

**National Assembly for Wales**  
European and External Affairs Committee

Second Report of Inquiry into the Future of  
Cohesion Policy

July 2010



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European and External Affairs Committee

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## European and External Affairs Committee

The Committee may consider and report on any matters relevant to the exercise by the First Minister, Welsh Ministers, the Counsel General or the Assembly of any of their functions relating to the European Union or external affairs.

### Powers

The Committee was established on 26 June 2007. Its powers are set out in the National Assembly for Wales' Standing Orders, particularly SO 18.1. These are available at [www.assemblywales.org](http://www.assemblywales.org)

### Committee Membership



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**Nick Bourne**  
Mid and West Wales  
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**Jeff Cuthbert**  
Caerphilly  
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### List of Reports published by the Committee

*Report title*

Interim Report of Inquiry  
into the Future of Cohesion Policy

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All previous committee reports can be found at [www.assemblywales.org](http://www.assemblywales.org)

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## Chair's foreword

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This is the second report of the Committee's inquiry into the future of EU Cohesion Policy. The Committee's first interim report, published in December 2009, was positively received in Wales and Brussels and many stakeholders described it as a timely contribution to the ongoing policy debate.

I took over as Committee Chair in January 2010 and am grateful to my predecessor, Sandy Mewies AM, for leading the first phase of inquiry. On St David's Day the Committee held a formal meeting in Brussels to kick off a second phase of evidence gathering as the European Commission published its proposed Europe 2020 Strategy – the successor to the Lisbon Strategy for Growth and Jobs. The Committee has explored the strategic priorities set out in Europe 2020 with Welsh stakeholders, and this has underlined the importance of investing in research and development and higher level skills in Wales.

With Europe 2020 under consideration by the European institutions, and a White Paper on the future EU Budget and the Fifth Cohesion Report both expected this autumn, it is an appropriate moment for the Committee to report again. We have taken account of the latest estimates for Gross Domestic Product (GDP) for 2007, which show that Wales dipped below the 75 per cent GDP threshold for what is currently termed Convergence funding. We also publish in the context of a challenging and volatile fiscal situation, and the appointment of a new UK Coalition Government in May.

There is intense interest among Welsh stakeholders in EU Structural Funds in whether West Wales and the Valleys will qualify for further Convergence funding or transitional funding under a future Cohesion Policy framework. It also remains of fundamental importance that an EU-wide policy is maintained that will benefit all regions of the European Union that need assistance. Given the need to influence this important debate at the EU level, we have made recommendations to the Welsh and UK Governments as well as to the European institutions and representatives of European bodies.

I am grateful to all those who have contributed to the Committee's work to date and welcome ongoing engagement with our strategic partners in Wales and beyond.

*Rhodri Morgan*

# **The Committee's Key Conclusions and Recommendations**

## **Key Conclusions**

Evidence taken in this second phase of inquiry strongly supports the key messages of our first report; to continue with an EU-wide Cohesion Policy for all regions of the European Union, both in the old and new Member States, with continued access to Convergence and Competitiveness-type funding subject to need, and transitional support for those regions moving out of 'Convergence' status. The idea of a 'renationalisation' of Cohesion Policy, by 'repatriating' EU funding to relatively richer Member States including the UK, is utterly rejected as not being in the best interests of Wales, the UK or the wider European Union. Driving economic recovery and cohesive growth across the Union - in line with the strategic priorities of the Europe 2020 Strategy - requires an integrated EU-wide approach that recognises the importance of multi-level governance. Wales has made great use of existing Structural Funds, and continued support through Cohesion Policy will unlock Wales's potential to fully implement the Europe 2020 goals of 'smart, sustainable, inclusive growth': by boosting research and development, innovation and the 'green' economy, and supporting development of the necessary training and skills.

## **Recommendations to European institutions and representative bodies**

The Committee's recommendations 5 and 6 are directed at the European Commission. Recommendation 10 is directed towards Members of the European Parliament. Recommendation 3 is for Welsh representatives within formal European bodies and informal networks - this includes representatives in the Committee of the Regions, the British Irish Parliamentary Assembly, the Conference of European Regional Legislative Assemblies (CALRE), the Conference of European Regions with Legislative Power (REGLEG), the Conference of Peripheral and Maritime Regions (CPMR), and the ROTOPI network. Please refer to the relevant pages of the report to see the supporting evidence and conclusions.



## **Recommendations to the Welsh Government**

The Committee's recommendations 1, 2, 4, 7-9 and 11-14 are to the Welsh Government. They are listed below in the order that they appear in this report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions.

### **Recommendations**

**Recommendation 1.** The Welsh Government to provide clarification about how best to represent and promote the Welsh position on future Cohesion Policy through working with other European regions in formal European bodies and informal networks such as REGLEG, CPMR and ROTOPI. **(Page 14)**

**Recommendation 2.** The Welsh Government to clarify how it has engaged with Welsh stakeholders and how it plans to maximise the degree of unity in pursuit of key Welsh interests in the next critical stage of the Cohesion Policy debate in 2010-11. **(Page 16)**

**Recommendation 3.** Welsh representatives within formal European bodies and informal networks to take account of the key conclusions and recommendations set out in this Committee's report in promoting the Welsh position. **(Page 16)**

**Recommendation 4.** The Welsh Government to clarify how it will be making the case to and with the UK Coalition Government for continuation of an EU-wide Cohesion Policy, including access to Convergence support for qualifying regions, and provision of transitional funding arrangements, post 2013. **(Page 18)**

**Recommendation 5.** The European Commission to frame its proposals for future Cohesion Policy on the basis of the Committee's key conclusions and recommendations on an EU-wide policy covering all regions, rejecting any arguments for renationalisation, supporting continued Convergence and Competitiveness and Employment objectives and transitional support for regions falling outside the funding criteria for those objectives. **(Page 18)**

**Recommendation 6.** The European Commission to confirm that ERDF and ESF are to be maintained as part of EU Cohesion Policy because the combination of both funds enables regional and local

authorities to deliver a range of integrated actions and interventions on the ground in support of territorial cohesion. **(Page 20)**

**Recommendation 7.** The Welsh Government to provide clarification on the timing of a full impact assessment of the Objective 1 programmes in Wales; and its plans to apply lessons learnt from the 2000-2006 and 2007-2013 programmes in Wales and other parts of the EU to the development of future programmes. **(Page 21)**

**Recommendation 8.** The Welsh Government to explore with key stakeholders in Wales, including higher education and local authorities, the merits of using European Investment Bank loan funds to support key investments in areas such as research and development and renewable energy: this to include an assessment of the feasibility of developing joint project proposals to arrive at critical mass. **(Page 22)**

**Recommendation 9.** The Welsh Government to ask the UK Government to seek explicit recognition in the European Council Conclusions on the Europe 2020 Strategy of the role of sub-national authorities (local and regional levels) in making the strategy a success on the ground. **(Page 25)**

**Recommendation 10.** The European Parliament – in particular Welsh MEPs and Members of the Regional Development Committee - to take account of the key conclusions and recommendations of this report in its deliberations on the future EU Budget, Europe 2020 and Cohesion Policy. **(Page 25)**

**Recommendation 11.** The Welsh Government to set out its plans: to provide the leadership and strategic direction necessary to build the competitiveness and excellence of applied R&D in Welsh universities and transfer it into business and employment; to develop closer working between the higher education and further education sectors and the Economic Development Department of Welsh Government; and to ensure that future EU funding streams to Wales are aligned towards supporting these strategic priorities. **(Page 28)**

**Recommendation 12.** The Welsh Government to set out how it will provide greater strategic direction to the higher education and further education sectors to prioritise developing training and skills in STEM subjects and increased science and technology provision, as part of its

wider strategy for improving higher level skills training in Wales.

**(Page 30)**

**Recommendation 13.** The Welsh Government to develop a closer ‘Team Wales’ approach to partnership working with the higher education sector, the business sector and local government in Wales as a matter of urgency, to ensure it is maximising all current and future European funding opportunities to develop STEM skills and encourage R&D and innovation in Wales, including FP8. **(Page 31)**

**Recommendation 14.** The Welsh Government to set out how it will ensure that the Welsh higher education sector and other strategic partners are engaged in a timely manner in the process of setting the UK Member State ‘national headline targets’ arising from the Europe 2020 Strategy, once that strategy has been agreed by the European Council. **(Page 31)**

## **Background**

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1. The Committee agreed to conduct an inquiry into the future of Cohesion Policy post-2013 and the potential implications for Wales in January 2009. An interim report was published in December 2009 and debated in Assembly plenary session on 3 February 2010.
2. The inquiry's original terms of reference are annexed to this report. On 26 January 2010 the Committee agreed to consider the planned EU Budget Review, in anticipation of the debate on the Financial Perspectives post-2013, and the Europe 2020 Strategy as part of this inquiry. Phase 2 of evidence gathering began on 1 March, the same week that the European Commission published its draft Europe 2020 strategy, a 10-year economic strategy for Europe. The previous Committee Chair wrote to President Barroso in response to an earlier consultation on Europe 2020, to voice concerns about the lack of recognition of the role of the regions.

## **Context - developments since the Committee's first report**

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3. Responses to the Committee's interim report were received from the Welsh Government and European institutions in December and January. President Barroso's Cabinet noted that Cohesion Policy will be "of key importance in delivering the new EU2020 agenda", providing "unique added value through its multi-level partnership and multi-annual programming approach".
4. The impact of the financial and economic crisis continues to be the predominant factor in negotiations on the future EU Budget and Cohesion Policy, with pressure to help the Member States in most need first. The Chair of the European Parliament's Regional Development Committee told this Committee she foresees 'painful' budgetary discussions in the context of the EU budget deficit. The package of financial stability measures agreed on 9 May in response to the Greek debt crisis includes a European Financial Stabilisation Mechanism of up to 750 billion euros, and the fiscal situation across Europe remains volatile.
5. A major 'game changer' for Wales came in February 2010 when Eurostat published the 2007 Gross Domestic Product (GDP) estimates

for Member States and regions thereof. This showed that the whole of the UK had dropped 3.6 percentage points relative to the 2006 figure, and parallel to this, West Wales and the Valleys had dropped 3.5 percentage points, thus falling below the 75 percent threshold for continued access to Convergence funding, assuming that the 75 per cent GDP per head eligibility cut-off criterion for the current funding round continues after 2013. The Committee has taken a position both on access to future Convergence funding should Wales qualify, and on transitional funding if West Wales and the Valleys moves above the 75 per cent per head cut-off, when the 2008 and 2009 figures are published in 2011 and 2012. This is explored further under 'key issues.'

6. The formation of a Conservative-Liberal Democrat Coalition Government following the UK General Election gives rise to a range of uncertainties about the new UK Government in future negotiations on the EU Budget and future of Cohesion Policy and the repatriation/renationalisation issue. At time of writing the Committee is seeking early discussions with the new Secretary of State for Wales to elicit the UK Government's position on these key issues and its implications for Wales. It is all the more important that the Committee voices the views of Welsh stakeholders on the perceived need for a full EU-wide Cohesion Policy in the future, views which are shared by a significant number of other European regions and Member States.

7. The agreement of the Europe 2020 Strategy will set clear priorities for future Cohesion Policy. The European Council was expected to adopt Europe 2020 in June, but at time of writing the European Parliament is seeking a delay until the autumn to allow further consideration before adoption. A Communication on the EU Budget Review is expected in late autumn, followed by proposals in the first half of 2011 for a new Financial Perspective Framework for agreement in 2012. Publication of the Fifth Report on Economic and Social Cohesion is also expected by the end of 2010.

8. The Committee also notes discussions in the European Parliament about moving from a 7 year Financial Perspective for the EU Budget, to 5 years, which could affect the transitional period for future funding. This would introduce the possibility of the current 2007-2013 Financial Perspective being extended for a further two years to 2015, followed by a five year period. The Committee has not received

evidence of significant momentum behind this proposal but will continue to keep a watching brief.

9. Alongside the second report of this Committee, the National Assembly for Wales' Enterprise and Learning Committee will be reporting findings of a separate inquiry into the implementation of the current 2007-2013 Structural Funds programmes in Wales. It will be important that the lessons learnt from that inquiry are taken into account in forthcoming proposals for future Cohesion Policy.

10. It is also significant that the National Assembly for Wales' Rural Development Sub-Committee is conducting an inquiry into parallel discussions on reform of the Common Agricultural Policy (CAP), a major component of the EU budget and of great importance to Wales. This Committee also looks forward with interest to publication of that inquiry's report in mid-July.

11. During the first phase of the inquiry the Committee noted with interest the development of the concept of "macro regions" - the Baltic Sea Strategy was formally adopted by the European Council in October 2009, and the Danube Strategy is under development. This work is at an early stage and as the full implications of both strategies are not yet known it is unclear how strongly macro regions may feature in the architecture of future Cohesion Policy. The Committee will continue to follow this issue, noting recent work by Committee Member Michael German AM, in his capacity as member of the British Irish Parliamentary Assembly, in exploring the significance and potential of such "regional economic spaces" to the UK and Ireland.

## **Key issues**

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### **Strong support for an EU-wide policy: rejecting renationalisation**

12. The Committee's position on maintaining an EU-wide approach to future Cohesion Policy and rejecting arguments for re-nationalisation of any part of the policy is strongly supported by evidence. Welsh MEP Derek Vaughan, said:

"As a group of four Welsh MEPs, we are doing what we can at the moment. We have formed our own lobbying group and a number of us have questioned Barroso and the individual

commissioners, including the budget commissioner and the commissioner for regional development, about their views on structural funds. The two commissioners now in place dismissed out of hand the idea of renationalising structural funds, and they are very much in favour of a regional policy covering all of Europe. So, that is positive for us. It does not mean the end of the story; there is still a lot of work to be done before we achieve what we want for Wales.”<sup>1</sup>

13. The Chair of the European Parliament’s Regional Development Committee confirmed that arguments for “repatriation” of EU funds to Member States had lost momentum.<sup>2</sup> The new Commissioner for Regional Policy, Johannes Hahn, has set out his opposition to renationalisation of Regional Policy, stressing that in order to meet EU objectives, a well-funded and integrated approach is essential. Commenting on a recent meeting with Commissioner Hahn, the First Minister said:

“...it was quite clear that the idea of reserving the highest level of structural funds for the poorest states was something that seemed to be off the table, in the light of points that had been made by you, in fact, Chair. Namely, that there are, within member states, areas of comparative poverty, and that simply looking at structural funds on a member state basis would be artificial. I think that the danger of that has passed. With these things, it is very difficult to predict what the final outcome of a debate might be.”<sup>3</sup>

## **2. Role of the regions**

14. The Committee notes the importance of a coordinated regional voice to promote key messages about future Cohesion Policy. The Committee of the Regions’ Opinion on the future of Cohesion Policy adopted on the 15 April echoes a number of key messages in the Committee’s interim report, including calls for an EU-wide Cohesion Policy providing support to all regions, with focus on the poorest parts of Europe; maintaining the existing objectives and focusing transitional support on former Convergence regions.

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<sup>1</sup> Derek Vaughan MEP, Paragraph 85, Transcript 1 March 2010

<sup>2</sup> Paragraph 26, Transcript 1 March 2010

<sup>3</sup> Paragraph 17, Transcript 4 May 2010

15. Other important regional bodies have called for greater recognition of the role played by regional and local governments and legislative assemblies in making the Europe 2020 Strategy a success on the ground, as well as underlining the importance of an EU-wide Cohesion Policy. Both the Conference of European Regional Legislative Assemblies (CALRE) and the Conference of European Regions with Legislative Power (REGLEG) submitted responses to the European Commission's consultation on Europe 2020 along these lines.

16. The Committee also previously took evidence on the work of ROTOPI – an informal network of around 30 EU regions that is focusing on the future of Cohesion Policy and is chaired by the Secretary General of the Conference of Peripheral and Maritime Regions (CPMR). The Committee underlined the value of Wales participating in such networks in its interim report. Representatives of the Welsh Assembly Government, National Assembly for Wales and Welsh Local Government Association continue to participate in the work of this informal network.

**Recommendation 1: The Welsh Government to provide clarification about how best to represent and promote the Welsh position on future Cohesion Policy through working with other European regions in formal European bodies and informal networks such as REGLEG, CPMR and ROTOPI.**

### **3. The 'Team Wales' approach**

17. In its first report the Committee emphasised the importance of close working with the European Parliament (EP), including the Welsh MEPs and the relevant EP Committees; European Commission officials; as well as the Committee of the Regions. The Committee's meeting in Brussels on 1 March, St David's Day, was an important opportunity to engage with these stakeholders. All four Welsh MEPs demonstrated a strong commitment to work together in a non-partisan way to safeguard Welsh interests in relation to Cohesion Policy:

“We have made a very good start on this campaign. The fact that we are working together on a cross-party campaign is crucial. The commission and all those in the European Parliament involved in this are certainly well aware of the



importance of Wales retaining this funding and getting a better deal in future.”<sup>4</sup> Jill Evans MEP, Plaid Cymru.

“I will be fighting alongside my colleagues to ensure that our money comes back to Wales in the regions where we need it.”<sup>5</sup> John Bufton MEP, UKIP.

“It is important that we have this joined-up working, because there are only four of us. It is a huge nation to cover and we need to ensure that we are doing it properly. Without that communication, we would not be performing as well as we are hopefully starting to do now.”<sup>6</sup> Dr Kay Swinburne MEP, Conservative.

18. Derek Vaughan, Labour MEP, also referred to the importance of building alliances with “regions and countries that are similar to Wales to talk about structural funds”,<sup>7</sup> and said this was something they were doing in the European Parliament through establishing a lobbying group to “argue the case for structural funds post 2013”. He then spoke about the Welsh Government and the National Assembly for Wales doing something similar:

“We shall do what we can, but the Welsh Assembly Government and the National Assembly for Wales need to work together. Perhaps you could make contact with other, similar regions or countries to do some lobbying there. Local government also has an important part to play... There are different levels where we can work together, and the more that we can do that, the more influence that we shall have.”<sup>8</sup>

19. The Committee supports a continued ‘Team Wales’ approach to promoting Welsh interests in the policy debate. The First Minister for Wales was the first UK Minister to meet with the newly appointed Commissioner for Regional Policy, Johannes Hahn, and the Committee wishes to see continued strong dialogue between the Welsh Government, Welsh stakeholders and the European institutions.

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<sup>4</sup> Paragraph 94, Transcript 1 March 2010

<sup>5</sup> Paragraph 108, Transcript 1 March 2010

<sup>6</sup> Paragraph 124, Transcript 1 March 2010

<sup>7</sup> Paragraph 117, Transcript 1 March 2010

<sup>8</sup> Paragraph 118, Transcript 1 March 2010

**Recommendation 2: The Welsh Government to clarify how it has engaged with Welsh stakeholders and how it plans to maximise the degree of unity in pursuit of key Welsh interests in the next critical stage of the Cohesion Policy debate in 2010-11.**

**Recommendation 3: Welsh representatives within formal European bodies and informal networks to take account of the key conclusions and recommendations set out in this Committee's report in promoting the Welsh position.**

#### **4. Will Wales qualify for future 'Convergence' funding?**

20. The Committee has previously recommended that, in light of the impact of the financial and economic crisis on European regions, further consideration be given to the use of relative GDP per head data for the three years 2007, 2008 and 2009 as the eligibility criterion. The First Minister told the Committee that during his discussions with the new Commissioner for Regional Policy, Johannes Hahn, he had raised this question and that it was clear to him that the Commission did not plan to move away from relative GDP per head.<sup>9</sup> This view was shared by Derek Vaughan MEP in his evidence to the Committee on 1 March:

“My understanding, following discussions with various colleagues in the Commission, is that they will still want to use the GDP figures as the criterion.”<sup>10</sup>

21. The question of whether West Wales and the Valleys will qualify for future 'Convergence' funding was brought into sharp focus on 18 February 2010 when Eurostat published GDP data for 2007. These figures showed a relative decline in Wales' GDP compared to the EU27 average, with West Wales and the Valleys falling below the 75% threshold for Convergence regions down to 73.4% from 76.9% in 2006. East Wales also witnessed a decline, dropping from 112.8% of the EU27 average in 2006 to 110.3% in 2007. The Committee explored the possible reasons for the 3.5 percentage point drop for West Wales and the Valleys with the Welsh Government, and the Chair has written to the Deputy First Minister for further clarification on the statistical and economic reasons lying behind the sharp change at the UK and Welsh level.

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<sup>9</sup> Paragraph 35, Transcript 4 May 2010

<sup>10</sup> Paragraph 87, Transcript 1 March 2010

22. The Committee has continued to look both at whether Convergence-type funding will be available should Wales qualify for it, and what transitional arrangements will be in place for regions moving above the current 75% GDP per head threshold for eligibility. Derek Vaughan MEP described this as the ‘twin-track approach’:

“First, we say that structural funds should continue to be made available to regions that qualify post 2013, but also that transitional status should be made available to regions that are falling out of convergence status. We have always followed that approach, and I, personally, want to continue to follow that...because we are not sure what the 2008-09 figures will be.”<sup>11</sup>

23. Jill Evans MEP also emphasised the importance of getting the best deal possible for Wales:

“The GDP figures have changed the situation but...we have to look at both scenarios. Our main concern is getting the best deal for Wales. We want a future structure from which Wales will get the maximum amount of funding possible because we qualify for that funding. I was looking at the GDP figures this morning and we have the lowest in the whole of the UK. So, we certainly have to fight to get the best deal possible, and in terms of whether that is new convergence funding or transitional funding, we must ensure that both options are available.”<sup>12</sup>

## **5. Transitional Funding**

24. The Committee has considered the various proposals for transitional funding for those regions moving above the 75 percent threshold for eligibility for Convergence funding. The Committee of the Regions’ Opinion on the future of Cohesion Policy states that “appropriate and fair transitional arrangements must be put in place under the convergence objective so that support does not stop abruptly once the 75 percent threshold has been reached and also to give the regions the security they need to further boost their competitiveness.”

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<sup>11</sup> Paragraph 87, Transcript 1 March 2010

<sup>12</sup> Jill Evans MEP, Paragraph 93, Transcript 1 March 2010.

25. In response to the Committee's first report the Assembly Government said it would "continue to discuss with the UK Government both the form and timing of potential transitional arrangements", and "to examine the various models" for transitional funding.<sup>13</sup>

26. In evidence to the Committee on 4 May the First Minister for Wales said that, although the ultimate aim was for the relative economic prosperity level of West Wales and the Valleys to have risen so as not to qualify for future Convergence-type funding because its relative GDP per head has increased, it was also important to have access to transitional funding to ensure a 'soft landing', if that successful outcome was achieved. No indication has yet been provided of what models of transitional funding the Welsh Government might consider satisfactory.

27. The First Minister also stated the importance of ensuring an extension of regional competitiveness and employment funding outside West Wales and the Valleys: "building on the back of the old Objective 2 funding to ensure that there is also an element of structural funding available for those parts of Wales".<sup>14</sup>

**Recommendation 4: The Welsh Government to clarify how it will be making the case to and with the UK Coalition Government for continuation of an EU-wide Cohesion Policy, including access to Convergence support for qualifying regions, and provision of transitional funding arrangements, post 2013.**

**Recommendation 5: The European Commission to frame its proposals for future Cohesion Policy on the basis of the Committee's key conclusions and recommendations on an EU-wide policy covering all regions, rejecting any arguments for renationalisation, supporting continued Convergence and Competitiveness and Employment objectives and transitional support for regions falling outside the funding criteria for those objectives.**

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<sup>13</sup> Welsh Government Response to European and External Affairs Committee's Interim Report of Inquiry into the Future of Cohesion Policy:

[www.assemblywales.org/bus-home/bus-guide-docs-pub/bus-business-documents/bus-business-documents-doc-laid.htm?act=dis&id=163819&ds=1/2010](http://www.assemblywales.org/bus-home/bus-guide-docs-pub/bus-business-documents/bus-business-documents-doc-laid.htm?act=dis&id=163819&ds=1/2010)

<sup>14</sup> Paragraph 12, Transcript 4 May 2010

## 6. ERDF and ESF as part of Cohesion Policy

28. The Committee's interim report stated its support for ERDF and ESF being maintained as tools within the EU cohesion policy, as the combination of both funds enables regional and local authorities to support a broad range of actions and interventions on the ground. The Committee is aware that this issue is being debated in Brussels, and that one strand of thought within the European Commission is that the ESF, established by treaty in 1957, should become more independent from the rest of Regional Policy, with the implication that it becomes more part of Member State employment and training priorities. The Chair of the European Parliament's Regional Development Committee voiced concerns on this point:

“We need a social fund with very clear tasks on delivery, but we badly need the social fund to be active through the commission's priority programmes, being very active in the cohesion policy, and not just being left to the member states to be used.”<sup>15</sup>

29. The First Minister for Wales also pointed out the importance of ESF as part of an integrated approach to economic development:

“...you cannot divorce social and economic policy; they are one and the same. For example, ReAct is funded through the European social fund, yet it also clearly has an economic basis. Surely, the more economic activity that you get, the easier it becomes to promote social cohesion, so I would want to see them work together.”<sup>16</sup>

30. Professor Hübner broadened this issue out in terms of looking at other EU funding pots. She called for an “integrated approach to development”, through proper organisation of the different policies and funding instruments available in a single framework.

31. The Committee strongly supports the position set out in the Committee of the Regions' Opinion on the future of Cohesion Policy,<sup>17</sup> and as recommended in its first interim report, that ERDF and ESF are maintained within the Cohesion Policy.

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<sup>15</sup> Prof Hübner, Paragraphs 50-51, Transcript 1 March 2010

<sup>16</sup> First Minister, Paragraph 18, Transcript 4 May 2010

<sup>17</sup> <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-other-committees/bus-committees-third-eur-home/bus-committees-third-eur-agendas.htm?act=dis&id=176660&ds=5/2010>

**Recommendation 6: The European Commission to confirm that ERDF and ESF are to be maintained as part of EU Cohesion Policy because the combination of both funds enables regional and local authorities to deliver a range of integrated actions and interventions on the ground in support of territorial cohesion.**

## **7. Potential threat for Wales: prioritisation of urban areas**

32. The Committee explored Commissioner Hahn's interest in providing support to European cities, and suggestions that some sort of Community initiative, perhaps a successor to the URBAN programme, might form part of future Cohesion Policy. Any ring-fencing of funds for areas of deprivation within the bigger cities could be to the detriment of European regional development areas like West Wales and the Valleys. The Committee is however reassured by evidence, including from the First Minister for Wales, that "there does not appear to be any intention to divert some of the present convergence funding to some of the bigger cities."<sup>18</sup>

## **8. Learning Lessons from current programmes**

33. The Chair and Members of the All-Wales Programme Monitoring Committee (PMC) were questioned on the lessons from current and past Structural Funds programmes that could be applied to future programmes. An early lesson was the long lead-in time from project approval to implementation on the ground, and to see within the constraints of regulatory requirements what more could be done to ensure that programmes 'hit the ground running'. There were pros and cons to both the 'bottom up' approach of the 2000-2006 programmes and the more 'top down' strategic direction to the 2007-2013 round, so somewhere between the two was considered probably right.<sup>19</sup>

34. Although a mid-term evaluation of Objective 1 processes was carried out, a full impact assessment of the 2000-2006 programmes was considered vital to apply lessons for the future and avoid reinventing the wheel.<sup>20</sup> The PMC considered it too early to undertake impact assessment of the current 2007-2013 programmes, but an evaluation advisory group and a delivery and compliance group had

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<sup>18</sup> Paragraph 17, Transcript 18 May 2010

<sup>19</sup> Paragraph 17, Transcript 18 May 2010

<sup>20</sup> Paragraph 20, Transcript 18 May 2010

been set up that would focus on long-term sustainability and ensure exit strategies were in place.

**Recommendation 7: The Welsh Government to provide clarification on the timing of a full impact assessment of the Objective 1 programmes in Wales; and its plans to apply lessons learnt from the 2000-2006 and 2007-2013 programmes in Wales and other parts of the EU to the development of future programmes.**

## **9. The issue of a “grants culture” versus revolving loans**

35. The Committee has heard much about future programmes moving away from a “grants culture” towards revolving loans and notes that the European Investment Bank (EIB), a body independent of the European Commission and owned by the Member States, has been an active player in discussions about the future of Cohesion Policy in Brussels.

36. The evidence shows that the uptake of EIB loans in Wales is low relative to other parts of the UK, and the Committee explored the reasons for this with EIB representatives. Amongst the reasons cited was the absence of private-public partnerships in Wales, which has been an important aspect of lending elsewhere in the UK. However, the Vice President of the Bank declared that the bank was “a bit stumped” on why it did not get such a good flow of lending requests from Wales. There was no hostility towards the idea of lending and the EIB stood ready to meet with potential borrowers to discuss the opportunities. The results of early investments by Finance Wales also demonstrated clearly that it had the skills and capacity in Wales to act as a fund manager, in taking on larger loans from the EIB for inward investment to small and medium sized enterprises that needed expansion funds.

37. The EIB confirmed it could assist in financing Welsh projects to meet the Europe 2020 priorities such as establishing research and development facilities, carbon reduction and renewable energy. The issue that arose was finding suitable borrowers in Wales who could accept responsibility for delivering the project and with the means to manage and pay back the loan, and crucially, the loan size being large enough to be financially viable, ideally in excess of £50 million.

38. The EIB pointed to a Manchester consortium of 17 waste authorities to achieve the necessary scale, and the need for higher

education institutions in Wales to be able to collaborate on preparing joint project proposals that would allow them access to the preferential loan funding offered by the triple A-rated EIB.

39. The Committee Chair has written to the university Vice Chancellors and the Minister for Children, Education and Lifelong Learning, to bring this issue to their attention and encourage Welsh higher education institutions to consider grouping together to make one joint application for a package of projects totalling over £50 million, and to discuss these possibilities with the EIB.

**Recommendation 8: The Welsh Government to explore with key stakeholders in Wales, including higher education and local authorities, the merits of using European Investment Bank loan funds to support key investments in areas such as research and development and renewable energy: this to include an assessment of the feasibility of developing joint project proposals to arrive at critical mass.**

## **10. The Europe 2020 Strategy and Cohesion Policy**

40. The Europe 2020 Strategy is expected to determine the direction of travel for future Cohesion Policy, and Cohesion Policy will be crucial for its delivery.<sup>21</sup>

41. Although there is broad support for the priorities set out in the draft strategy, Jill Evans MEP raised concerns about the lack of recognition of social and environmental considerations, noting that although the Welsh Government has strategies on developing ‘green jobs’ and renewable energy, the Europe 2020 Strategy barely mentioned the latter. Derek Vaughan MEP noted little emphasis on employment and social policy, and that although growth and jobs was important, funding for infrastructure was also still important for Wales.

42. Concerns were also expressed about how the strategy would be delivered and whether it gave sufficient recognition to the role of regional and local players. The Deputy First Minister for Wales said:

“Although the proposal that has come forward has marginally moved in our direction, by at least recognising the role of regional governments and local authorities, the delivery of some of the key instruments, particularly relating to education,

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<sup>21</sup> Danüta Hübner MEP, Paragraph 11, Transcript 1 March 2010



skills and research and development, we believe that there is still a lot more work to be done there and we still have some concerns about how these things are developing. Some of the targets in the new document seem to be extremely ambitious, bearing in mind that we are coming out of a fairly major recession.”<sup>22</sup>

43. Differing views were expressed on the timing of the draft strategy. The Chair of the European Parliament’s Regional Development Committee was worried about “a complete lack of urgency”<sup>23</sup> and “lack of delivery mechanisms” for the long-standing objectives set out in Europe 2020,<sup>24</sup> and Jill Evans MEP had grave concerns that it had been published without adequate assessment of what had gone wrong with its predecessor, the Lisbon Strategy for Growth and Jobs.”<sup>25</sup>

44. The Committee explored the balance between the urgency of combating the economic crisis with shorter-term measures and having a medium-to-long term strategy for sustainable growth. The Regional Development Committee Chair was clear on the importance of fiscal stimulus leading to sustainable economic growth:

“We all know that billions—and some say trillions—of euros are being pumped into the economy through all sorts of public interventions, and if we do not see all those crisis-related funds building competitiveness and the long-term sustainable development of Europe, we might risk a lost decade, which we just cannot afford.”<sup>26</sup>

45. The Head of the European Commission’s Office in Wales was later questioned on the possible conflict between macro-economic policies aimed at achieving financial stability and reducing deficits – including through the Stability and Growth Pact - and the micro-economic policies set out in the strategy for achieving growth. He said that there was no contradiction as both would be aimed at the same growth objectives, such as achieving a greener economy and more employment.<sup>27</sup>

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<sup>22</sup> Deputy First Minister for Wales, Paragraph 96, Transcript 16 March 2010

<sup>23</sup> Danüta Hübner MEP, Paragraph 12, Transcript 1 March 2010

<sup>24</sup> Paragraph 14, Transcript 1 March 2010

<sup>25</sup> Jill Evans MEP, Paragraph 91, Transcript 1 March 2010

<sup>26</sup> Professor Hübner MEP, Paragraph 13, Transcript 1 March 2010

<sup>27</sup> Paragraph 45, Transcript 16 March 2010

## 11. Multi-level governance

46. In its interim report the Committee called on the European Commission to use the existing governance structures of the regional programmes in EU Cohesion Policy to address the “governance deficit” of the Lisbon Strategy. The Lisbon Strategy was criticised for failing to recognise the key role of local and regional authorities in implementing the strategy on the ground. However Professor Danuta Hübner MEP criticised the draft Europe 2020 Strategy as being weak in its lack of recognition of diversity within the EU, and the importance of multi-level governance:

“It completely ignores the existing multilevel governance in the European Union; there is no space for the role of local and regional levels of Europe. There is no role for partners, without whom we will probably not achieve any change in Europe. Among those partners there are those who are the real drivers for growth; businesses, academia, and university structures.”<sup>28</sup>

47. Professor Hübner emphasised the importance of regional and local level being “co-owners” of the Europe 2020 Strategy in order to ensure growth in all parts of Europe, and that regional policy was the major mechanism to achieve cohesion in Europe.

48. Whilst in favour of addressing “themes” through the policy, Professor Hübner rejected a thematic or “sectorial approach” to delivery of a strategy “run from Brussels”, arguing instead for continuation of a “place-based” integrated approach to delivery at regional level:

“...if you really want cities to deliver a reduction in emissions to help mitigate the effects of climate change, then you need research and you need sustainable transport, you need to think about housing, insulation, heating, energy—all of those things come together.”<sup>29</sup>

49. The Committee strongly supports the place-based, integrated approach to delivering on the Europe 2020 targets on growth, innovation and jobs at regional level through structural funds programmes. The Committee recommends that the European Commission, in formulating delivery mechanisms for achieving the

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<sup>28</sup> Paragraph 16, Transcript 1 March 2010

<sup>29</sup> Paragraph 41, Transcript 1 March 2010

targets of the Europe 2020 Strategy once agreed, takes full account of the ability of regions to deliver those targets with EU funding.

50. The Committee also welcomes the European Parliament resolution on the contribution of Cohesion Policy to the Europe 2020 Strategy, recommending alignment of priorities but with flexibility to take account of regional differences and the needs of weaker regions. The Committee would like to see European Council Conclusions on the Europe 2020 Strategy that explicitly recognise the role of sub-national authorities (local and regional levels) in making the strategy a success on the ground.

**Recommendation 9: The Welsh Government to ask the UK Government to seek explicit recognition in the European Council Conclusions on the Europe 2020 Strategy of the role of sub-national authorities (local and regional levels) in making the strategy a success on the ground.**

**Recommendation 10: The European Parliament – in particular Welsh MEPs and Members of the Regional Development Committee - to take account of the key conclusions and recommendations of this report in its deliberations on the future EU Budget, Europe 2020 and Cohesion Policy.**

## **12. Implementing Europe 2020 in Wales**

51. In its second phase of inquiry the Committee has taken evidence from the higher education sector and commercial sectors on the role of European funding in research and development (R&D), innovation and the skills agenda. It recognises that these are areas where Wales is already making great progress with existing Structural Funds support but that future Cohesion Policy will need to focus on promoting R&D and innovation and the skills necessary to support that.

### **The Innovation Union**

52. One of the flagship initiatives in the draft Europe 2020 Strategy is 'Innovation Union' - to refocus R&D and innovation policy on the challenges of today's society.

53. In written evidence Dr Kay Swinburne MEP stressed the importance of future regional funding to sustain and develop R&D projects, so that Wales can benefit from research clusters to stimulate economic development. Evidence in support of this approach came from Optic Glyndŵr, and from the Vice Chancellor of Swansea University:

“...currently 50 per cent of Welsh research and development takes place in its Universities. Across the whole of the UK the figure is only 26 per cent....We do not have large companies in Wales undertaking research and development, which is a critical part of the modern knowledge economy. Barriers would have to be broken down on all sides: in universities, in the Government and in large companies. It takes time to establish trust to develop the sort of partnerships that could bring about great rewards if we got our act together totally.”<sup>30</sup>

54. Optic Glyndŵr, originally established as Optic Technium under the 2000-2006 Objective One Programme, is a technology transfer initiative in North Wales, and for the past two years has been run by Glyndŵr University. It is located “off campus” at St Asaph Business Park in Denbighshire (within the West Wales and Valley Convergence area) and has brought jobs to North Wales through establishing and maintaining an optoelectronics cluster, and providing a technology transfer process from the university to the commercial world. The science being carried out at Optic Glyndŵr has been described as “some of the best in the world” and it has a current development project that could be worth €200 million in production, with the potential to generate jobs and revenue for the University through licensing arrangements.

55. Glyndŵr University underlined the importance of the availability of continued assistance to the Convergence area in West Wales and the Valleys, in terms of enabling the long-term planning required to build up the industry to a critical mass, to bring development contracts to fruition, to develop important R&D spin-off technologies, including ‘green energy’ applications, and develop businesses and employment as a result.

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<sup>30</sup> Paragraph 90, Transcript 4 May 2010

56. Swansea University's Institute of Life Sciences is another example of a major strategic development in partnership with Government, large companies, small and medium-sized enterprises (SMEs) and the University. But the University's Vice Chancellor said examples like this were 'limited', and the Welsh Government acted as "a funder rather than a partner"<sup>31</sup>.

57. Strategic direction was identified as a key factor - universities and the Welsh Government "are not efficiently coupled, either strategically or operationally, in a "Team Wales" approach to rectifying economic weaknesses". Evidence from both universities highlighted the fact that sustainable growth could take many years to reach fruition, but Barcelona's Science Park has been successfully established in less than 30 years, and Swansea's head of research and innovation claimed that aiming for long-term benefits does not mean forgoing short-term benefits. Professor Davies noted the difference between the relatively short-term objectives of structural funding and medium-to-long-term economic development:

"...to use the short-term objectives of European regional funding to produce long-term economic gain requires strategic leadership and a considerable amount of project management."<sup>32</sup>

58. Professor Davies said that it was not necessarily just about giving more of the money to universities but to ensure that existing funds were being spent effectively:

"...these strategic partnerships are needed to ensure that the money that is already being spent and that is likely to be spent on relatively short term focused projects can have a long-term impact...adding value to what we do already."<sup>33</sup>

59. Factors affecting Wales' ability to develop a high-tech economy were identified as including; a small number of institutions scattered across Wales; a 'jam-jar' approach to funding R&D from different pots; institutions with separate business plans and structural problems in the higher education sector. Large companies also tend to form partnerships with major universities and the successful innovation projects in Wales involved partnerships with universities from other regions. Professor Davies pointed to a CBI survey showing that larger

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<sup>31</sup> Paragraph 90, Transcript 4 May 2010

<sup>32</sup> Paragraph 91, Transcript 4 May 2010

<sup>33</sup> Paragraph 96, Transcript 4 May 2010

companies are hungry to work closely with universities and this is an area for exploitation.

60. He said that strategic direction was needed to help institutions to see the bigger picture, be strategic about what funding streams they applied for and focus on delivering big projects in an organised and coherent way.<sup>34</sup>

“I would take a project-related approach that identifies where our collaborators and partners are outside Wales; let us go to them with joined-up thinking, as Smart Wales, rather than as one university, and ask, ‘Can we attract you, or some of your operations? What is necessary to do that?’”<sup>35</sup>

61. Although Wales cannot necessarily always achieve growth by linking its universities into economic development centred around a large company of the Nokia or Ericsson type, as some Nordic countries have successfully done, Wales could link its SME base with companies further afield, because we live in an increasingly virtual world. Developing supply chains between small and medium-sized enterprises (SMEs) and large companies was seen as vital.

62. Both Dr Swinburne MEP and Swansea University’s head of research and innovation also noted that innovation could be found within Wales’s existing ‘old technology’ businesses, such as Corus.<sup>36</sup> Funding could be channelled into moving those industries on and gaining a competitive advantage that way, rather than just investing in “blue-sky” research.<sup>37</sup>

**Recommendation 11: The Welsh Government to set out its plans: to provide the leadership and strategic direction necessary to build the competitiveness and excellence of applied R&D in Welsh universities and transfer it into business and employment; to develop closer working between the higher education and further education sectors and the Economic Development Department of Welsh Government; and to ensure that future EU funding streams to Wales are aligned towards supporting these strategic priorities.**

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<sup>34</sup> Paragraphs 116-117 and 124, Transcript 4 May 2010

<sup>35</sup> Paragraph 121, Transcript 4 May 2010

<sup>36</sup> Paragraph 101, Transcript 4 May 2010

<sup>37</sup> Paragraph 72, Transcript 1 March 2010

## The skills agenda

63. The Committee explored how the Europe 2020 flagship initiatives 'Youth on the Move' and 'An agenda for new skills and jobs' related to promoting the skills agenda in Wales. Professor Davies said that companies were very concerned about talent flow, and that Welsh universities have not been successful in pulling in all the funding available, including from the Seventh Framework Programme for Research and Technological Development (FP7) and from Research Councils, mainly because of the lack of STEM subjects (Statistics, Technology, Engineering and Mathematics).<sup>38</sup>

64. The message was that Wales must grow world-class research in these subjects with strategic direction from the Welsh Government. The further education and higher education sectors both needed to be pulled into partnership working to build up the skills base that larger companies are looking for.<sup>39</sup> Dr Kay Swinburne MEP also noted that the global marketplace for skills meant that frameworks should be in place in higher education that would encourage people to want to stay in Wales rather than migrate. The role of the skills councils in raising aspirations was noted, but a question was also raised about how well coordinated they were to respond to the demands of larger companies that might be looking at locating operations in Wales.<sup>40</sup>

65. Professor Davies noted that Wales historically lags behind the rest of the UK in science and technology provision per head of population - about half that of Scotland and about 30 per cent less than England - and a correction of this was identified as vital to moving towards a modern high-tech economy in Wales. It was acknowledged that funding this could "involve some pain", as the current financial situation meant it could only be done by not spending money on other things. If science and technology was to be developed quickly, on the back of existing expertise, this would also mean concentrating on a relatively small number of institutions.<sup>41</sup>

66. Members of the All-Wales Programme Monitoring Committee pointed to the importance of projects coming forward to the Wales European Funding Office from the higher education sector and elsewhere that focused on up-skilling, and it was hoped that skills

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<sup>38</sup> Paragraph 130, Transcript 4 May 2010

<sup>39</sup> Paragraphs 104-106, Transcript 4 May 2010

<sup>40</sup> Paragraph 107, Transcript 4 May 2010.

<sup>41</sup> Paragraph 111, Transcript 4 May 2010

training would become an underpinning issue in future Cohesion Policy alongside carbon reduction.<sup>42</sup>

**Recommendation 12: The Welsh Government to set out how it will provide greater strategic direction to the higher education and further education sectors to prioritise developing training and skills in STEM subjects and increased science and technology provision, as part of its wider strategy for improving higher level skills training in Wales.**

### **13. Alternative funding streams**

67. It is critical that Wales takes advantage of all sources of EU funding to Wales, including the EU's main instrument for research funding: the Seventh Framework Programme for Research and Technological Development (FP7). FP7 runs from 2007-2013 and will be succeeded by FP8 from 2014-2020. As already noted, Wales has trouble accessing the full amount of funding from FP7 and Research Councils due to the lack of skills in STEM subjects. Glyndŵr University said that it tended to be the traditional universities that were awarded Research Council funding and it saw more hope in funding from Europe to develop the research potential in Wales.

68. The Committee sought further evidence on Wales' access to sources of European funding from the Welsh Higher Education Brussels Office (WHEB). It backed up the importance of more strategic direction and support to enable Wales to maximise opportunities, and to develop a 'Team Wales' approach to this involving higher education, business, the Welsh Assembly Government and Local Government in Wales. WHEB noted the need to move quickly in the context of the EU Budget Review and the Research and Innovation Plan to be published by the Research Commissioner in autumn 2010, and proposals for FP8 to be published by the end of 2011. The Committee also notes that the national (Member State) headline targets arising from the agreed Europe 2020 Strategy will feed into the UK's National Reform Programme to be submitted by autumn 2010, and that this is an opportunity for specific Welsh needs to be taken into account.

69. The Committee also strongly supports the recommendation of WHEB that the higher education sector develops a close dialogue with

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<sup>42</sup> Paragraph 40, Transcript 18 May 2010



Welsh MEPs to represent the sector's interests and priorities for FP8 within the European Parliament.

70. The WHEB pointed to a number of potential opportunities for Wales to access further funding streams,<sup>43</sup> including Research Council and other funding as a result of the move to 'Joint Programming' by Member States including the UK, to define a common Strategic Research Agenda. The areas of research identified for joint programming include agriculture, food security and climate change; health, food and prevention of diet-related diseases; cultural heritage, climate change and security. The Committee welcomes full advantage being taken of all these opportunities by the higher education sector in Wales.

**Recommendation 13: The Welsh Government to develop a closer 'Team Wales' approach to partnership working with the higher education sector, the business sector and local government in Wales as a matter of urgency, to ensure it is maximising all current and future European funding opportunities to develop STEM skills and encourage R&D and innovation in Wales, including FP8.**

**Recommendation 14: The Welsh Government to set out how it will ensure that the Welsh higher education sector and other strategic partners are engaged in a timely manner in the process of setting the UK Member State 'national headline targets' arising from the Europe 2020 Strategy, once that strategy has been agreed by the European Council.**

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<sup>43</sup> EUR(3)-09-10:Paper 7

## Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-eur-home.htm>

*1 March 2010 \**

Professor Danuta Hübner MEP	Chair, Regional Development Committee, European Parliament
John Bufton MEP	Welsh Member of the European Parliament
Jill Evans MEP	Welsh Member of the European Parliament
Dr Kay Swinburne MEP	Welsh Member of the European Parliament
Derek Vaughan MEP	Welsh Member of the European Parliament

*16 March 2010*

Ieuan Wyn Jones AM,	Deputy First Minister and Minister for the Economy and Transport
Philip Bird	European and External Affairs Division, Welsh Assembly Government
Andy Klom	Head of European Commission Office in Wales

*20 April 2010*

Philip Harris	Optic Glyndŵr
Andrew Parry	Glyndŵr University

*4 May 2010*

Carwyn Jones AM	First Minister for Wales
Gary Davies	Head of European & External Affairs Division, Welsh Government
Chris Miles	Deputy Head of EU Policy Secretariat, Welsh Government
Professor Richard B Davies	Vice Chancellor, Swansea University
Jan Nielsen	Head of Knowledge Transfer Services, Swansea University

*18 May 2010*

Jeff Cuthbert AM	Chair, All-Wales Programme Monitoring Committee
Siôn Jones	Member, All-Wales Programme Monitoring Committee
Carol Greenstock	Member, All-Wales Programme Monitoring Committee
Simon Brooks	Vice President, European Investment Bank
Adam McDonagh	European Investment Bank
Christopher Hurst	European Investment Bank
Robert Schofield	European Investment Bank

\* In addition to formal oral evidence, the Committee also held informal discussions in Brussels with the European Commission officials from the Directorates General for Regional Policy and Employment, Social Affairs and Equal Opportunities and President Barroso's Cabinet; the Former Director General of Regional Policy, Graham Meadows; the regional representative of Saxony-Anhalt and the Spanish Permanent Representation to the EU. A précis report of those discussions was published as paper EUR(3)-06-10(p7).

## List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at

<http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-eur-home.htm>

<i>Name</i>	<i>Organisation</i>	<i>Reference</i>
Dr Kay Swinburne MEP	Welsh Member of the European Parliament	EUR(3)-04-10: Paper 1
Andy Klom	Head of European Commission Office in Wales	EUR(3)-05-10: Paper 1
Ieuan Wyn Jones AM	Deputy First Minister and Minister for the Economy and Transport	EUR(3)-05-10: Paper 3
Dr Michael Schneider	Rapporteur of the COTER Commission, Committee of the Regions	EUR(3)-06-10: Paper 1
Philip Harris Andrew Parry	Optic Glyndŵr	EUR(3)-06-10: Paper 4
Carwyn Jones AM	First Minister for Wales	EUR(3)-07-10: Paper 2
Professor Richard B Davies	Vice Chancellor, Swansea University	EUR(3)-07-10: Paper 3
Jeff Cuthbert AM	Chair of All-Wales Programme Monitoring Committee	EUR(3)-08-10: Paper 1
Simon Brooks	Vice President, European Investment Bank	EUR(3)-08-10: Paper 2
Berwyn Davies	Welsh Higher Education Brussels	EUR(3)-09-10: Paper 8

## **Annex - First interim report: Terms of Reference and key issues to be addressed**

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To understand and seek to influence the emerging debate over the future of EU Cohesion Policy post 2013.

To make recommendations to the Welsh Assembly Government on the negotiating position in this debate likely to achieve the maximum benefit for the people of Wales

To share these recommendations with the EU Institutions, in particular the European Commission, EU networks and other key stakeholders in Brussels and Wales.

The Committee may wish to focus in particular on the following questions/issues in the Inquiry:

- What is Commissioner Hübner's vision for the future direction of the policy? To what extent will the future policy follow the architecture of the current period, namely Convergence, Competitiveness & Employment and Co-operation Objectives? Does she envisage a radical departure?
- How does the Commissioner think the new policy would address the four key challenges: globalisation, demographic change, climate change? Does she envisage new priorities within the existing overarching Objectives?
- Where does Territorial Cohesion fit into the debate? Does the Commissioner envisage this cutting across the whole policy, or being focused on the Co-operation objective?
- Does the Commissioner envisage an increased importance being given to financial instruments such as JESSICA and JEREMIE in the new Cohesion Policy, and an enhanced role for the European Investment Bank, in the place of the traditional grant based approach to funding?
- What are the merits of the Welsh Assembly Government's line of calling for Transitional and Transnational funding?

- What exactly does the Welsh Assembly Government understand by “Transitional” funding, and do they have indicative figures for how much they would hope to secure as part of this deal?
- How committed is the UK Government to defending this position in the negotiations on the new policy? How does the “transnational” element fit with the UK Government’s preference for a “renationalised” cohesion policy with the exception of the poorest regions in central and eastern Europe?
- Where should rural development sit within the Policy framework? Should it be reincorporated into the Structural Funds or should it remain separate, as part of the Common Agricultural Policy? Is there another approach?
- What other views are emerging in Brussels? From EU networks, regions, and Member States? How do these views compare to those of the Welsh Assembly Government and the UK Government? Are there any aspects to these emerging views that would look interesting from a Welsh perspective?