****5.1 Members of the European and International Board are invited to:**

- a. **NOTE the activities of the East Midlands China and India Bureaus, discuss any issues arising with representatives of *emda*, and:**
- b. **ADVISE of matters that they wish the Executive Board to consider when further discussing potential role and funding of work to promote the region's interests in China and India**

**Matthew Wheatley**

East Midlands Councils

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## Appendix 7(a) East Midlands China & India Business Bureau Case Studies

### EAST MIDLANDS CHINA BUSINESS BUREAU: TRADE

#### *4energy*

1. 4energy is a Nottingham-based 'cleantech' business developing energy efficient cooling systems for large infrastructure networks such as mobile telecommunications and data centres. In Feb 09, 4energy identified China as a promising market for its technologies. EMCBB provided detailed and continuing support including desk top research in Chinese, cultural training and direct support for the companies first visit to China. EMCBB introduced 4energy to CBBC, in particular the office in Shanghai and its associated services.
2. 4energy has now participated in CBBC's 'Launchpad' scheme, utilising the services of a local project manager in Shanghai. Progress in-market has been rapid. 4energy have secured technical approval for the telecommunication base station free air cooling system following 9 months testing with China Mobile in Hangzhou. Savings of between 50% and 90% of the cooling energy, depending on the power load of the base station, were proven, equivalent to between 12% and 20% of an operator's total energy usage.
3. 4energy have now partnered with the Shanghai subsidiary of a global fan supplier and are developing their manufacturing and after sales capability in Pudong to supply the local market. The prices are comparable to local competitors and give a two year payback.
4. In addition, have recently secured a commitment to invest in the 4energy China Wholly Owned Foreign Enterprise (WOFE) from the China Energy Conservation and Environmental Protection Group ('CECEP') and Carbon Trust JV. CECEP is a state-owned enterprise, which is fully sponsored and owned by the central government. The corporation has 172 wholly owned and holding subsidiaries with over 30,000 employees, which makes it the strongest, largest and most competitive industry group in the field of energy conservation and environmental protection in China. This investment will enable local capability to be established at a quicker rate to satisfy local demand.

#### *Metafocus Ltd*

5. Metafocus is a global internet marketing and website translation agency based in East Midlands, specialising in building international websites that are designed for multilingual and international search engine optimisation. Metafocus has experience in creating Chinese websites specifically aimed at growing businesses in overseas markets and helping companies to develop an effective online presence in China. The firm has opened an office in Chengdu from where its China online marketing will operate.
6. Metafocus participated in a Market Visit to Southwest China in November 2007 organised by EMCBB, where a series of business matchmaking events in Chongqing and Chengdu, as well as the Chengdu-EU Business Matchmaking and Incubation event were organised.

7. The choice of Chengdu as the location for its office in China was heavily influenced by advice and support from EMCBB. EMCBB has also provided Metafocus with a range of business and political contacts in Sichuan Province to assist the company in exploring business opportunities, and has introduced Metafocus to the British Chamber of Commerce in Chengdu, British Consulate in Chongqing, the EU British Matchmaking and Incubation Service in Chengdu and the Chongqing Foreign Trade and Economic Relations Commission. As a result of these introductions, Metafocus secured six months free office space at the EU Incubation Centre in Chengdu (estimated value to the company of £6,000) and, through a referral from CBBC, they have won a £10,000 contract from the Chengdu Hi-Tech Developing Zone competing with local Chinese companies.
8. Three full-time and two part-time staff have been recruited in the UK in anticipation of expanding business opportunities in China, and the firm expects both turnover and profit to increase rapidly within a five year period, and that headcount in both the UK and China will rise. Metafocus' turnover is currently £150,000 per year from its UK operations and this is expected to increase to £1.5 million within five years. The firm envisages that their China operation will account for half (i.e. £750,000) of this expected turnover within five years. The head count is expected to rise from 11 to 40 over a five year period and half (20) of the additional staff are planned to be recruited in China.
9. Metafocus commented that without the support provided by EMCBB there would have been no possibility of entering the China market. EMCBB acted as a catalyst for market entry and provided valuable support to assist the company in the early stages of its internationalisation strategy. EMCBB's initial support in providing market intelligence and identifying Chengdu as a suitable 'soft-landing' into the market have been invaluable forms of trade support to help the company do business in China. EMCBB has provided the company with numerous contacts and identified opportunities for business networking which have led to tangible benefits for the firm. Finally, the significant cultural and language barriers faced by the firm were highlighted, and that the EMCBB's support in overcoming these barriers was invaluable.

#### **EAST MIDLANDS CHINA BUSINESS BUREAU: INWARD INVESTMENT**

10. In June 2010 Changan Automobile Co Ltd opened its UK R&D Centre in Nottingham. This investment will bring 200 high quality jobs over 3 years and an anticipated investment into the Region in excess of £125 million over 5 years. Changan is China's second largest automobile manufacturer. The investment in the East Midlands came about as a direct result of to Market Visit to Chongqing Municipality in China November 2007 led by Councillor David Parsons and Dr Bryan Jackson supported by EMCBB. While in China, a Memorandum of Understanding (MoU) was signed to develop collaborative international partnerships between Chongqing Municipality and the East Midlands. The aim of the MoU was to identify leading automotive companies in Chongqing to establish Research and Development centres in the East Midlands and to identify suitable business and research partners in the region.
11. Dr YU Chenglong, the Project Leader of Changan UK R&D Centre, said: "In the months before opening the centre, emda and its dedicated China Business Bureau have been highly

professional, efficient and flexible in working with Changan providing excellent service and support. Changan plans to break into the global top ten motor manufacturers in the coming years. Changan UK will be working closely with UK automotive companies, *emda* and its China Business Bureau to achieve this ambition."

### ***China Translation & Publishing Corporation (CTPC)***

12. China Translation and Publishing Corporation (CTPC) was the first translation institution established in China, founded in 1973 as a state owned enterprise. CTPC's first overseas branch was set up in Nottingham in February 2009. EMCBB was instrumental in facilitating the opening of the CTPC's UK office and helped to identify suitable office space within Nottingham. CTPC is planning to move to a larger office in 2010 to accommodate its expanding headcount and EMCBB has provided further assistance in identifying appropriate office space. With support from EMCBB, CTPC has established an entrepreneurship programme designed to encourage Chinese entrepreneurs to establish operations in the UK.
13. CTPC identified the UK as a suitable location for its first overseas branch and considered setting up in either Nottingham or London. The support provided by EMCBB was an important influence. The Director attributed around 40% of the fact they selected the East Midlands to the influence of EMCBB – without the support of the EMCBB and the Nottingham City Council, the Director stated that it is highly unlikely that CTPC would have established an office in the East Midlands. EMCBB's support has also facilitated the expansion of the CTPC and encouraged the organisation to relocate to a larger office to accommodate anticipated future growth.
14. CTPC's UK Director is in discussions with Head Office in China about making the Nottingham office the head office for Europe. This is expected to happen before 2012 and EMCBB is expected to assist the firm with any further expansion.

### ***Dynex***

15. In June 2009, Zhuzhou CSR Times Electric Group (TEG) acquired Dynex Semi-conductor Ltd in Lincoln, a leading specialist high power semiconductor supplier. EMCBB provided direct support to Dynex in relation to cultural and business practice training assisting in the smooth integration of the 2 companies. EMCBB introduced Dynex to CBBC, who are now delivering an on-going programme of cultural awareness training to both UK and Chinese staff of both companies.
16. In June 2009 Dynex secured funding for a for a £12 million expansion of its IGBT fabrication facility. Paul Taylor, President and CEO of Dynex, commented "The installation of two 6 inch IGBT wafer fabrication lines to replace our existing 4 inch line will enable us to increase output dramatically. We need to do this to service the demand from our new parent company, CSR Times Electric, for silicon wafers so that they can meet the power module needs of the Chinese rail operators. In addition to supplying the Chinese market, this expansion will make us more competitive with power semiconductor module supplies to the rest of the world".

17. EMCBB has continued to provide support in relation to visas and promoting Dynex e.g. introducing the CEO of Dynex to HE Mme FU Ying the then Ambassador to the UK from the People's Republic of China.

### ***Sweetrip***

18. In May 2009, Sweetrip, one of China's biggest confectionery distributors, set up its UK base in Leicester. Sweetrip is the biggest importer and retailer in southwest China, specialising in European and American confectionery including sweets, chocolate and cookies, and also manufactures its own range in China.
19. EMCBB, with Prospect Leicestershire, hosted a visit by representatives of Sweetrip to the UK, and arranged for them to meet with a number of Regional confectionery suppliers to discuss export opportunities. Meetings were also arranged with providers of other services required by Sweetrip, such as accountancy and design.
20. The investment has led to a leading UK confectioner securing sales orders with Sweetrip to sell their product into China for the first time.

## **EAST MIDLANDS CHINA BUSINESS BUREAU: FURTHER / HIGHER EDUCATION**

### ***University of Nottingham - Tasly Group***

21. EMCBB has provided support in the establishment of a wide-ranging new strategic partnership between University of Nottingham and Tasly Group based in Tianjin. Tasly Group is one of China's largest pharmaceutical companies – the world leader in creating modern drugs from natural Chinese remedies. The partnership will combine areas of expertise in both the East Midlands and China which will stimulate further natural drug discovery efforts and will bring economic benefits to the East Midlands.
22. The first step in the partnership is working together to develop 2 joint Masters programmes at the University of Nottingham in a) Pharmaceutical Entrepreneurship and b) Pharmaceutical R&D. Following on from this collaboration will be the development of trade and investment opportunities.

### ***East Midlands Vocational Education & Training Consortium***

23. In 2006 the East Midlands Vocational Education & Training Consortium (EMVET), comprising of 10 East Midlands Colleges, decided to focus upon South West China to develop collaborative links with Chinese colleges. EMCBB has provided practical support to EMVET both in UK and in China during the 5 outbound and 2 inbound visits that have taken place. EMCBB has utilised its strong links with both Sichuan Province and Chongqing Municipality to assist and promote the activities of the EMVET consortium.
24. In addition, EMCBB has actively supported EMVET's application for Prime Minister Initiative funding. To date, £130,000 has been secured to develop and progress this project.

25. See letter of support at below;

3 September 2010

**East Midlands China Business Bureau**

I should like to describe how invaluable the support of the East Midlands China Business Bureau has been to the EMVET consortium of East Midlands FHE Colleges and coordinated by EMFEC in establishing strong links with VET institutions in Chongqing and Sichuan

Some four years ago, our consortium decided that it would be more beneficial to become involved in the long established East Midlands partnership with Chongqing and Sichuan. The EMVET consortium has had a core membership of at least 10 East Midlands colleges and these have been represented on five outbound missions to China and two inbound missions from China with a third planned for this November.

The Bureau has been actively involved in the planning, funding, organisation and implementation of these missions and the CBBC personnel in Chengdu has offered direct support in liaison with the Bureau in Sichuan. The Bureau, because of its reputation and partnership development, has introduced EMVET representatives to the leading VET politicians, administrators and college principals in Chongqing and Sichuan. Without these introductions, the links would not have been established so quickly.

Many of EMVET's activities have been financed from the Prime Minister's Initiative Fund and supplemented by College financial contributions. The Bureau has again offered its support in EMVET's four applications to the PMI2 Fund, which have secured some £130000 during this period. The Bureau has offered funding in kind as part of the match funding element required by the PMI2 Fund.

We know that we can expect continued support from the Bureau as we consolidate our links with our Chongqing and Sichuan partner institutions.

Geoff Scaplehorn  
Coordinator EMVET

**EAST MIDLANDS CHINA BUSINESS BUREAU: STRATEGIC ENGAGEMENT***Derbyshire & Nottinghamshire Chamber of Commerce (DNCC) & Yangquan*

26. In July 2010 an economic partnership agreement was signed between Derbyshire and Nottinghamshire Chamber of Commerce (DNCC), and representatives from the Yangquan region of China. The agreement will mean that the Chamber will work closely with the Yangquan branch of China Council for the Promotion of International Trade (CCPIT) to help firms in both countries develop trading relationships. It covers a range of areas, including enabling the exchange of economic and commercial information, organising business partnerships and trade missions and cooperating on Chinese and UK projects across all sectors.
27. DNCC commented that EMCBB played a key role in making the arrangements for the visit, helping in discussions between DNCC and Yangquan, and providing translation services.

*Shanghai World Expo 2010*

28. EMCBB has assisted in the promotion of the East Midlands 'offer' at Shanghai World Expo through support for the UK Pavilion activities and the University of Nottingham presence at the Zed Pavilion. For example Alan Wells, Professor of Space Technology at the University of Leicester, demonstrated the East Midlands strengths in Space Technology and downstream applications to a senior Chinese audience in May 2010 at the UK Pavilion. Similarly Professor Jo Darkwa Director of Centre for Sustainable Energy Technologies (CSET) at the University of Nottingham-Ningbo campus demonstrated the Region's capability in Sustainable Construction in August 2010.

**EAST MIDLANDS INDIA BUSINESS BUREAU: TRADE**

29. The University of Northampton has been put in touch with local Indian-owned businesses and identified partners for collaboration in India. In relation to future collaboration with India, EMIBB has identified potential Indian partners in the Punjab Region who are interested in setting up waste management plants in the Region, which fits with the University's research specialism in waste and environmental management – the businesses could draw on support from the University and there are possibilities for research collaboration. EMIBB has also identified businesses in Northern India related to fashion design and manufacture who could collaborate with the University on their fashion design course. EMIBB has also provided training sessions to University staff focusing on raising the cultural awareness of staff when dealing with Indian students, which have resulted in behavioural changes amongst staff in the way they interact with the Indian student population. As a result of the support from EMIBB, the University expects to consolidate its market share of Indian students studying in the UK and to increase the proportion over the coming years, anticipating a 20% increase in students from India within two years. The International Office has also recruited two additional staff this year as a result of its expanding activities in India.

**EAST MIDLANDS INDIA BUSINESS BUREAU: HIGHER EDUCATION**

30. In June 2010 EMIBB organised and delivered East Midlands Universities Graduate Placement Event. Over 200 International Indian students from 8 Regional universities attended. 18 regional businesses participated with the purpose of matching work placement opportunities from local businesses with students currently studying in the East Midlands.

## Appendix 7(b) *emda's* Inward Investment and International Trade Activities

31. This is a brief overview of *emda's* current international activities, other than the China India Business Bureaux on which background information has been provided previously.

### ***Inward Investment***

32. *emda* currently works with UK Trade & Investment (UKTI) and sub-regional partners to bring investment into the region from overseas and to encourage the retention and growth of existing large companies (including foreign-owned). Responsibility for sub-national delivery of FDI is transferring to UKTI – they are aiming to take this on from 1 April 2011.
33. The region's strategy in recent years has been proactively to target opportunities in the region's priority sectors, with the focus on knowledge-driven investment and with Transport Technologies the top priority.
34. A significant proportion of the programme budget has been used to engage representatives in priority markets overseas – currently in North America, India, Australia, Germany and France – but these contracts will finish at the end of March 2011. Recent improvements to the arrangements for RDAs' joint working with UKTI overseas have strengthened the UK sales force in these markets.
35. Some sub-regional partnerships have received financial support from *emda* to help secure inward investment. There is an understanding (underpinned by an agreed protocol) that *emda* leads on overseas activity and works jointly with sub-regional partnerships to "land" the investment. *emda* also has a contract with EMB to deliver Investor Development (the account management of existing large companies), with the ID advisers co-located with sub-regional partnerships. There are 2,500 foreign-owned companies in the region, plus 500 other large, indigenous companies. Relationships with existing investors are managed on a 'key account' basis.
36. *emda*, working with partners, offers a free and confidential service to potential and existing investors, which will typically include: information on the local operating environment; property searches; regional visits and tours; advice on recruitment and training; information about financial assistance; introductions to professional advisors, universities and business associations; and help on land-use planning issues.

### ***International Trade***

37. *emda* delivers its International Trade activities through UKTI's East Midlands team, which is co-located with *emda* and in effect acts as *emda's* international trade arm. UKTI East Midlands receives a delivery budget direct from UKTI, which *emda* has supplemented to target the region's priority markets and sectors, and to support the East Midlands Language Network.
38. UKTI's regional team delivers international trade advice to SMEs through a contract with EMB, who employ a team of advisers based at the East Midlands International Trade Centre

at Derby. UKTI retain responsibility at national level for international trade and will continue to deliver support to SMEs at a regional level following the closure of the RDAs.



29<sup>th</sup> November 2010

## **EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD REPORT**

### **European Funding in the East Midlands – Progress on Spend, Exemplar Projects and Current Opportunities**

#### **Synopsis**

This report briefly reprises and updates members on the region's progress in spending the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Rural Development Programme for England (RDPE). It includes details of how much has been spent, how much is still available, examples of projects that have been funded and the role of local government in influencing the administration of the programmes. It also introduces the national LGA's 'Funding Tracker', which keeps Councils up to date with available European funding streams

#### **Recommendation**

**Members are invited to NOTE;**

- a) progress on spending ERDF, ESF and RDPE in the East Midlands**
- b) the 'exemplar' projects involving local Councils**
- c) the availability of further funding as detailed in the LGA's 'Funding Tracker'**

#### **1. Introduction**

- 1.1 At the last meeting of the EIB members considered current and future issues for European Structural Funds in the East Midlands and the potential role that the Board can play in supporting Local Government in the management and distribution of European funding in the 2007/2013 programme.
- 1.2 Members noted the information provided and requested further information be provided to support Councils in accessing European Funding

- 1.3 This report briefly reprises and updates members on the three core Structural Funds from which the region receives a direct financial allocation;
- a. The European Regional Development Fund (ERDF)
  - b. the European Social Fund (ESF) and
  - c. the Rural Development Programme for England (RDPE).

- 1.4 This report updates members with details of how much has been spent, how much is still available, examples of projects that have been funded and the role of local government in influencing the distribution of spend. It also introduces the national LGA's 'Funding Tracker', which keeps Councils up to date with available European funding streams

## 2. European Regional Development Fund – ERDF - Update

- 2.1 As detailed in September, the aim of the ERDF is to strengthen economic and social cohesion in the EU by supporting regional economic development. In addition, the programme supports the Government's priorities to boost enterprise, rebalance the economy and empower local authorities and communities.

- 2.2 The East Midlands ERDF allocation is €268.5m (currently approx. £231m). When combined with match funding this provides a total Programme value of €537m (approx. £461m). The Programme is delivered through two main Priority Axes:

### *Priority Axis 1 – Innovation and Sustainable Business Practice*

- Allocation approx. £100m ERDF
- 68% committed (58 live projects worth approx. £68m ERDF)
- Of the 58 live projects – 5 are being led by a Local Authority (8.6%) and are worth approx. £3.9m ERDF with £8.62m being provided as public match funding.

### *Priority Axis 2 – Sustainable Economic and Enterprise Activity in Disadvantaged Communities*

- Allocation approx. £122m ERDF
- 24% committed (55 live projects worth approx. £29m ERDF)
- Of the 55 live projects – 27 are being led by a Local Authority (49%) and are worth approx. £11.83m ERDF with £20.77m being provided as public match funding.
- 12 Targeted PA2 Districts: Derby City, Leicester City, Lincoln, Nottingham City, Boston, East Lindsey, Ashfield, Bassetlaw, Bolsover, Chesterfield, Corby and Mansfield.

- 2.3 In addition, there are 4 projects receiving Technical Assistance support, 2 are being delivered by Local Authorities (worth approx. £144K ERDF with £144K public match funding).

- 2.4 Across the Programme, 34 live projects are being led by councils (29%) and are worth approx. £15.88m ERDF with £29.53m being provided as public match funding. Clearly this figure understates the true extent of Local Authority engagement in the programme as it only reflects projects where a Local Authority is the lead applicant rather than the range of projects where Local Authorities are project participants rather than lead applicants.

2.5 Item 08(a) includes case studies of exemplar ERDF projects involving councils. Details of all ERDF funded projects can be found on the ERDF website at [http://www.eastmidlandserdf.org.uk/index.php?option=com\\_docman&task=cat\\_view&gid=101&Itemid=57](http://www.eastmidlandserdf.org.uk/index.php?option=com_docman&task=cat_view&gid=101&Itemid=57)

2.6 The current level of uncommitted finds for the Programme is £116m ERDF.

*Local Government role in the Administration of the Programme*

2.7 As detailed in September, a Programme Monitoring Committee (PMC), chaired by GOEM and supported by *emda*, provides strategic oversight of the programme, monitors performance and approves proposed calls for activity.

2.8 The PMC comprises a range of stakeholders representing the public, private and voluntary sectors. Local Government has three seats on the PMC (identified and coordinated by EMC) which are currently taken up by:

- Cllr Mike Preston - Charnwood Borough Council / Leicestershire County Council
- Cllr David Bill - Hinckley & Bosworth Borough Council / Leicestershire County Council
- Cllr Jon Collins, Nottingham City Council

2.9 Dr Stuart Young is also a PMC Member representing East Midlands Councils.

2.10 In addition, Local Authorities in the 12 Priority Axis 2 target districts are responsible for developing local ERDF delivery plans with a focus on creating employment in areas where communities are most in need.

### 3. European Social Fund – ESF - Update

3.1 As explained in September, the European Social Fund (ESF) was set up to improve employment opportunities in the European Union and so help raise standards of living. It aims to help people fulfil their potential by giving them better skills and better job prospects.

3.2 The East Midlands ESF allocation is €243.9m (currently approx. £203m). When combined with match funding this provides a total programme value of €487.8m (approx. £406m). The programme is delivered through two main Priority Axes. The priorities in the 2007 to 2013 ESF programme are designed to focus ESF spending on specific activities and to ensure that it reaches people in most need of support. There are two main priorities in England:

- a. Priority 1 is '**Extending employment opportunities**' by tackling barriers to work faced by people who are unemployed or disadvantaged in the labour market;
  - i. Allocation approx £131.1m ESF. All of the funding has been allocated to 4 Co-financing organisations: Jobcentre Plus (£45.7m), Skills Funding Agency (£71.3), National Offender Management Service (£7.7m), Local Authorities Consortium (£3.9m). Spend is currently 59%.

- b. Priority 2 is '**Developing a skilled and adaptable workforce**' by training people who lack basic skills and good qualifications
  - i. Allocation approx £70.2m ESF. All of the funding has been allocated to 2 Co- financing organisations: Skills Funding Agency (£61.7m), and Local Authorities Consortium (£4.1m). Spend is currently 49%.

- 3.3 In addition, there are 2 projects receiving Technical Assistance support: EMFEC (the regional supporting body for the Further Education sector) and the Young People's Learning Agency. 3 projects currently receive funding through the Innovation, Trans-nationality and Mainstreaming element of ESF; these are Castle College Nottingham, SEEM (Social Enterprise East Midlands and WEA (Workers Educational Association).
- 3.4 As part of Priority 1, the Community Grants programme will be overseen by the Skills Funding Agency, strengthening the ability of small third sector organisations to deliver employment and skills activities to disadvantaged people. Community Grants fund smaller community projects up to a maximum of £10,000. The grants programme has been delivered by ENABLE during the first half of the programme.
- 3.5 Across the programme, the co-financing organisations have let contracts to training providers to deliver the programme targets for the first half of the programme (2007-2010), and are now in the process of procuring provision for the second half (2011-2013). In terms of current performance, Priority 1 data to October 2010 indicates that the programme has engaged with 86,673 participants of whom 40,124 were unemployed, 25,122 were economically inactive and 21,228 were not in Employment, Education or Training (NEET). The number of people in work on leaving totals 11,628. The number of NEET participants moving into EET is 13,286.
- 3.6 Under Priority 2 data to October 2010 indicates that the programme has supported 62,727 participants of whom 13,301 had basic skill needs, 15,680 were without level 2 qualifications and 19,243 were without level 3 qualifications. 2,540 have gained basic skills, 10,734 have gained level 2 and 4,285 have gained level 3 qualifications.
- 3.7 Unlike ERDF, local authorities are not directly delivering ESF provision themselves. The East Midlands, unlike most other regions, has a Local Authority Consortium acting as a co-financing organisation, consisting of Derby City Council, Derbyshire County Council, Leicester City Council and Lincolnshire County Council, with Lincolnshire acting as the lead body. As a CFO, these local authorities have been allocated ESF funding in order to deliver targets, and have contracted directly with providers to deliver these.
- 3.8 Item 08(b) includes case studies of exemplar ESF projects involving councils. Details of all ESF funded projects can be found on the ESF website at [http://www.esf.gov.uk/esf\\_in\\_action/esf\\_projects.asp](http://www.esf.gov.uk/esf_in_action/esf_projects.asp)

*Local Government role in the Administration of the Programme*

- 3.9 The Regional ESF Monitoring Committee (RMC) brings together partners from across the region to oversee and monitor the performance of the Programme. The Committee meets

three times per year and conducts any other business via written procedures. There are three Council members on the Committee. They are;

- Cllr Dave Wilcox OBE - Derbyshire County Council
- Cllr Ian Fleetwood - West Lindsey District Council
- Cllr David Bill - Hinckley and Bosworth District Council / Leicestershire County Council

#### 4. Rural Development Programme for England (RDPE) - Update

4.1 As detailed previously, the Rural Development Programme for England (RDPE) is a national programme, with a Regional Implementation Plan, which was developed through consultation with stakeholders, including Local Authorities. The EU funding, matched by Defra, comes from 'Pillar 2' of the Common Agricultural Policy. It is intended to support land based businesses currently operating in the farming, forestry and horticulture sectors throughout the region to bring wider benefits for the region's economy.

4.2 The RDPE allocation for 2007 – 2013 is approximately £60m, which varies according to the Stirling / Euro exchange rate. At 11<sup>th</sup> November, the fund value was £61.61m. Of this, £38.36m had been committed to projects, representing 62.3% of available funds, leaving £23.36m uncommitted, with Expressions of Interests registered for projects with a total value of £55.6m.

4.3 Details of RDPE funded projects in the East Midlands can be found at <http://www.rdpenetwork.org.uk/projects/east-midlands>

##### *Local Authority role in RDPE*

4.4 A Regional Consultation Group, which includes Local Authority officer representation, meets three times per year, hosted and chaired by EMRAF (EM Rural Affairs Forum). Its papers and reports are posted on EMRAF's website under the 'other meetings' section. [www.ruralaffairs.org.uk](http://www.ruralaffairs.org.uk)

##### *LEADER*

4.5 The LEADER fund is part of the RDPE programme, with an allocation of approximately £13 million of the £60 million referred to above. It targets rural communities, where local groups decide and agree their own priorities and needs, within the constraints of the programme. Local Action Groups, in most cases co-ordinated and facilitated by Local Authorities, were invited to develop local strategies and bid for a portion of the RDPE funding to deliver them, within the same criteria and regulations as the rest of the RDPE.

4.6 There are seven LEADER Groups in the East Midlands:

- a) Peak Rural Action Zone, Derbyshire;
- b) Bolsover and North East Derbyshire;
- c) Lindsey Action Zone – parts of East Lindsey and West Lindsey, Lincolnshire;
- d) Coastal Action Zone Partnership, Lincolnshire;
- e) North Northamptonshire;
- f) North Nottinghamshire; and

g) Wash Fens, Lincolnshire.

4.7 LEADER applicants and beneficiaries are predominantly local businesses, social enterprises and community groups running small scale projects to improve the quality of life and economic prosperity of their community. Typical examples include the refurbishment of redundant rural building to house out of school childcare provision; extension of tea-room premises at a plant nursery or farm shop to increase viability, create jobs and add to tourism facilities in the area; opening a general-purpose shop in a room within a village pub, or other vacant premises. Examples of LEADER funded activity include;

- a) In the Lindsey Action Zone, LEADER is supporting the further development of the Lincolnshire Wolds Walking Festival, in conjunction with Local Authorities and the Wolds AONB partnership.
- b) In the Peak District – RDPE LEADER funding has been used to help set up a micro social enterprise providing a professionally run catering service for local events, also supplying locally home-cooked 'ready meals' to elderly or housebound residents in a village that has recently lost its general shop and whose public transport connections are very limited.

4.8 The budget for LEADER is fully committed.

#### *Local Authority role in LEADER*

4.9 Local authorities can and do play a key role in the LEADER approach as enablers, co-ordinators, employers and accountable bodies for Local Action Groups in their areas. Town and Parish Councils are also playing a key role in supporting, leading and enabling local projects.

4.10 Whilst most of the projects supported through the RDPE are business or community led, support from local economic development and planning authorities is critical to their successful delivery.

#### *Rural Broadband Fund*

4.11 Outside of the LEADER approach, Local Authorities are also playing a key role in facilitating and co-ordinating bids from local community groups to the rural broadband fund, which forms a small element (£400,000) within the RDPE.

## **5. Keeping Track of European Funding**

5.1 In addition to the core Structural Fund programmes, there are very many other EU Funds available in the East Midlands to Councils and others. In September, members received a report that summarised some of the funds that were thought to have been potentially of most interest to members, including

- Framework Programme 7 – FP7
- Territorial Cooperation (INTERREG)
- LIFE+
- EU Public Health Programme

- Culture
- Lifelong Learning
- Switch Asia

5.2 Councils have benefited from a variety of European funding packages, including 'Daphne 111' that has been used by Harborough District Council to support projects tackling domestic violence.

5.3 To help Councils keep track of the range of potential European funding opportunities, the LGA has developed, for its members, a periodic 'funding tracker', which provides comprehensive coverage. It groups funds by theme, including;

- Competitiveness and economic development
- Culture, tourism and sport
- Education and Youth
- Employment, skills and social policy
- Environment and energy
- Transport
- Agriculture and fisheries
- Community safety
- Contingency planning
- Health
- International development

5.4 The November 'Funding Tracker' is attached as Item 8(c). The November edition is attached with the approval of the LGA. Member authorities of the LGA should, in future, obtain editions of the Tracker directly from the LGAs web-site.  
<http://www.lga.gov.uk/lga/tio/14875858>

## 6. Recommendation

6.1 Members are invited to NOTE;

- a) progress on spending ERDF, ESF and RDPE in the East Midlands
- b) the 'exemplar' projects involving local Councils
- c) the availability of further funding as detailed in the LGA's 'Funding Tracker'

**Matthew Wheatley**

East Midlands Councils

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## Item 08(a) ERDF Exemplar Projects involving Local Authorities

1. The three projects referenced here are intended to illustrate the breadth of activity being led by local authorities under the ERDF Programme.

### **Leicester City Council – ‘Creative Enterprise Hub’**

*Priority Axis 2: £293,156 ERDF, £174,249 Public Match Funding*

2. The proposed Creative Enterprise Hub is a comprehensive programme of support for creative industries which will facilitate business start-up and enable access to and sustainability of supply chain networks in creative industries in Leicester. The programme will a) supply bespoke intensive support for start-ups and existing creative SMEs, connecting creative entrepreneurs to specialist knowledge and expertise and b) support existing companies to grow their businesses using a range of initiatives to enhance and sustain enterprise networks within the creative industries and facilitate graduate retention within the city.

### **Lincolnshire County Council – ‘SUSTAIN Lincolnshire’**

*Priority Axis 1: £650,000 ERDF, £973,777 Public Match funding*

3. Sustain Lincolnshire (Stimulating Use Of Sustainable Technologies And INnovation in Lincolnshire) is a programme of activity delivering the substantial recommendations of Enviros ‘Sustainable Economic Development in Lincolnshire’ report and the Lincolnshire Community Strategy’s environmental sector priorities. Addressing both the supply and demand side of energy and other resource usage in order to maximise the economic potential in the county.
4. The programme consists of a package of strongly linked activities including: intensive specialist business support; sustainable procurement cluster development; and promotion and showcasing of techniques and technologies, all supporting stimulation of demand, and, business to business collaboration; investment in the training infrastructure; and market readiness demonstration, addressing the supply of technologies and knowledge in the county.
5. It will achieve SME growth, engage businesses in learning, knowledge transfer and collaboration, strengthen the emerging industry sector, lever public investment and inform mainstream policy. The programme will have additional long term impacts due to the increased knowledge base and demand for resource efficiency and the legacy of supply infrastructure which will continue to benefit businesses and the county as a whole for many years to come.

### **Nottinghamshire City Council – ‘Sneinton Market - People and Places’**

*Priority Axis 2: £1,750,000 ERDF, £5,068,808 Public Match Funding*

6. The purpose of this project is to deliver key elements of the recently produced Sneinton Market and Eastside Gateway Neighbourhood Development Plan. The Neighbourhood

Development Plan (NDP), commissioned by Nottingham City Council and Nottingham Regeneration Limited

7. This project seeks to implement two key elements identified as early priorities within the NDP:
8. creating a new high quality public square for Sneinton Market place, together with high quality public realm connecting to and around the market area to create a sense of place; and improvements to the physical connections between the City Centre and Sneinton and St Anns, via Hockley and specifically the crossings around Lower Parliament Street and Bellar Gate as part of delivering the wider proposed 'Turning Point East' scheme.
9. The project will deliver a key catalytic regeneration project creating a new high quality public square to provide a new focus point, which would accommodate markets, public art and performances and events.

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## Item 08(b) ESF Exemplar Projects involving Local Authorities

### ESF Local Authority Consortium projects

10. The three projects referenced below were reported on at the last ESF regional monitoring committee meeting in September and are taken directly from the Local Authority Consortium report.

#### **Lincolnshire County Council**

##### Learning Through Horticulture (Bridge Farm)

11. During the last quarter one trainee work experience placement was recruited. Currently 6 students are working towards the Award in Practical Horticultural Skills & 10 students are working towards a Certificate in Work Based Horticulture. All trainees attend one day a week & have nearly finished their modules. 9 who have now achieved their qualifications, are on work experience at the nursery. 1 student left the project this quarter - moving on into further study & his details have been passed on to the JobMaets programme. The number of work experience hours has exceeded the original forecast because the trainees haven't yet been found alternative placements. The recruitment target for those undertaking the award & certificate qualifications has been exceeded by 1 (31 gaining qualifications). The project was due to complete on 31<sup>st</sup> August.

#### **Leicester City Council**

##### Information, Advice & Guidance (PYCA-Pakistani Youth Community Association)

12. Activity undertaken – The Entry to Employment course has been delivered for a total 13 weeks. There is ongoing recruitment of the beneficiaries. 2 employment outcomes have been achieved in this quarter & there has been over achievement of the outputs into pre-employment support and Employment outcomes
13. Service User Engagement – the provider has revised the Entry to Employment Course to cover extra aspects such as Communication in the workplace, Mock interviews in different sectors (i.e. Retail, Hospitality, Admin, Teaching Assistant, Child care Assistant, Health Care Assistant & Kitchen Assistant). Learners have visited JCP, Recruitment agencies & Jobs hop Leicester to find out the practical experience of job search & also employment legislation (suggested by past learners).
14. Partnership Working and/or Referral Arrangements - PYCA have received 2 JCP & 1 Next step referrals in this quarter & relations with public sector organisations such as the JCP, Next step & Connexions are improving significantly.

#### **Derbyshire County Council**

##### Mencap

15. April to June 2010 - 47 people have been recruited onto the programme this quarter. During the same period, a number of participants were able to gain temporary paid work summarised as follows:

16. At Tesco in the distribution warehouse (1), Chesterfield College, Assist Gardener (1) catering at Ashcroft Care home & The Old Post, (2 people), Newhall Day Centre, kitchen assistant (1) retail post at Somerfield, Borrowash (1) Amateur swimming association (ASA) FJF programme - based at Alfreton Leisure Centre (1) cleaning work at Mencap in Derbyshire (1) catering & clerical jobs at DCC Adult Care Department (2).
17. 3 beneficiaries undertook some part time voluntary work with the British Heart Foundation, British Red Cross & Ability. Approximately 40 clients undertook various courses in the April to June period – this included H & S at Work, First Aid, Manual Handling, City & Guilds L1 Practical Horticultural Skills. In addition, 3 clients completed the Personal Progression Qualification E3 Level & 7 clients are currently working towards the Personal Progression Qualification

**Derby City Council**

Raising Aspirations (JET)

18. During Quarter 8 (Apr – Jun 2010) 26 new learners were recruited. Of these learners 20 were female & 6 male. There have been 7 short courses which have been either accredited or non-accredited & 1 ten week course in IT. The short courses arranged included 2 Interview Skills seminars, 2 First Aid courses, 2 Food Hygiene courses & a Confidence Building seminar. In total 90 learners participated. The courses were aimed to give learners confidence and skills relevant for employment. During this quarter 8 learners have gained employment.
19. A number of ESOL classes were arranged over the quarter, aimed at supporting women with language needs. The lessons have given the women the opportunity to improve their language skills. Many of the women attending have gained confidence to seek other learning opportunities & have taken part in other courses JET has to offer.



29<sup>th</sup> November 2010

## **EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD REPORT**

### **Update on East Midlands Platform on Food Physical Activity & Health and Links to the EU Platform**

#### **Synopsis**

This report describes the origins, European context, purpose and activity of the East Midlands Platform on Food Physical Activity & Health in reducing obesity within our local communities.

#### **Recommendation**

**Members are asked to NOTE the role and activity of the East Midlands Platform on Food Physical Activity & Health**

#### **1. Introduction**

- 1.1 Five years ago, the European Commission created the European Union (EU) Platform for Action on Diet, Physical Activity & Health, which brought together a variety of concerned stakeholders and challenged them to respond to the rising tide of obesity in Europe.
- 1.2 The Commission's approach was to engage European organisations in a multiple stakeholder Forum and for these organisations to commit to tackling the rising trends in European consumers' diet and physical activity. The E U Platform has 33 members from public health Non-Governmental Organisations, consumer and physical fitness groups, the food, drink and catering industries, and a number of Member States, together with observers from the World Health Organisation (WHO) and EFSA (the European Food Safety Authority).
- 1.3 Convened in March 2005, the EU Platform provides a forum where EU level organisations from different sectors make concrete "commitments" to action to pursue "healthy nutrition, physical activity and the fight against obesity". These commitments have increased levels of resources and effort devoted to them compared to baseline activity. Members discuss plans and report outcomes at regular plenary meetings and monitor their own performance, enabling gathering of best practice and evidence of effectiveness. To date there have been over 200 commitments in areas such as consumer information, education,

physical activity promotion, marketing and product reformulation. One key characteristic that differentiates the platform from other multi-stakeholder forums is the focus on action. A comprehensive evaluation report of the E.U.Platform was carried out by the Evaluation Partnership on behalf of the Public Health Evaluation and Impact Assessment Consortium (PHEIAC). The report highlights achievements and challenges over the past five years. A copy of the report can be downloaded from: [www.eufic.org](http://www.eufic.org)

- 1.4 Although there are numerous national Platforms with similar aims across Europe, there are no known regional Platforms, apart from the East Midlands Platform.

## 2. Establishing the East Midlands Platform

- 2.1 The East Midlands region decided to lead the way and be the first region in Europe to 'declare war' on the rising tide of obesity. A declaration was launched on 23 September 2009 as part of an "East Midlands Declaration – Change4Life" and was signed by;
- Robert Madelin (previously the European Commission's Director General for Health and Consumer Protection),
  - Councillor David Parsons (Chairman of the then East Midlands Regional Assembly and Local Authorities Leader's Board), and
  - Dr David Walker (Regional Director of Public Health for East Midlands).
- 2.2 The purpose of the declaration was to galvanise support at all levels – from grass roots organisations to charities and employers in the region. The signing of the declaration has led the way for the launch of the East Midlands Platform on Food, Physical Activity and Health. At the launch, Robert Madelin commended the action taken by the region and welcomed the active engagement of the East Midlands using the EU Platform as a model.
- 2.3 The founding principles of the East Midlands (E.M.) Platform were closely aligned to those of the EU Platform, with partnerships between different sectors being used to give added momentum towards halting or reversing the rising trend in obesity. Members make a commitment to undertake an action over and above their current activity in relation to food, physical activity and health.
- 2.4 The E.M. Platform is not formally accountable to the EU Platform, although progress is reported. An open invitation to attend EU Platform meetings is extended to the EM Platform, and several meetings were attended by staff prior to June when travel to Europe was curtailed due to financial constraints. As an alternative, written reports on progress can be provided. The EM Platform aims to learn from the example of the EU Platform and share best practice. In turn, the EU Platform is keen to understand whether the Platform model is transferable and sustainable in a regional setting.
- 2.5 At a shadow Platform meeting on 3 March 2010 potential members developed a shared understanding of the Platform. The first formal Platform meeting was held on 9<sup>th</sup> June and similar to the EU Platform meetings are only open to member organisations who have made a concrete commitment to take action which could contribute towards reducing obesity in the region. Ten member organisations joined in June.

- 2.6 Each member organisation determines the nature and design of their commitment, with support from Platform Team. However, commitments need to be commensurate with the size of the organisation, match the aims and values of the Platform, be evidence based or innovative and capable of being evaluated. Members agree to ongoing public scrutiny of their commitment.
- 2.7 The East Midlands Platform has modelled some of its processes on the EU Platform, and has adapted others to suit the local environment. To ensure that there is strong governance of the Platform a Scrutiny & Advisory Group assesses all commitment applications and advises on areas where commitments can be improved, or where connections and partnerships could strengthen and increase the impact of a commitment. New commitments are presented at Platform meetings, and members report on progress of existing commitments.

### **3. Progress on the East Midlands Platform**

- 3.1 The Platform held its first meeting in June 2010 when 10 organisations joined. A further thirteen joined at the October meeting, and many more are currently developing their commitments over the next few months. (See members list below) . Early learning shows that on average from first approaching an organisation it takes between 6 & 9 months to develop a substantial commitment, and organisations require some ongoing public health support and advice to deliver their commitment.
- 3.2 To build the evidence of what works, all members are required to evaluate their commitments, so helping to build the evidence base for obesity prevention. Learning from establishing and managing the Platform and measurement of outputs is being captured in a formative evaluation being carried out by Nottingham University. Other opportunities to apply for research funds for future evaluation are being scoped including submission of a joint research bid with Nottingham University.
- 3.3 The strength of the Platform lies in its multi-sectoral approach, and engaging with a wide range of organisations. The members include large and small organisations and from range of sectors, including manufacturing, retail, distribution, energy providers, voluntary and community groups, health and wellbeing service commissioners & providers. Regular member events and electronic networking provide a forum for connecting, enabling progress to be shared, success celebrated and ideas for improvement disseminated. The interaction of organisations that would otherwise not normally meet also provides the opportunity for new business development within the region.
- 3.4 The Platform is an excellent example of current Government policy as it utilises approaches integral to The Responsibility Deal, Behaviour Change and The Big Society. In effect an early implementer of these approaches, as it exemplifies the localisation of these models, and could provide some early success results. The Platform has funding until March 2011 via Programme monies from Department of Health, and work is underway to secure funding in the medium term and to develop a business model so the Platform works towards becoming self sustainable in the future. With the proposed move of the Public Health function to local authorities consideration is also being given as to the most

appropriate organisation to host the Platform. The Platform aims to triple its membership in its first year; new members will be encouraged to recruit their peers, so creating a movement for change. The aim is to make membership of the Platform the 'social norm' for businesses, public and community and voluntary sector groups all taking responsibility for behaviour change.

- 3.5 All member organisations have some connection with the East Midlands, but some cover a wider geographical area and in some cases their commitments extend beyond these boundaries. However all see a benefit in working together across a sizeable geography, so achieving economies of scale, whilst still allowing for members to come together, learn from each other and develop further partnerships.

#### **4. Summary**

- 4.1 The Platform provides an innovative way of tackling a significant public health problem and making a major contribution towards reducing obesity within our local communities. The Platform has held two meetings and now has 23 member organisations from private, public and voluntary sectors, who are now working together as a movement to create change. The expectation is that by our collective actions and joining up our work, sharing practice and supporting each other and because commitments are over and above what organisations are currently doing we stand a better chance of achieving a reduction in overweight and obesity and getting people more physically active. This could also result in economies of scale, avoid duplication, produce greater efficiencies and assist employers to increase productivity

#### **5. Recommendations**

- 5.1 **Members are asked to NOTE the role and activity of the East Midlands Platform on Food Physical Activity & Health**

##### **Trish Crowson**

Director – East Midlands Platform on Food, Physical Activity & Health

On behalf of East Midlands Public Health Network (EMPHASIS)

[www.regionalplatform.org.uk](http://www.regionalplatform.org.uk)

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## Appendix 1: Member organisations

- Nuffield Health
- British Gas
- Slimming World
- Walkers Charnwood Bakery
- Shoezone
- Greencore
- University of Lincoln
- Soil Association
- Let's Get Cooking
- NHS East Midlands
- Derby County Football Club
- Greater Nottingham Food Initiatives Group
- Local Government Improvement and Development
- Derby County Football in the Community
- Groundwork East Midlands
- Natural England
- Derby Hospitals NHS Foundation Trust
- Nottingham City Council
- Sustrans
- Sports Nottinghamshire
- Institute of Occupational Safety and Health
- Nottinghamshire County Football Club in the Community
- Nottingham University Hospitals Trust.

### Who we are

A collective of organisations from the private, public and voluntary sectors working together as a *movement* to create change.

We are *unique* - the only local area to have a Platform specifically to tackle obesity in Europe

### What we want to change - the issue

- Britain has the highest rates of obesity in Europe
- Women in the East Midlands have higher rates of obesity than the national average
- Obesity levels for children almost double between ages 4-5 and 10-11 years in our region
- Obesity reduces life expectancy by 9 years
- If current trends continue, 9 out of 10 adults in the UK will be overweight or obese by 2050

### Our aim is...

to halt/reduce the rising levels of overweight and obesity in the East Midlands through voluntary commitments and collective actions of our members

### Our members are from....

large and small organisations and a range of sectors, including manufacturing, retail, distribution, energy providers, voluntary and community groups, health and wellbeing service commissioners & providers.

*Members listed on our website*

### Benefits of joining us

- To be part of a new movement and be recognised for your efforts
- Opportunity to network with new members from across the sectors
- Share and discuss innovative approaches to improving well-being
- Mentoring and support from the Platform team and other members
- Four meetings a year plus access to seminars, news alerts, notice board, on-line discussion forum and toolkits
- Help to build the evidence on what works



### What we are doing

- Workplace slimming programmes & activity groups
- New healthy menus for canteens & events
- Face to face/online health checks in the workplace and referrals
- Sponsorship of school children to increase their physical activity levels
- Working with nurseries to help achieve the Bronze Standard Catering Mark
- Academic support to help evaluate interventions and campaigns

*Further examples on our website*



29<sup>th</sup> November 2010

## **EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD REPORT**

### **Feedback from members on their European and International roles**

#### **Synopsis**

This item invites members to provide feedback to the group on any relevant European or international roles or activity that their Council has been involved in.

#### **Recommendation**

**Members are invited to share with the Board any information that they consider to be of interest related to;**

- a) Any European or International roles they fulfil,**
- b) Any European or International activities undertaken by their Council(s)**

#### **1. Introduction**

1.1 The work programme for the European and International Board provides an opportunity for members to share information with other members about their or their Council's European and International roles and activities that they consider to be of interest.

#### **2. Recommendation**

**2.1 Members are invited to share with the Board any information that they consider to be of interest related to;**

- a) Any European or International roles they fulfil,**
- b) Any European or International activities undertaken by their Council(s)**

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29<sup>th</sup> November 2010

**EAST MIDLANDS COUNCILS EUROPEAN & INTERNATIONAL AFFAIRS BOARD REPORT**

**Joint Seminar with the national Local Government Association on European Issues**

**Synopsis**

This paper informs members about a joint seminar with the national Local Government Association on European Issues to be held at Nottingham City Council on 20<sup>th</sup> January 2011.

**Recommendation**

**Members of the European and International Board are invited to ATTEND the joint seminar with the national Local Government Association on European Issues to be held at Nottingham City Council on 20<sup>th</sup> January 2011.**

## 1. Introduction

- 1.1 The national Local Government Association has formed a European and International Programme Board. Cllr Dave Wilcox is chair of both the LGA's European and International Programme Board and the EMC's European & International Board.
- 1.2 The national LGA's European and International Programme Board intends to hold some of its meetings outside of London and with the first of these meetings being in the East Midlands on 20<sup>th</sup> January 2011. The meeting will be followed by a joint EMC / LGA seminar for members on European issues.
- 1.3 Nottingham City Council have kindly agreed to host the Programme Board and seminar in their new Loxley House building, directly adjacent to Nottingham Railway Station and Station Street tram stop.

## 2. Members Seminar on European Issues

- 2.1 The seminar, which will take place between 1pm and 3pm, is open to members from Councils in the East Midlands. It will be focused around the key challenges that Councils currently face and the related funding and regulatory barriers and opportunities that arise from engagement with the European institution.
- 2.2 The agenda will cover;
  - New recycling directives – What you need to know
  - New Rules for asylum seekers in Children's Services
  - Making efficiencies and using European resources
  - What new procurement proposals and other changes on the EU agenda might mean for your authority
- 2.3 To register a place at the seminar, please email [matthew.wheatley@emcouncils.gov.uk](mailto:matthew.wheatley@emcouncils.gov.uk).

## 3. Recommendation

- 3.1 **Members of the European and International Board are invited to ATTEND the joint seminar with the national Local Government Association on European Issues to be held at Nottingham City Council on 20<sup>th</sup> January 2011**

**Matthew Wheatley**

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