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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mark Drakeford AM  
Cabinet Secretary for Finance and Local Government  
Cardiff Bay  
Cardiff  
CF99 1NA

4<sup>th</sup> October 2016

Dear Mark,

#### EU FUNDING

1. As you know, the Chancellor announced in August that the Treasury would guarantee EU Funding for the following:
  - a. all structural and investment fund projects, including agri-environment schemes, signed before the Autumn Statement;
  - b. all direct competitively bid projects signed directly with the European Commission up until Brexit, for example universities participating in Horizon 2020; and,
  - c. the current level of direct farm payments (CAP pillar 1) until 2020.
2. The Chancellor also stated that the Treasury would put in place arrangements for assessing whether to guarantee funding for structural and investment fund projects that were signed after Autumn Statement up until we leave the EU.
3. In his conference speech yesterday the Chancellor announced that the Treasury will provide a guarantee for all structural and investment projects, signed after the Autumn Statement but before the UK leaves the EU. This will apply to:

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- The European Agricultural Fund for Rural Development - CAP Pillar 2 (EAFRD)
  - The European Social Fund (ESF) (the assurance will also cover the Youth Employment Initiative which is implemented in the UK as part of ESF programmes)
  - The European Maritime and Fisheries Fund (EMFF)
  - The European Regional Development Fund (ERDF) including European Territorial Cooperation (ETC).
4. This guarantee will address the concerns you raised in your letter of 18 August in relation to the European Territorial Cooperation (ETC) programmes and in particular the Ireland/Wales programme.
5. Projects will be guaranteed where UK Government departments are content that these projects:
- **provide value for money**, in a way that has a comparable benefit to other domestically-funded programmes;
  - **support domestic strategic priorities**, specifically projects that fit with department's priorities and the Government's agenda.
6. In keeping with the devolution settlement, it will be for the Welsh Government to decide the conditions used to assess projects within your devolved competence. However, I am sure that you will wish to apply comparable levels of scrutiny to ensure the funds are used to achieve the best outcomes in Wales.

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7. I have asked my officials to work closely with yours over the coming weeks on the technical implementation of the guarantees. This letter is copied to the Secretary of State for Wales.

A handwritten signature in blue ink that reads 'David Gauke'.

DAVID GAUKE

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