

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: Update on European Union & Other External Funding Work
Paper No: 182/09
Date: 20 August 2009
Report of: Senior Economist & Statistical Analyst

1.0 Purpose

- 1.1 The purpose of this paper is to update Members on the work that has been done and is still to be done on matters relating to the European Union, European Commission, Overseas Countries & Territories Association (OCTA) and other external institutions/potential funding sources.

2.0 Recommendations

- 2.1 That Members note the stage that has been reached on the 9th and 10th EDF submissions and approve the recommendation that the 10th EDF documents submitted to the EC can be submitted to ExCo informally when ready in August/September (for timeliness purposes).
- 2.2 That members note the preliminary dates (1st December – 4th December) for the EU-OCT Forum & Ministerial 2009 to be hosted in Brussels and note to be taken by Cllrs Assistant of need for at least 1 (usually 2) member(s) to attend.
- 2.3 That members note the work done in conjunction with FIDC on exploring and expanding contact with more diverse funding and technical support sources from the EU area; as well as noting the work performed by the South Atlantic Invasive Species Group.

3.0 Summary of Financial Implications

There are no direct financial implications from this paper. All EDF amounts to be received are already included in the capital income budget.

4.0 Background

- 4.1 In January 2009 a new post was created (Senior Economic & Statistical Analyst) that has as part of its remit external funding and EU-related work that had previously been handled by the Personnel Officer.

4.2 Due to this transition, the role of Territorial Authorising Officer (TAO) for EU and OCTA related matters was transferred over to the SESA in May 2009. The Personnel Officer continues to assist and advice on EU matters.

4.3 Sections 5 through 10 of this paper update on the key aspects of the work.

5.0 The 9th European Development Fund

5.1 The Falklands were originally assigned €3m under the 9th EDF, and this was increased to c. €4.5m during a review of an unused reserve fund in 2007.

5.2 To date the Islands have received the first €1.5m tranche (£1.01m) in April 2007. To receive the next two fixed tranches of €1.5m we owed the Commission audit and budget reports as well as two technical reports demonstrating that we have met the eligibility criteria agreed in the Financing Agreement.

5.3 These reports have now been completed and a number of iterations have been shared with the Commission for review. At the moment we have received informal acceptance that the criteria for disbursement of the remaining €3m has been met. Banking details have been sent to the Commission and approval should be forthcoming, so we would hope to have the funds transferred locally before the cut-off in December 2009.

6.0 The 10th European Development Fund

6.1 The Falklands have been assigned €4.13m (£3.5m) under the 10th EDF.

6.2 These funds are assigned to the Islands for the period 2008-2013 and to be able to draw these down we are required to submit a Single Programming Document (SPD) to the European Commission, which lays out the modality the funding shall be utilised for. We have selected Budget Support (as with the 9th EDF), meaning that the funds shall be used to underwrite budget items for development of particular areas identified in the Islands Plan. The exact details of what these funds have been used to underwrite shall be shown in the final document that shall go to ExCo as soon as finalised with the Commission (but are focused on sections 3 - Education, 4 – Transport & Communications and 7 – Camp of the Islands Plan).

6.3 As it stands a number of iterations of the SPD have been informally exchanged with the Commission and viewed by OCTA representatives for support. We have reached a stage where they are now confident that the document is of a quality that it can be formally presented to the EC to enter the approval process. The timeline agreed with the Commission is for us to do this during August/early-September. It is proposed that this paper be shared with Executive Council as soon as ready in the month so that it can formally submitted as quickly as is practical.

6.4 The entire process from our exchange of documents in August through to the signing of the financing agreement and first drawdown of funds is laid out in the following table:

NEXT STEPS - FALKLAND ISLANDS SPD				
Order	Workstream	Deliverable of Falkland Islands Government and local FI Partners	Deliverable of European Commission (Delegations & Headquarters)	Timing
1	Formal SPD (Part A & B) submission to EC in accordance with stated commission guidelines	Drafting of formal submission of the SPD	None	1st August 2009
2	Iterations of the SPD are formally returned to the TAO for alteration	Amendment of SPD as advised by Commission	Internal EC review process (focusing on Identification Fiche & PFM) and comments returned to Falklands Islands TAO	Throughout Aug & Sep 2009
3	Formal submission of revised draft SPD to EC via Delegation	All necessary amendments made and SPD formally submitted	Consultation between Head of Delegation & TAO on reaction of EC (DEV and AIDCO)	October 2009
4	Internal EC review of updated SPD		Formal assessment of SPD in "OCT team consultation"	November 2009
5	Revision of SPD post-OCT team consultation review	Make revisions to SPD as requested by EC		December 2009 / January 2010
6	Review of new SPD which incorporates standard indicators		Internal EC review process (DEV-AIDCO)	March 2010
7	Final revisions to SPD post-third review process	Revision of SPD incorporating comments from EC internal review process	Advice from Head of Delegation as required	April 2010
8	Falkland Islands Government to submit draft Financing Agreement		EC review and consultation, translation and submission to EDF-OCT Committee	May 2010
9	Commission Decision on SPD + Financing Agreement		Final decision issued	June 2010
10	Co-signature of Financing Agreement and implementation begins	Signatures	Publication of SPD, signature	July 2010

6.5 The number of tranches of funds and amount in each tranche is still to be agreed, but it would most likely be similar to the 9th EDF (two equal tranches).

Note: We have also been assigned through an OCTA-managed fund €40,000 for hiring consultants to provide technical assistance in completing the 10th EDF Single Programming Document. At the moment we have not chosen to utilise these funds as progress with the document has been steady; and it is also felt that we may lose as much time in putting together the ToR and finding a consultant as it would gain us in professional assistance. However, there is not cut-off for the use of this fund so the decision shall be reviewed on a regular basis as we progress. OCTA's advice is that it is our own decision and they do not feel that professional assistance is a pre-requisite as long as we feel progress is being made.

7.0 Further External Funding

7.1 In May the General Manager of FIDC attended meetings in the UK and Luxembourg with the following institutions:

- ◇ The European Investment Bank (EIB)
- ◇ The European Investment Fund (EIF)
- ◇ The Foreign & Commonwealth Office EU Coordinator (FCO)

7.2 These were very preliminary meetings, but a brief summary is provided below.

7.3 Discussions with the EIB revolved around the following:

- Technical Assistance for the financial and technical feasibility of the new port project;
- Capital debt funding for the port project;
- Capital debt funding for renewable energy schemes;

- Capital funding, through an FIDC umbrella, for SME Development and Support.
- 7.4 It has been agreed that FIDC will revert to the EIB with the following initial information:
- FI Government structure and business operations
 - FIDC structure and operations
 - A preliminary outline of possible projects they can assist with
 - Outline likely timing of funding requests and needs.
- 7.5 This is close to completion now and shall be sent off shortly to move the process forward.
- 7.6 Discussions with the EIF were, initially at least, less positive as their programs, as generally applicable to the Falklands, are more difficult to adapt and apply to a remote Overseas Territory.
- 7.7 Nevertheless, it is intended to pursue the possibility of accessing the Competitiveness and Innovation Framework Programme (CIP), 2007-2013. The Falklands is eligible for this programme but it may be very difficult to meet certain requirements such as a high risk spread across multiple recipients and the need for a commercial bank to act as intermediary (with a subsidiary requirement for that bank to offer the programme across the whole country – which would include the UK).
- 7.8 The EIF has also expressed a willingness to explore with FIDC further alternatives for micro-loans and start-ups. This will be pursued over the coming months.
- 7.9 The FCO were met with to obtain contacts and ensure FIDC are kept informed on EU matters when something of interest arises. This was agreed. The Policy Unit shall also work closely with FIDC on these funding matters.

8.0 Atlantic Study Report

- 8.1 This is a project that is being funded by the European Commission, but the consultants were recruited by OCTA. They have been employed to look at the ‘isolated’ OCTs: Falkland Islands, Greenland, Saint Helena and Saint-Pierre et Miquelon.
- 8.2 The consultants remit is to explore and analyse the challenges the four OCTs in question face and the opportunities open to them and make recommendations that can be taken up in the Green Paper discussion on the future relationship between the OCTs and the EU (see section 9.0). The report (which shall be a single document containing a section each on the 4 OCTs) is also intended to act as a guide for policy teams within the respective OCTs. Each section will include analysis of:
- 8.2.1 The current and economic potential development of the OCTs
- 8.2.2 Socio-economic factors, such as importance of traditional work and life-styles

- 8.2.3 The potential to adjust EU trade policy mechanisms to obtain best advantage for OCT trade and investment flows – both regionally and with the EU
- 8.2.4 Business development potential
- 8.2.5 The potential benefits to be obtained from EU horizontal programmes and advice on how best to access them
- 8.3 The consultants picked up that the main common thread in OCTs' Green Paper responses was concerns with trade policy questions (primarily Rules of Origin, Sanitary & Phyto-sanitary measures and Transshipment) and this has therefore been their main focus in discussions with OCTA and the Commission Services to date. However, the team's guiding objective is to look at the specificities of each OCT, identify their major challenges and try to find solutions to them.
- 8.4 In May 2009 the lead consultant visited the Islands. Richard Stoneman spent a week and met with all the major stakeholders regarding the issues important to us in relation to (1) the new OAD; (2) further EU funding; (3) trade issues; and (4) other economic development issues.
- 8.5 To date only high level notes for the Falklands section of the report have been produced, but these appear to have picked up the key points well and are beginning to suggest a strategy for how to address the key trade issues the Falklands faces with the EU (crewing requirement for fishing vessels; sanitary lab issues; beef exports etc). The point that a broad-stroke OAD does not suit the unique issues facing many of the smaller OCTs has been emphasised. Another point that has also been emphasised is the fact that whilst the Islands may appear economically well-off when looking at traditional basic measures (GDP per capita etc); they are exceptionally vulnerable, therefore highlighting the need for the Commission to perceive us more in terms of vulnerability than traditional methods.
- 8.6 The current timing stated by the Consultants is for a final report to be produced in October/November, with a late draft to be shared with Members for review prior to publication (most likely in September).

9.0 New Overseas Association Decision (OAD) - Process

- 9.1 As members are aware, the current OAD expires in 2013. Towards the end of last year, the European Commission began the process of devising a new OAD to come into force in 2013 by issuing a Green Paper detailing what they saw as the key points that would need to be addressed by a new OAD
- 9.2 Feedback was provided by all the OCTs to this document and series of questions late last year, with the Commission then committing to drawing together responses from the Green Paper consultation exercise plus their own take on the direction they think we should be going. This was meant to be released in June, but the Commission have now indicated that September/October is more likely. Once released, the OCTs shall have a window to respond to this document. The exact timing and process after this is to be confirmed by the Commission in the document, but they have indicated that this paper shall most likely form the basis of the new OAD, with further versions to be produced throughout 2010.

9.3 Concern has been expressed by OCTA and Member States to the Commission about how long it is taking to issue this paper.

9.4 OCTA hopes that with the EU-OCT Forum scheduled for early December (1st-4th, including Ministerial), the feedback period to the Commissions paper when released shall include December as well so that OCT representatives can also raise issues regarding the new OAD with Commission officials face-to-face. This is not confirmed however.

9.5 When the document is released in September it shall be shared with Members and a response to it coordinated by the Policy Unit.

10.0 South Atlantic Invasive Species Project

10.1 This is a regional project with the aim of increasing regional capacity to reduce the impacts of invasive species on the South Atlantic UK Overseas Territories. €2m was assigned by the EU to the RSPB to manage this project across the 5 different Island territories. The Falkland Islands Government officially supported the project proposal and the Environmental Planning Office in particular has provided some input, but this is not an FIG-managed EU project. It is coordinated from London by the RSPB, who have appointed their own local project managers (Mr Brian Summers for FI).

10.2 A quarterly report is produced detailing the key activities on each Island. The following provides a summary for the Falkland Islands:

- Continuation of thistle control work within Stanley
- Completion of garden/newly naturalised plant surveys
- Completion of volunteer gorse-control work on Carcass Island
- Continuation of Calafate surveys and herbicide trials
- Completion of contracts for rodent survey work in Adventure Sound
- Liaison with the Military on thistle and ragwort control at Mount Pleasant
- Continuation of the inter-island bio-security plan discussions with landowners and shippers
- Meeting of Falklands Project Strategy Group on 8 May 2009
- There was also a regional meeting in May that the project team hosted on Ascension at which the Falklands were well represented (through the EPO, FI Conservation and other local stakeholders). The aim of the meeting was to produce material to feed into the development of a regional (South Atlantic) strategy for invasive species - this has now been drafted and is currently being circulated for comment.

10.3 Another point of note is that the project team requested a short extension to the implementation period (originally scheduled to end on 01/11/2009) - if granted, this would extend operations until 31 March 2010. However, they have just heard back from the Commission on this and an extension until the end of December 2009 is all that has been granted.

10.4 The request was made due to funds likely to be left over on 1st December 2009. The forecast underspend in the specified time period was, inter alia, due to logistical

issues in some Islands as well as the movement in the Euro and the seasonality of the work.

10.5 The full Falkland Islands Invasive Species Strategy shall be presented to Members when completed either at the end of 2009 or early 2010.

11.0 Financial Implications

There are no direct financial implications from this paper as sums are currently budgeted for in the Capital Revenue numbers.

12.0 Legal Implications

There are no Legal implications.

13.0 Human Resources Implications

There are no HR implications.