

## **Written response to the European and External Affairs Committee's Second Report of Inquiry into the Future of Cohesion Policy**

**July 2010**

### **Introduction**

I welcome the Committee's second report on its *Inquiry into the Future of Cohesion Policy*.

The principal financial instruments of Cohesion Policy are Structural Funds which are of enormous significance to Wales. As part of the current 2007-2013 round, West Wales and the Valleys Convergence Programmes receive Structural Funds worth over £1.7 billion and the East Wales Regional Competitiveness and Employment Programmes receive funding of some £115 million. Together with Territorial Cooperation Programmes these provide EU funding of over £2 billion, totalling some £3.4 billion with match funding

Cohesion Policy in its present form runs from 2007-2013 (though spend will continue to the end of 2015). The emerging debate on the future of Cohesion Policy is located within the context of the wider debate on the EU Budget. This debate will determine to a large degree the scope of the future Cohesion Policy both across the European Union and in Wales.

The Welsh Assembly Government's main objective with regard to the EU budget is to secure an outcome for Wales that increases quality of life and prosperity based on sustainable growth and jobs. It follows that a sufficient and significant share of the budget should be allocated to Cohesion Policy for the purpose of reducing economic disparities between Member States and regions within Member States. Cohesion Policy should apply on an equal basis in all Member States based on need at the regional level.

I have set out below my response to all 14 of the Committee's recommendations, with particular reference to 1, 2, 4, 7-9 and 11-14 which are specific to the Welsh Assembly Government.

**Carwyn Jones, First Minister**

## **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)

### **Response: Accept**

The Assembly Government has consistently outlined its support for Cohesion Policy and the principles that we believe should underpin the policy during the current programming period and beyond.

We are involved with a wide range of formal and informal European networks. “Wales and the European Union – A Strategy for the Welsh Assembly Government” outlines in broad terms the measures we take to ensure constructive and meaningful engagement with European institutions, bodies and networks.

Through our involvement with networks such as REGLEG, CPMR, ROTOPI, EURADA, and EARLALL<sup>1</sup>, we have, where appropriate, identified and worked with like-minded regions in promoting our view of Cohesion Policy.

In July 2010, the First Minister and the Deputy First Minister met the President of the Commission to discuss the future of Cohesion Policy alongside a small number of counterparts from the CPMR.

Our involvement with networks is a useful complement to our formal relationship with the UK Government and the main EU institutions. We will continue to identify suitable opportunities for Ministerial and official level engagement with formal and informal networks in the future.

### **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

---

<sup>1</sup> REGLEG (Political network of EU Regions with Legislative Powers), CPMR (Conference of Peripheral Maritime Regions), ROTOPI (Round Table of Practitioners in Implementation), EURADA (European Association of Development Agencies) and EARLALL (European Association of Regional and Local Authorities for Lifelong Learning).

## **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)

### **Response: Accept in Principle**

The Assembly Government is currently engaged with a wide range of stakeholders. Since September 2009, the All-Wales Programme Monitoring Committee (“PMC”) has had a formal role in monitoring and feeding into developments around the future of Cohesion Policy. They have been consulted on the Committee’s report and their comments are reflected in this response.

Members of the PMC, comprising 10 experts recruited through the public appointments process and 14 members from partners and statutory bodies, have received regular updates on interventions made by Ministers and officials and have had opportunities to discuss key priorities for Wales at this early stage of debate.

PMC Members are also encouraged to disseminate this information amongst their sectors and stakeholders as appropriate.

Ministers and officials also meet regularly with a wide range of external and internal stakeholders where the future of Cohesion Policy is becoming a standing topic.

However we recognise that this debate cannot be seen in isolation and must be considered alongside the imminent publication of the EU Budget Review and the EU budget negotiations that will take place next year. It is the Assembly Government’s intention to engage effectively with a wide and representative range of internal and external stakeholders in framing the Welsh response to both issues. Officials are currently considering the most appropriate and cost effective mechanisms to deliver this outcome.

In terms of future structural funds programmes, any new Welsh programmes will be developed in partnership with all relevant stakeholders and it is anticipated that this process will begin in 2011.

### **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

### **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)

The Assembly Government will, wherever possible, draw representatives' attention to the recommendations contained in the Committee's report and encourage them to feed their view into the debate.

### **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)

### **Response: Accept**

The principal mechanism for Ministerial engagement with the UK Government is the Joint Ministerial Council (Europe) machinery. The First Minister attends these meetings and will continue to highlight the importance of structural funds in Wales at future meetings. Cohesion Policy is likely to figure prominently in forthcoming meetings of the JMC(E) as part of wider discussions on the EU budget.

There is also regular correspondence between the two administrations on a range of EU issues including the Budget Review and Cohesion Policy.

Assembly Government officials will continue to seek opportunities to influence their Whitehall counterparts in a number of departments including: HM Treasury, the Foreign and Commonwealth Office, the Cabinet Office, the Department for Business, Innovation and Skills and the Department for Communities and Local Government.

In all of our contacts with the UK Government, we continue to press the case for the continuation of Convergence funding for all lagging regions (below 75% of EU 27 average GDP) across the EU irrespective of the relative wealth of the Member State in which they are located. We maintain there is a need for fair and appropriate transitional funding to be put in place for regions moving out of Convergence and for the continuation of Competitiveness funding to build on progress from investment to date.

## **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

### **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)

The Assembly Government notes that recent discussions with Commissioners and senior Commission officials indicate there is support for the continuation of Cohesion Policy on an EU wide basis, covering all regions, rather than targeted specifically towards the poorer Member States.

The future orientation of Cohesion Policy will become clearer with the publication of the Fifth Cohesion Report, expected in November, which will set out a series of options for the future. The Commission will be asking stakeholders to respond to the contents of the report. The Assembly Government would encourage all of those in Wales with an interest to contribute.

### **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)

The Assembly Government supports the Committee's view that ERDF and ESF should be maintained as part of EU Cohesion Policy. This is a position we have been promoting very strongly in our contacts with the UK Government and at the EU level.

### **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)

### **Response: Accept**

The European Commission has carried out an ex-post evaluation of the 2000-2006 programmes at an EU level and this has been published on the Commission website.

In Wales, the Welsh European Funding Office (WEFO) is developing a synthesis evaluation of the 2000-2006 Structural Funds programmes, including Objective 1, drawing together the findings of numerous evaluations and the final reported outcomes. This is due to be published early next year.

For the 2007-2013 programme period a process of continuous evaluation is taking place covering both the way in which the Programmes are run and what they are delivering. This work is regularly reported to the Evaluation Advisory Group (comprising internal and external experts, stakeholder representatives and the Commission) and the all Wales Programme Monitoring Committee (PMC). Reports are published on the WEFO website.

A Delivery and Compliance technical expert group made up of stakeholders also reviews issues affecting the implementation of the Welsh 2007-2013 Operational Programmes. The Group's work allows real-time lessons to be learned and incorporated into the delivery of the programmes.

All of these findings and debates are used to inform our internal discussions, and those with the UK Government and the European Commission on the development of the next round of programmes. Ongoing discussions with our stakeholders in various fora will be further enhanced as we move towards the next round of programming.

### **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

### **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)

### **Response: Accept**

Within the context of Structural Funds, Wales has been at the forefront in Europe of exploring the potential for EIB loan funding to work with our Structural Funds (and other match funding) to create more sustainable investments. This has led to the Wales being one of the first regions to successfully implement a JEREMIE fund, which is ahead of profile for investment. In terms of wider financial engineering, Wales is also one of the leading regions in developing a JESSICA fund (for which Fund and Investment Managers have been appointed).

In broad terms, this focus on recyclable funds is an approach the Assembly Government has been promoting to increase the sustainability of Structural Funds investments and maximise the leverage we get from the funds. In the context of Structural Funds, EIB funding needs to work in tandem with EU grant funding to address significant market failures, for example in areas considered higher risk. Financial Engineering is not necessarily appropriate in all areas of Structural Funds intervention and more traditional Structural Funds support will still be important, for example in helping economically inactive people to engage in the labour market.

In some corners, there is a strong push for EIB instruments to play a greater role in the EU budget more generally. The Assembly Government will examine any future proposals that emerge in this area.

### **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

**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)

**Response: Accept**

The Assembly Government maintains that the Europe 2020 Strategy should clearly refer to the role of sub-national authorities in the implementation and delivery of the strategy. We have made our views known to the UK Government and the European Commission

The Europe 2020 Conclusions were agreed by member states at the June European Council meeting. The focus has now moved on to the implementation of the Strategy. The Assembly Government is currently negotiating with the Coalition Government on how Welsh views will be reflected in the National Reform Programme and in any targets to be set by the UK Government.

**Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

**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)

The Assembly Government supports this recommendation and will seek to continue working closely with MEPs in the pursuit of our policy aims.

### **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)

### **Response: Accept**

The 2007-13 Programmes in Wales place a strong emphasis on Innovation R&D and ICT with this priority representing 25% of the ERDF Convergence allocation and 45% of the ERDF Competitiveness allocation. This significant investment will also be supported through the ESF programmes, in particular through complementary investments in higher level skills.

*Economic Renewal: a new direction* outlines the Assembly Government's plans to increase the amount of R&D conducted in Wales, particularly in our key sectors, and to ensure that the economy benefits through its commercialisation. *For Our Future*, the Assembly Government's new higher education strategy, sets out a vision of Welsh research performance at international standards of excellence, with more collaboration between different institutions.

We are focusing our resources on supporting research in four sectors where Welsh universities have the best opportunity to maximise their performance and economic impact: the digital economy, the low carbon economy, health and biosciences, and advanced engineering and manufacturing. We want to build on existing centres of expertise and specialist facilities and continue to develop pan-Wales research collaborations, especially those between higher education and business.

In the Assembly Government's response to the consultation on Europe 2020 we encouraged a continued emphasis and strengthening of R&D and innovation as a driver of growth. Europe 2020 is likely to provide the policy focus of future Structural Funds programmes.

A key feature of the 2007-2013 Structural Funds programmes in Wales has been encouraging a much greater emphasis on partnership working. This has resulted in a number of collaborative projects involving several universities working in partnership to deliver the R&D priorities. Encouraging greater collaboration between Universities and businesses is a specific objective within the R&D and Innovation priorities and a number of projects are delivering on this.

## **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

### **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)

### **Response: Accept**

The Assembly Government is creating a National Science Academy to encourage interest in the STEM subjects at all levels, from early years learning through to further and higher education. The academy, a £2m investment based in one central and four regional 'hubs', will work across Wales - providing information for learners and teachers, and coordinating initiatives to promote STEM learning and careers.

More university places have been made available in science subjects from the 2010/11 academic year in order to support our plans for economic renewal. Universities in Wales have been invited by the Higher Education Funding Council for Wales (HEFCW) to convert some existing student places into STEM (science, technology, engineering and mathematics) subjects, following widespread employer calls for more graduates in these subjects.

HEFCW will provide additional funding to universities to prioritise recruitment to these subjects, identified by the Assembly Government as areas of shortage. This announcement follows the statement on 14 July by the Education Minister that there will be a limit on full-time undergraduate numbers from 2011/12, and builds on an investment of £1 million in a joint programme involving Welsh and English universities to raise the level of school students' interest in STEM subjects.

## **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

### **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)

### **Response: Accept**

The Assembly Government recognises the need to take a whole-Government approach to supporting R&D, creating more effective links between our departments and the wider Welsh public sector. A key aim of the newly-created National Institute for Social Care and Health Research will be to promote collaboration between the NHS, the healthcare industry and higher education institutions, for the benefit of patients and the growth of the life sciences sector in Wales.

HEFCW's corporate strategy outlines the action it will take to realise our *For Our Future* vision of a national system of higher education in Wales, where universities and further education colleges work closely together in each region.

Our £50 million Academia for Business (A4B) programme, backed by EU structural funds, is already supporting knowledge transfer from further and higher education to business. We have already invested heavily in incubation facilities and we will encourage businesses to conduct R&D, innovate, develop and adopt new technologies as part of our renewed approach to economic development.

### **Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.

### **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)

**Response: Accept**

The Assembly Government is in discussions with the UK Government to ensure negotiations with the European Commission over the resulting indicators agreed for educational activity properly reflect Wales' position. We are also pressing the line that any indicators underpinning the EU headline targets should not involve new data collection or reporting activity. Following agreement to this approach, we will consult Local Authority Further and Higher Education representatives on the detail of proposed indicators.

**Financial Implications**

There are no additional financial implications for the Assembly Government arising from this recommendation as the costs are already planned for within existing budgets.