



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Menter a Busnes **The Enterprise and Business Committee**

Dydd Mercher, 21 Ionawr 2015
Wednesday, 21 January 2015

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

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|------------------------------|--|
| Mick Antoniw | Llafur Labour |
| Rhun ap Iorwerth | Plaid Cymru The Party of Wales |
| Jeff Cuthbert | Llafur Labour |
| Byron Davies | Ceidwadwyr Cymreig Welsh Conservatives |
| Keith Davies | Llafur Labour |
| Yr Arglwydd/Lord Elis-Thomas | Plaid Cymru The Party of Wales |
| William Graham | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair) |
| Eluned Parrott | Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats |
| Gwenda Thomas | Llafur Labour |
| Joyce Watson | Llafur Labour |

Eraill yn bresennol
Others in attendance

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|----------------|---|
| Rob Halford | Pennaeth Cynllunio a Strategaeth, Llywodraeth Cymru Head of Planning and Strategy, Welsh Government |
| David Hughes | Pennaeth Swyddfa'r Comisiwn Ewropeaidd yng Nghymru Head of Office of the European Commission in Wales |
| Jane Hutt | Aelod Cynulliad, Llafur (Y Gweinidog Cyllid a Busnes y Llywodraeth) Assembly Member, Labour (The Minister for Finance and Government Business) |
| Gregg Jones | Pennaeth Swyddfa'r UE, Cynulliad Cenedlaethol Cymru Head of EU Office, National Assembly for Wales |
| Damien O'Brien | Prif Weithredwr, Swyddfa Cyllid Ewropeaidd Cymru Chief Executive, Welsh European Funding Officer |

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

| | |
|--------------|--|
| Rachel Jones | Dirprwy Glerc Deputy Clerk |
| Siân Phipps | Clerc Clerk |
| Ben Stokes | Y Gwasanaeth Ymchwil Research Service |

Dechreuodd y cyfarfod am 09:24.
The meeting began at 09:24.

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **William Graham:** Good morning. I welcome Members and our witnesses this morning. The meeting is bilingual, and headphones can be used for translation from Welsh to English on channel 1 or for amplification on channel 2. The meeting is being broadcast and a transcript of proceedings will be published later. I remind Members and witnesses that there is no need to touch the microphones; they should come on automatically. In the event of a fire alarm, I ask people to follow directions from the ushers.

09:25

**Diweddariad ar yr UE
EU Update**

[2] **William Graham:** You will see that our first item this morning is an EU update, and we welcome Gregg Jones and David Hughes. Could I ask them to give their names and titles for the record?

[3] **Mr Jones:** Thank you, Chair. Good morning, Members. My name is Gregg Jones. I'm the head of the Assembly's EU office in Brussels.

[4] **Mr Hughes:** Good morning. Bore da. Thank you, Chairman. Good morning, Members. My name is David Hughes. I am the head of the European Commission office in Wales.

[5] **William Graham:** Thank you very much. Thank you for your written paper. Could I ask you for a little update verbally to begin with?

[6] **Mr Jones:** Okay. Chair, if it's okay, I'll start and then maybe David would come in after. The paper that we've prepared really tries to set the scene for the new Juncker Commission, which took post officially in November. Obviously, we've focused on the remit of this committee and 2014 was a year of substantial change at EU level, institutional change—a new European Parliament, a new European Commission, and also a new President of the European Council. There is also some quite significant change of direction introduced by the Juncker Commission. We've drawn some of that out in the paper. The Commission also published its work programme for 2015, which is the first of the new Juncker Commission. So, I've drawn out in the paper some of the issues and areas that they're planning to bring forward this year that look most relevant to the committee, and I'm sure Members would want to discuss some of those ideas.

[7] If I can draw attention to the investment plan for Europe, that is the big idea of the Juncker Commission. It was set out as his initiative to try and boost investment across Europe, sort of post—or what people hoped to call 'post'—financial economic crisis, where there's been quite a strong focus on austerity, cutting expenditure and so forth. There's been quite a lot of pressure over the last year or two for more focus on investment, and Juncker's picked that up and he's come forward with this plan where a small seed investment—€21 billion is not small in anyone's terms, but it's small in terms of the sorts of levels of investment he's hoping that will generate across the European Union. So, I think that's something that we may want to discuss further. It's very much within the remit of this committee, and you'll have seen some of the ideas that have been put forward by the Welsh Government in the paper as well, which look very relevant to us. David.

[8] **Mr Hughes:** Yes, thank you. Thank you very much indeed. I don't really have very

much to add to the excellent briefing that Gregg has provided for this morning—just a couple of thoughts, really, to add on to that. In response, perhaps, to the question about the new structure of the Commission, it might seem a little bit like the business of insiders in the Brussels village, the way the Commission is structured, but there has been, I would say, quite a bit of turbulence back in the mothership, because what the new President has introduced for the first time is a new system whereby there are vice presidents who are, shall we say, more equal than other commissioners, and these vice presidents lead project teams of commissioners, focusing on certain priorities over the next five years. There are six vice presidents in this capacity. They are almost all either former Prime Ministers or former foreign Ministers. So, for example, the former Prime Minister of Finland, Mr Katainen, is now the vice president of the Commission in charge of the jobs and growth project. He leads a team of commissioners, including, for example, the British commissioner Jonathan Hill, who's in charge of the financial markets dossier. So, this is quite a new approach, and it will have some effect, I think, on the way the Commission operates and tries to roll out its priorities over the next five years or so.

[9] Gregg has emphasised a change of direction, and I think that's very true. Just as a little example, this year's work programme, the 2015 annual work programme of the Commission, is in contrast really with previous work programmes. The new work programme has only 23 new initiatives in it, because the President has decided that the leitmotif for this programme is to focus only on the big things and leave the little things alone. So, there are only 23 initiatives in this work programme. If you compare that with the average over the last five years, there were 130 initiatives on average in each work programme. This new work programme has 80 proposals earmarked for either withdrawal or amendment. It has 79 pieces of existing legislation earmarked for review, with a view either to repeal or simplification.

09:30

[10] The final point I'd make on this is that, for the first time, the President of the Commission has an effective deputy, called now the First Vice-President, and he is Frans Timmermans, former foreign Minister of the Netherlands, and his job title starts with the words 'better regulation'. This is not about more regulation and it's not necessarily at all about deregulation either. It truly is about better regulation.

[11] So, that's the focus of this year's work programme. There are two elements in it, and I would fully agree with what Gregg said, that there are two initiatives that may be of particular interest to this committee. One is the so-called Juncker investment plan, and we can say more about that if you wish, and the other is the proposal for what is called a free-trade agreement with the USA, which is one of the Commission's 10 priorities over the coming five years. You will know very well that this is quite high on the political agenda and there is quite a lot of public debate around this. So, that may be something worth looking at through 2015. You may also be aware that the Commission held a public consultation on the so-called ISDS part of this proposed agreement—the investor-to-state dispute settlement part. There were 150,000 replies across the EU to that consultation, and 50,000 of those came out of the UK. So, a third of all replies came from the UK, so there is quite some interest in the UK on that.

[12] So, I think I will close there, Chairman, and thank you for the opportunity once again.

[13] **William Graham:** Thank you very much. Jeff, you indicated.

[14] **Jeff Cuthbert:** Thank you, Chair. Thank you, David and Gregg, very much for the paper as well. There are just two points—well, three points, I suppose, from me, which I'll be brief with. Under the European investment plan, the fund, as you say, is intended to mobilise at least €315 billion, and the pump-priming moneys amount to €42 billion, so, could you say a little bit more about where it's anticipated the extra money will actually come from? Are we

talking about member states or private investment? What discussions, what plans, are there to lever in that money to make it a reality? You'll be aware, of course, that, as far as the Welsh Government's concerned, 22% of ESF moneys will be focused on tackling poverty. How could this contribute to helping us to tackle poverty and create employment?

[15] Then, finally, a separate matter. Under item 3, the Latvian EU presidency of the council, it talks about a digital Europe, and all that's good. One of the key policies for us under 'Digital Wales' is, of course, reducing digital exclusion. How could that focus of the Latvian presidency help us to achieve that?

[16] **Mr Hughes:** Just on the investment plan, the political background to this is that the President was elected—that's the word the treaty uses—by the European Parliament on the basis of the 10 priorities I mentioned, but also on the basis of a statement he made that he would focus on trying to increase investment in Europe, because, since the crisis started, investment has fallen by around 25%, or something like that. It's fallen particularly in southern Europe, of course. It's also fallen significantly in the UK. So, this plan is partly making good on that promise. It's a departure in philosophy, I would say, from the European Union's usual approach to support, which has been grant-based—structural funds, for example. The plan is based on—I think it was seed funding of €16 billion from the EU budget and €5 billion from the European Investment Bank. That €16 billion from the EU budget will come mainly from the Horizon 2020 programme and from the Connecting Europe Facility. But, of that €16 billion, only €8 billion is earmarked in the budget, because the markets believe that the union is very good on its credit. So, the other €8 billion, if you like, is not actually taken from the budget; it's a guarantee for the money that the markets, we believe, are willing to give to us. So, there's seed funding of €21 billion, and it's hoped that that will attract the rest of the €315 billion, mainly from the private sector, but also, possibly, from other member states that are willing to contribute to the fund.

[17] The fund is aimed at major infrastructure projects, essentially. It's aimed at strategic projects capable of promoting sustainable growth, but that does include education, and member states were asked—. The proposal for the fund was adopted last week, so it's on the table now, and, prior to that, member states were asked to provide potential projects for funding. So, there is a pipeline of projects, which has been published, and I think Gregg mentions these in the brief, and several of those are from Wales. For example, the tidal lagoon is in there, I think, and the M4 and the Cardiff metro. What is proposed is that there will be a high-level committee, composed of member states' representatives, looking at these projects and trying to identify the ones that are, if you like, best. But, obviously, from a private sector point of view, all of these projects must be capable, long term, of repaying the loan. So, that is the new philosophy behind it. It's not entirely new, because you do have the JEREMIE fund in Wales, for example, which is part European Investment Bank funded, part grant funded, but which, in principle, gives loans that should be repaid. So, the philosophy's not entirely new.

[18] The final question you asked, Jeff, was about the Latvian EU presidency and digital Europe. That is the second of the 10 priorities I mentioned—in other words, promoting the digital market within Europe. An awful lot of that is about breaking down copyright barriers, because Europe still operates under 28 different copyright regimes. But it's also about digital exclusion, and I think, in answer to your question, as far as the Commission is concerned, combating digital exclusion is a legitimate target under the structural funds, but it's also a policy aim as well.

[19] **Mr Jones:** If I just could add to that, I think one of the key features of the Juncker plan is, effectively, the Commission—sorry, the EU and the member states—are pulling together a marketing brochure for the EU aimed at investors to say, 'This is what is being planned across the 28 member states. We see these as key projects for the European Union.'

Over to you guys, to put forward your money. Come and invest in Europe.’ So, I think it is that aspect of it, which is what David said, really. It is mostly about trying to draw in private sector funding; so, organising investments and presenting them in a way that large, multinational investors can sort of see what’s on the table within the European Union. I think that point has been emphasised more recently, certainly post-Christmas.

[20] **William Graham:** Thank you. You have already stimulated plenty of questions. I’ve got five speakers already. Dafydd.

[21] **Yr Arglwydd Elis-Thomas:** Diolch yn fawr, Gadeirydd. Mae gen i ddiddordeb mawr yn yr holl gwestiwn o undeb ynni cydnerth a pholisi blaengar ar newid hinsawdd, ac yn arbennig y ffocws economaidd cryf, o’r diwedd, sydd yn mynd i fod yn cyfuno twf gwyrdd â gweithgaredd economaidd o bob math. Rwy’n awyddus iawn i weld y pwyllgor yma yn cymryd sylw arbennig o hyn. Rwy’n pryderu braidd fod pwyllgorau’r Cynulliad ar hyn o bryd, Gadeirydd, os caf i ddweud hyn yn gyhoeddus, yn canolbwyntio yn bennaf ar ddeddfwriaeth fewnol yng Nghymru, heb fod yn delio â’r dimensiwn Ewropeaidd allweddol, sydd i fod yn rhan o’n gwaith ni. Fe garwn i weld y pwyllgor yma, os gallwn ni, gan nad oes gennym ni, nid wyf yn credu, ddeddfwriaeth o’n blaen ni ar y funud, neu yn y biblinell, fel petai, yn rhoi sylw arbennig i hyn—yn wir, mae hynny’n cael ei awgrymu yn y papur—oherwydd rwy’n pryderu bod, yn y Deyrnas Unedig, yr Alban ac, mewn rhannau eraill o’r Undeb Ewropeaidd, ranbarthau eraill ymhell ar y blaen inni o ran buddsoddi mewn ynni, ar waetha’r ffaith bod gennym fuddsoddi sylweddol yn y sector preifat bellach yn digwydd mewn ynni gwynt adnewyddadwy a morol. Rwy’n meddwl bod yna lawer mwy y gallwn ni fod yn ei wneud yn yr holl faes yma. Ac felly, ofn ydw i y byddwn ni’n colli cyfle unwaith eto i fanteisio ar y rhaglenni hynny.

[22] Mae yna un agwedd arall, os caf ei chysylltu â hynny: mae’n amlwg erbyn hyn bod posibilrwydd bod gogledd Cymru, a’r rhwydwaith dosbarthu ynni’r Grid Cenedlaethol cydnerth sydd gennym yn y fan honno, yn mynd i ddod yn allweddol bwysig i Iwerddon ac, o bosib, i wledydd eraill i fanteisio ar symud tuag at undeb ynni cydnerth yn Ewrop. Felly, mae’n rhaid inni, rwy’n meddwl, fod yn flaengar yn ein paratodau am y pethau hyn, oherwydd rwy’n grediniol mai dyfodol economaidd

Lord Elis-Thomas: Thank you very much, Chair. I do have a great interest in the whole question of a strong energy union and a progressive policy on climate change, particularly the strong economic focus, at last, that there will be on combining green growth with all types of economic activity. I’m very eager to see this committee paying particular attention to this. I’m rather concerned that the Assembly’s committees, Chair, if I can say this publicly, are, at the moment, focusing mainly on internal legislation in Wales, and not dealing with the key European dimension that is supposed to be part of our work. I would like to see this committee, if we can, since I don’t think we have legislation in front of us at the moment, or in the pipeline, as it were, giving particular attention to this—and that is suggested in the paper—because I am concerned that, in the UK, Scotland and, in other parts of the European Union, other regions are much further ahead of us in terms of investing in energy, despite the fact that we have significant investment in the private sector taking place now in wind power and renewable and marine energy. I think there’s much more that we could be doing in this area. And, therefore, I fear that we will be missing an opportunity, again, to take advantage of these programmes.

There’s one other aspect, if I can link it to that: it’s now clear that there’s a possibility that north Wales, and the robust energy distribution network of the National Grid that we have there, is going to be crucially important for Ireland and, possibly, for other countries to take advantage of the move towards a robust European energy union. So, I think we should be progressive in our preparations for these things, because I firmly believe that the economic future of the north-west of Wales is, as ever, the energy industry.

gogledd-orllewin Cymru, fel erioed, yw'r diwydiant ynni.

[23] **Mr Jones:** I agree completely with the sentiments. We have looked at the issue about European issues falling off the agenda, being squeezed by legislation, so it's something that the Assembly Commission's aware of. So, from my point of view, there's obviously a direct interest in as many European issues being discussed as possible.

[24] On the energy agenda, specifically on the Ireland-Wales, or the Ireland-UK, corridor, that's something that we could look at to see what's actually behind that. I don't have that detail to hand, but any key strategic investment that takes place between Ireland and the UK, where we can develop economic opportunities for Wales, particularly north Wales, you know, I think is something that is of clear interest to this committee.

[25] **Mr Hughes:** Once again, this is one of the 10 priorities—I mentioned the energy union—and, I mean, you only have to think of what's happened recently with regard to Russia and so on. If we reflect on the fact that six member states are 100% dependent on Russian gas for their energy needs, this has been, to be very frank, a huge wake-up call in several respects, and it's been a wake-up call in terms of the need for interconnectivity between member states. One doesn't think, at first, that this affects the UK very much, but, in fact, it does. And, of course, the second concern is trying to have an appropriate energy mix, and the Commission has not given up at all on its belief that a hefty part of that energy mix in the future has to be renewables.

[26] **William Graham:** Keith.

[27] **Keith Davies:** Diolch, Gadeirydd. Fe wnaif i ofyn yn Gymraeg, hefyd. Dau beth o adroddiad Gregg: rwy'n siŵr bod Aelodau fel fi wedi cael nifer o bobl yn anfon negeseuon am y cytundeb masnach rydd gyda'r Unol Daleithiau. Beth ydych chi'n feddwl am hynny?

Keith Davies: Thank you, Chair. I'll be asking my question in Welsh, as well. Two things from Gregg's report: I'm sure that Members such as myself have had a number of people sending us messages about the free trade agreement with America. What do you think about that?

[28] Yr ail beth yr oeddwn i'n edrych arno yn yr adroddiad oedd y gyfarwyddeb oriau gwaith, achos cawsom drafferth fawr yn y gorllewin gyda'r gwasanaeth tân, lle'r oedd y bobl a oedd yn gweithio i'r gwasanaeth tân yn dweud bod y gwasanaeth yn mynd i dorri ar draws y gyfarwyddeb hyn, ond y ffordd y daethon nhw drosto, wrth gwrs, oedd bod pobl yn colli swyddi a phobl eraill yn barod i ddod i mewn ar oriau gwaith nad oedd yn ateb y gyfarwyddeb. Dyna'r ddau beth leiciwn i eich barn chi arnynt.

The second thing from the report was the working time directive, because we had a lot of trouble in the west with the fire service, where people who were working with the fire service said that the service was going to break the directive, but the way they got over that was that people lost their jobs and other people were willing to come in on working hours that didn't fulfil the needs of the directive. So, those are the two issues I'd like your opinion on.

[29] **Mr Jones:** If I can just come back on the working time directive first, that's got a long history and it had a difficult passage through the decision-making process pre the second Barroso Commission, actually—it failed in the conciliation procedure, which is the Third Reading, effectively, where Council and Parliament try and reach agreement. And, over the last five years, there've been attempts to bring it back on to the agenda, but they've not succeeded, because there are still concerns within Council—basically, a blocking minority in Council, which meant that attempts to revise the legislation couldn't take effect.

[30] The NHS, fire services and so on, they raised a number of concerns, which the UK took forward in those negotiations up to 2009, and the NHS European office has this high on their agenda at the moment. I flagged it up in a forward work paper for our Health and Social Care Committee, which they should receive shortly. So, yeah, it's definitely on the radar. At the moment there's a consultation, which the Commission, I think, closes in March, and then the Commission will make an assessment based on that consultation as to what they need to do with regard to future proposals. Now, whether they'll come forward with something this year, or in the next couple of years, it's difficult to say at this stage, but there's quite a long history to that one. On TTIP, I think it's David.

09:45

[31] **Mr Hughes:** Thanks, Gregg. TTIP is the transatlantic trade and investment partnership. I'll be very, very frank with you: I think many of my colleagues in DG Trade have been a little bit surprised at the strength of feeling that has been released by this proposal. Once again, this is one of the 10 priorities over the next five years. I think this really is a very complex issue, and it really is one where you have to take a bit of time, go into it and tease out the details. I have to say, part of the reason why this has hit the public domain in the way that it has is for two reasons: first of all, this is the first time that the EU has had the legal competence to negotiate ISDS agreements—so-called, investor-to-state dispute settlement agreements. That's because the Lisbon treaty granted the EU this competence. The second reason, I think, is because this trade agreement is with the USA, to be very frank, and I think that is making a lot of people worried. We recently concluded a very similar agreement with Canada, with similar contents, but this didn't create the same kind of worries.

[32] The two main worries, as far as I can tell, in the UK and in Wales, are related to the NHS and to ISDS. It's not possible this morning to go into all the details around this and, as I say, the devil is in the detail, but from our point of view—. I was interested to see, by the way, that the Federation of Small Businesses recently made a statement saying that TTIP would be enormously in their interests, because it would clear up a lot of the bureaucratic hurdles and the regulatory differences that are in place when a small company wants to export to the USA. If you're a huge company, you've got the people in place to do that, but if you're an SME or a small company, you haven't. What this agreement is about is not so much abolishing tariffs, because there aren't that many tariffs left between the EU and the USA—only around 4% of total trade, I think; it's more about addressing those regulatory barriers.

[33] Just to give you one example: crash test dummies. The regulations on those in the EU are different from those in the USA. The results are the same, but how you put your dummy in the car and how you crash your car is different here from how it is in the USA. So, if you're a motor manufacturer, you have to do the same test twice, even though the results are the same. If you could get an agreement whereby the USA agrees to recognise EU regulations on crash test dummies, you would save money and you could sell your cars more cheaply. That's the principle behind it, but obviously, as I said, the devil is in the detail, and worries around the NHS and ISDS have to be addressed. The Commission is trying to do that. It has stopped the negotiations on ISDS and has held this public consultation, as I said, but this could well be—. Once again, I think this is something that deserves perhaps a little bit of attention over the next year or so, in order to try to tease out what exactly the dangers are, and what exactly the advantages are.

[34] **William Graham:** Thank you, David. We've got six minutes and I've still got three questions, so could we just have questions, not perorations. Mick, please.

[35] **Mick Antoniw:** Just to make a point, I think that's a very complacent description of what is actually happening with TTIP and what is actually emerging in the debate. One of the biggest issues has been the total lack of any real transparency in the negotiations, and also the

total avoidance—admittedly, on the insistence of individual member states—of, for example, the Committee of the Regions, which means that all the regional areas that would be affected by TTIP have been deliberately excluded from the potential discussion of the impact of it. There isn't time now to do it—I will suggest later a discussion—but I have to say that this has arisen because there are much more serious concerns about the fundamental imbalance and nature of the negotiations that are taking place.

[36] **William Graham:** Okay, thank you. Eluned.

[37] **Eluned Parrott:** I agree with Dafydd's point on the importance of coming back to the subject more frequently than we do. Of course, structural funds don't come up, for example, in budget scrutiny, so we do need to be mindful of that.

[38] I wanted to ask about the impact of the change in direction on pre-existing commitments and priorities that the commission had set, and in particular if this change in direction is going to have any impact on priorities that are expected to be delivered through structural funds—the programmes we're part way through designing already—and also whether it's going to have any impact on Horizon 2020, given that you've said that some of the funding for the Juncker plan is coming out of that budget. Is there an impact then on the priorities for universities?

[39] **Mr Hughes:** In reply to the first question, I would say 'no'. The structural funds remain unaffected. There will be a mid-term review of Europe 2020 in 2017-18; that could have some impact. But, as far as I'm aware, there's nothing before then.

[40] Sorry, Eluned, but the second question was on—

[41] **Eluned Parrott:** The impact of the change in direction on Horizon 2020 and priorities like that, which obviously are a big opportunity for higher education institutions here in Wales. You did say that some of the funding for the Juncker plan was coming out of that budget.

[42] **Mr Hughes:** No change on the priorities, but the £8 billion from Horizon 2020 would be earmarked as a potential guarantee, in order to mobilise private funding for the same priorities, if that makes sense.

[43] **Mr Jones:** Just on the first one, I think it's interesting if you look at the Connecting Europe Facility, because in there the Commission published, I think, a series of studies of the corridors. What they say on the Commission website is that the selection and choice of projects will link directly back to the investment plan. So, that is a direct impact. It doesn't change the priorities of CEF—and, again, some of the CEF funding goes into the Juncker plan—but it just shows that in the selection or identification of key projects, there's going to be read across to the investment plan. So, that would be one area where there's a direct—

[44] **Eluned Parrott:** In any tug-of-love, which takes priority? Is it the Juncker plan or is it the pre-determined Commission priorities?

[45] **Lord Elis-Thomas:** Juncker, I would have thought. *[Laughter.]*

[46] **Mr Jones:** I'll send you the link so that you can look at the wording from the Commission.

[47] **William Graham:** Joyce, a question, please, no—

[48] **Joyce Watson:** Mine is a straight question. There is a European globalisation

adjustment fund and I live in Pembrokeshire, so it's fairly obvious where my question's going. Murco oil refinery hit severe problems, and I wanted to ask whether there has been an application to the European globalisation adjustment fund by the UK Government, or, if you know the answer, what the criteria would be in any case for applications to that fund.

[49] **Mr Jones:** I can refer you back to a blog that my colleague Robin Wilkinson from the Research Service wrote, which sets out the criteria very clearly. It's a really excellent blog. The UK Government, as far as I'm aware, hasn't. It may be a question we can put to the Minister in the scrutiny session later on, if Members want to raise that point. But it has been debated—it was debated in Plenary with a different Minister in this context—but the UK has not, to date, supported an application or submitted an application under the European globalisation fund. It didn't agree with the fund being set up in the first place, but a number of the other member states that were sceptical—the Netherlands, Germany—and similarly didn't agree with the fund initially, or didn't think it was necessary, have submitted projects to it.

[50] **William Graham:** Thank you for that. Rhun.

[51] **Rhun ap Iorwerth:** Ar drafndiaeth, mae'n flwyddyn ers roeddem yn trafod y methiant i gynnwys Cymru yng nghoridorau craidd trafndiaeth Ewrop. Rwy'n cymryd y farn bod yn rhaid i ni jest symud ymlaen o'r fan honno a derbyn bod yna rywbeth wedi mynd o'i le. Jest yn fyr iawn, a ydych chi'n meddwl bod y Llywodraeth yn gwneud y pethau iawn i ymateb i'r her bod rhaid i ni weithio'n galetach rŵan i gael y gorau allan o gyfleon Ewropeaidd, ac mewn rhannau eraill o'r cronfeydd Ewropeaidd wrth i ni symud ymlaen? Beth mae'r Llywodraeth yn ei wneud yn dda ar hyn o bryd a beth ydyn nhw ddim yn ei wneud gystal? Beth ydym ni angen mynd ar ei ôl o efo'r Gweinidog yn y fan yna?

Rhun ap Iorwerth: On transport, it's a year since we were discussing the failure to include Wales in the core European transport network. I take the view that we just have to move on from that and accept that something went wrong. Just briefly, do you think that the Government is doing the right things to respond to the challenge that we have to work harder now to get the best out of European opportunities, and in other parts of the European funds as we move forward? What is the Government doing well at the moment and what aren't they doing as well? What do we need to go after with the Minister in that area?

[52] **Mr Jones:** I can give a personal view, but I'm not sure if it's appropriate for me to do that, really.

[53] **William Graham:** Probably not. *[Laughter.]*

[54] **Mr Jones:** No, so—

[55] **William Graham:** This is after all a public meeting.

[56] **Mr Hughes:** Well, I will most definitely not give a public view, and it's not my job, obviously, to sit in judgement in that way. But, one thing I would like to say is that I'm in constant contact with my colleagues who are responsible for the structural funds. Of course, they have an overview of what's going on right across the EU, and they are very complimentary and very satisfied, actually, with the way that Wales manages the structural funds. This is the message I get, and, of course, this year—last year, sorry—Wales was the first part of the UK to complete its partnership agreement. So far, Wales is the only part of the UK that's not had its funds suspended, so my colleagues are very satisfied, for what that's worth.

[57] **William Graham:** Thank you very much. That brings us to the end of our session.

Clearly, in future, we should table more time for a session of this kind. Both, thank you very much for your attendance today and for the way you've answered our questions. Thank you very much. May we have a break for five minutes just to change witnesses?

*Gohiriwyd y cyfarfod rhwng 09:56 a 10:01.
The meeting adjourned between 09:56 and 10:01.*

Yr UE—Craffu Dilydol EU Follow-up Scrutiny

[58] **William Graham:** Thank you to Members for reconvening. This is an opportunity for us to meet with the Minister, and an opportunity really for the committee to carry out follow-up scrutiny on three of our previous inquires: the EU structural funding, Horizon 2020 and EU funding opportunities. May I welcome the witnesses and ask them to give their names and titles for the record?

[59] **The Minister for Finance and Government Business (Jane Hutt):** Jane Hutt, Minister for Finance and Government Business.

[60] **Mr O'Brien:** Damien O'Brien, chief executive of the Welsh European Funding Office.

[61] **Mr Halford** I'm Rob Halford, head of planning and strategy at WEFO.

[62] **William Graham:** Thank you very much. May I thank the Minister for her paper and suggest we go straight to questions? The first question is from Jeff Cuthbert.

[63] **Jeff Cuthbert:** Thank you very much, Chair. To start with, I think, the big picture and the overview of where we're at, I notice in the paper that you sent us that, this time, the structural funds will have a greater concentration and integration of EU funds in order to maximise their impact. Exactly what does that mean in terms of numbers of projects and strategic focus? Perhaps you could say a little bit about how the private sector is to be involved this time.

[64] You also mention that there could be a stronger focus on achieving outcomes and results from EU investments. What could that mean for project sponsors, and how might it be monitored and reported?

[65] The final point from me at this stage is that I notice in your paper that there will be a 10% increase in the intervention rates, so what are the actual intervention rates now, and what benefit will this bring to project sponsors? Obviously, I understand that the amount of match funding needed would be reduced, but could this then lead to stronger projects as a result? And the very last bit, 22% of ESF moneys will be focused on tackling poverty. How are we getting on with that?

[66] **Jane Hutt:** Well, thank you very much, Jeff. There were a number of questions there. I think the first point is key, in terms of how we approach this—the focus on the impact of our investment, and what impact it's going to make on the Welsh economy. We have our Welsh Government programme for government focusing on economic growth, jobs and tackling poverty, clearly aligned with the EU 2020 goals as well. We have to concentrate and we have to integrate. You mentioned what this actually means in terms of projects and beneficiaries in taking this forward to secure these impacts. Well, if you look back to the first round and the first programme—the 2006 programmes—we had about 3,000 projects. We went, of course, and concentrated more and reduced those, through a more strategic approach in the last round,

to around 300, but now, our focus has to be on concentrating EU funding and focusing on those key outcomes that we need to secure.

[67] I think the issues around what this means for private business is crucial. We can also reflect and take an account of what the impact has been already in terms of businesses benefiting from the structural funds. I mean, if you look at our last programme of EU projects supported through 2007 to 2013, they helped create over 10,400 businesses, some 30,400 gross jobs, with 14,800 businesses supported in their ventures. Business has benefited from our structural funds, but business and, through that, the economy particularly can benefit further.

[68] I mean, I think it is important that we do look at business surveys to see what the impact of the investment has been. If you survey business, around 35% to 40% report that European regional development fund support has had a positive effect on turnover, profitability or productivity, and 30% of businesses report that performance in their workplace would've been worse without ERDF support. I think business is coming out and saying this very strongly now, particularly in relation to the importance of membership of the European Union, but I think the point we want to focus on again is that concentration and integration. The new programmes will provide more support for business, because of our investment priorities, and that has to be through business competitiveness, research and development and innovation, improving connectivity, and helping people into work and raising skills.

[69] I think that sort of takes me, perhaps, to your final point about tackling poverty and our focus on tackling poverty. As I've outlined in my paper, my written evidence to the committee, 22% of ESF funds go to tackle poverty in Wales, and of course, that's about helping people into sustainable work, helping the most marginalised and disadvantaged individuals in our communities. I think we need to stress and focus, and I know, of course, that you will be aware that this is not just about that 22%. If we're going to tackle poverty in Wales, tackle inequality, and raise prospects for those who are furthest from the labour market and those who are most vulnerable, then we need to ensure that all of our investment, particularly through ESF—but indeed through ERDF, because, when we come to transport and integration of transport and public transport and access to jobs and skills and education, it all will help to tackle poverty.

[70] **Jeff Cuthbert:** Thank you. Intervention rates.

[71] **Jane Hutt:** Intervention rates, yes, sorry—there were a number of questions. On intervention rates, well, you'll be aware—and I've also laid this out in my paper, as well—we have been successful in our negotiations with the European Commission to secure a 10% increase in intervention rates for both west Wales and the Valleys and the east Wales programme. So, this will of course reduce the match-funding requirements, which is very important in terms of our public finances. It'll reduce by an estimated £225 million for the Welsh Government and £500 million overall.

[72] But I don't think we must be constrained about this, because this again goes back to your point about engagement with the private sector, because we do need to maximise the potential leverage, particularly in terms of private finance. So, you know, we've got greater flexibility now in terms of approving projects where match funding is limited, and you'll be aware from your past roles how crucial this has been in past times in terms of the need for the match. So, you know, it'll be about negotiating with sponsors project by project. We must use the leverage potential in terms of, as I said, accessing private finance, but we've still got TMF: we've still got the targeted match funding support in the budget, despite significant cuts to our budget, and we've got to prioritise those for support in terms of the targeted match funding that we've always, at the centre, been able to give. Revenue will be managed by

WEFO, and WEFO gets, I think, about £3 million a year. The capital element will be managed through our Welsh Government housing and regeneration portfolio: about £10 million a year.

[73] **Eluned Parrott:** Minister, I wanted to return to this idea of measuring outcomes and the step change, really, in approach that's necessary between the output measurement kind of structure that we had before. Can you explain to me what additional research you're doing, or what additional research you're planning, to be able to demonstrate that the outcomes from the way in which money has been invested have been positive?

[74] **Jane Hutt:** Well, a great deal of that will come as a result of monitoring and evaluation, but, I think, before you actually get to monitoring and evaluation, it's about the kinds of projects and the way that we're going to approach this, in terms of concentration and integration in relation to securing those outcomes. As we've recognised in the past, we have focused, perhaps, too much on outputs. It is the impact; it is the outcomes that we need to secure. I think that the work that we've done developing the operational programmes, seeking transformational change, not business as usual, and having a real impact on the Welsh economy—on businesses, people and communities—has been key to this.

[75] I would also say that the Grahame Guilford review has been very important in terms of the economic prioritisation framework, because it focuses on what the outcomes should and can be. It drives synergy, I think, between structural funds. Structural funds have one part to play in terms of improving the Welsh economy. So, you know, that provides a very clear steer to potential beneficiaries, and it is going to be about how we then ensure that we've got, as they come forward and we give them approval—. I mean, it is about the 'why' this project is going to have an impact and not just the 'how' you're going to do it, and what the numbers are at the other end. It's what the impact is.

[76] So, I think monitoring and evaluation is going to be more important than ever, and, of course, I mean, that's clear in terms of EC regulations, but it's going to be very phased and tailored to the needs of the programme. WEFO will commission research, and it's going to be research with people and businesses to, again, start tracking the outcomes. I think it's something where we've got to make sure that the transparency is clear. That's important for very early scrutiny.

[77] I think one of the points we were just discussing earlier on is that an awful lot of work has gone on by officials and Ministers to make sure we've got to this position here, with the new round of programmes, but actually the real work starts now, in terms of getting the right projects and the right framework, and focusing, as you say, Eluned, on those outcomes, to make it transformational.

[78] **Eluned Parrott:** Can I pin you down on some of the specifics, though, because I have a couple of concerns here? One of them is that if I look at other Welsh Government strategies at the moment, there still is a predominance of output-based measurement being used, because output is much easier to measure, frankly, than outcomes. Outcomes require a longitudinal kind of comparison between a starting point and an end point.

[79] My second concern is that, previously, we've not been good at assessing what our start point is in terms of the baselines measurement. We just don't take them. So, if we don't take a baseline, we can't demonstrate progress against one. My third concern is something that you just mentioned yourself in your first answer to me, which was about how you were doing research with businesses, which was essentially sending them happy sheets about their experience. You know, the research was asking a business if they had a positive experience of being given money. Now, to be honest, if I were running a business and someone asked me, 'Was the money I gave you helpful to you?', I would almost certainly say, 'Yes, that was

fantastic, and if there's any more coming along, do you know what, I'd quite like some of that too.' It's very unlikely that I'd say, 'No, the money that you gave me had no positive impact whatsoever.'

10:15

[80] So, we need to move beyond that kind of research to a point where we can demonstrate the proof and where we're asking businesses, without putting too much of a burden on them, because, obviously, you know, we want to keep that bureaucracy to a minimum—. We have to make sure that what we're asking for is not whether or not somebody liked being given money, but whether or not somebody can demonstrate that there has been a change in the things that we wanted to see a change in.

[81] **Jane Hutt:** Those are very helpful questions. I think, just picking up on the last point, it is about a change in the way that we commission research with businesses, in particular—and Rob might want to come in on this—and not just to be able to tick the box, 'Yes, of course, it's nice to have it', but to actually say what difference it has made in terms of this investment. I think we are going beyond, sort of, EC requirements in terms of the measurement of outputs. So, I mean, again, it is going to be about actually saying what the actual impact is, not just the benefit.

[82] So, I think, something that I'm sure the committee will be interested to look at is our research and monitoring and evaluation programme as we get into this new round. I think we've got to be realistic about the impact as well, haven't we? I mean, you talk about the starting point and baseline assessment. We've got narrower objectives in this round. We've got more specific targets and result indicators. I think it's those result indicators that are actually going to make the real change. It's not just going to be the numbers of beneficiaries; it's result focused. Obviously, this is being driven—. We've embraced this in terms of the focus of the Commission for the new programmes. We have to do this and, of course, this has been reflected more in our programme for government and the strategic impact assessment, indeed, of our programme for government. We have to do this to make a difference. I don't know whether Damien or Rob want to say a bit more about how we will achieve this.

[83] **Mr O'Brien:** Can I just say something in general about the programmes and then perhaps I can ask Rob to say a bit more about how we are approaching the evaluation? The focus on results was paramount in the negotiations that we had with the Commission. I accept the point on outputs. Outputs are important and we'll continue to monitor those and report on those, not least of all because the performance reserve is based on outputs, so we need to achieve them, otherwise we lose money. But, we also have to deliver results, and in the negotiations with the Commission, the Commission were very interested in what the baseline position was. So, we discussed the baseline and then we discussed a reasonable result to deliver on the basis of the programmes. The programme set out those results—for instance for research and development, it's about competitive research income and getting more income into Wales, so we had to establish the baseline position and then set a target; and for business competitiveness, we have result indicators around business generation and survival rates. So, our evaluation strategy, then, of course, needs to have that focus as well.

[84] We will have a strategy that encompasses engagement with individuals and businesses, and it will be more than happy sheets. It will have to look at the performance of those businesses, and we are working with consultants now on how we can align our data—the data that we gather from businesses—with ONS data, to try to get a better handle on improvements in business productivity. This is something, of course, that the programme monitoring committee, as you would expect, is very interested in. They've set up a sub-group to look at measuring success and they are challenging us on being more sophisticated in how we gather this information.

[85] So, we will have to agree, of course, with the programme monitoring committee an evaluation strategy, and that will have to be submitted to the Commission. We will need to put the resource behind it to make sure that we can deliver the information that you and others rightly have an interest in, but it will go further than, you know, just counting the beans, counting the outputs. But Rob may have more to say on the technicalities.

[86] **Jane Hutt:** You don't have to touch the mic, Rob.

[87] **Mr Halford:** Okay, sorry. Yes, I think Damien's covered the main points. I think the key point to understand about these new programmes, of course, is that the European Commission, in putting this new emphasis on results, has also included the performance framework requirement within the UK partnership agreement. So, they will be looking closely at what we achieve up until 2018, and if we're not performing, there is the prospect of sanctions being enacted. So, we do have to perform, and that concentrates the mind somewhat. But, Damien is right in terms of what he said about the technicalities. We are very much in the position of not relying on happy sheets. The work that our team is doing in terms of analysing business performance and business improvement is pretty much leading-edge. There have been technical challenges around the matching of data and the establishment of counterfactual considerations. That's a process that's been ongoing; there have been difficulties in matching databases, but that work is still progressing. And we're very much more confident now that we'll be in a position to make a better fist of this exercise as we move forward.

[88] The other thing that is just worth mentioning in relation to what Damien was saying about the work of the PMC sub-group in terms of how we measure success is that, if the hallmark of the new programmes is that we're going to achieve concentration and integration, how we measure that, how we establish whether one investment is supporting another and that, as a result, we're adding value, is a critical consideration. So, another way in which we're seeking to improve our understanding of the impact of structural funds is to look again at how we manage the portfolios, look at how we ensure and measure the way in which investments impact upon key themes—those themes set out in the economic prioritisation framework, for example—and also how they align with spatial investments when we talk about particular areas of Wales having key economic opportunities, the incidence of investments in supporting the way in which we capitalise on those opportunities. So, all that is part of the strategy that we're developing, which the programme monitoring committee will have put before it quite shortly.

[89] **William Graham:** Keith.

[90] **Keith Davies:** Thank you, Chairman. In the past fortnight, we've met with the vice chancellor of Swansea University and the chairman of Welsh Water. In discussion with both of them, we've talked about the European Investment Bank and how Swansea University has had a huge amount of money from the investment bank. Welsh Water, I think, a fortnight ago, talked about a £230 million investment. Now, there's a European investment plan, and I'm just wondering—. It's not in your paper, but I wondered, Minister, are there any plans that the Welsh Government has put in to the European Investment Bank in the same way? It was successful with Welsh Water; it was successful with Swansea University.

[91] **Jane Hutt:** Well, thank you for that, Keith, because I've taken a great interest in and engage fully with the European Investment Bank, as have, I have to say, Rhodri Glyn Thomas and, I think, Mick Antoniw as well. It's come through various representations, through the Committee of the Regions and our Welsh needs and circumstances, that we need to, and can start to, integrate our European structural investment funds with opportunities provided through the European Investment Bank. Of course, you only have to look at—. Well, I'm

sure—. Hopefully, all of you have visited or will be visiting the Swansea second campus to see what an extraordinarily transformational project that is, which was with Welsh Government, European regional development fund and European Investment Bank money. It wouldn't be there, as Richard Davies always says, and as he probably said to you when he came to the committee, without all of those contributing sources of finance, which were integrated. There was synergy. But also, I think you can link this not just to—. Because, obviously, the private sector, the public sector, further education colleges are engaging with the European Investment Bank. We're working with them also, in terms of some of our innovative finance developed projects, looking at opportunities for them to play a role. I've certainly discussed the role of the EIB with ministerial colleagues in Ireland as well, where they've made use—. And, of course, the EIB are keen to lend us their money, because it's our money, it's recycled, and they're very keen on Welsh-specific projects. But, I'd also say that, of course, there's been a good collaboration with the JEREMIE funds between Welsh Government and the European Investment Bank. So, I can assure you that it's very much on our agenda, although, obviously, I didn't mention it in my written evidence today. But it's a very important factor in terms of ways in which we're negotiating for the best financial opportunities for Wales.

[92] **William Graham:** Byron.

[93] **Byron Davies:** Thank you. Just a straightforward question, I think, please, Minister: looking at what is an impressive programme here, and you talk about sustainable employment and developing employee skills, et cetera, can you tell me—presumably, you're looking at developing, obviously, skills within the homegrown businesses here in Wales—what you are doing to attract businesses across the Severn bridge, as it were, to develop these skills?

[94] **Jane Hutt:** Interesting discussions; I was hearing earlier on this morning about this, about the work being done by Karel Williams at the University of Manchester and about the ways in which we, you know—. The focus and the balance of our economic development policy—. I think this is where Grahame Guilford's economic prioritisation framework is very helpful in terms of looking at where we focus our investment, because, you know, it seems to me that it's very important that we are supporting our SMEs in Wales, that we're developing, as I've said, that 20% increase in support, particularly in ESF, to develop employee skills and support an innovative and high-quality, knowledge-based economy, and, you know, recognising, as I've already indicated, that business has benefited from not only current structural funds and past structural funds, but that, you know, we have got a significant boost for SME competitiveness in the next round, including business finance worth £198 million. So, you know, we've obviously—. I mean, businesses are coming to Wales, and we've been hugely successful as a Welsh Government in attracting businesses to Wales—

[95] **Byron Davies:** Are we? Are we?

[96] **Jane Hutt:** They are attracted as a result of the infrastructure that we can provide, but we can, of course—. We are improving that infrastructure in terms of connectivity and also research and innovation and development. But also, I think it's very important that we recognise that we have to focus on our businesses here. Now, I think the First Minister gave a very inspirational speech last night—I don't know whether you heard it—at the Commission reception about the businesses that see Wales as a place in which they want to invest—your business is in the European Union and you see it as part of the single market. They are here because of the European Union, and there are 150,000 jobs in businesses that are here, and that's a demonstration of how successful we have been because we're part of the European Union.

[97] **Byron Davies:** I don't doubt that at all. Can I just ask you, then, lastly, what—? A lot of this is based on—we have the metro system or what have you—investing in that, and all

this is, sort of, looking to the future, I guess. What, you know, about the hard jobs now? How are you tackling that with your investment?

[98] **Jane Hutt:** Well, I think I've, you know, answered that in terms of the focus that we've got on funding for SME competitiveness and, particularly, in terms of research and innovation, but, I mean, you know, if you want me to go back to the impact, the benefits, that businesses have secured from structural funds, I will do. I've already given the figures once this morning, so I don't think that's necessary.

10:30

[99] **William Graham:** I think the question was more about the metro project. Would you like to enlarge on that?

[100] **Jane Hutt:** Well, I'm very happy to enlarge on the metro project, because, I mean, one of the significant achievements, I think, in this round is that we've actually got funding for east Wales, which will go towards the metro project. In fact, it can only go towards the metro project, and that's going to make a huge difference. I'm sure Members representing east Wales will be very pleased to hear that. I think, in terms of the tough negotiations—and they were, weren't they, Damien, very tough negotiations—around the transport funding element of the new programme, we, of course, secured funding that would—. They are very keen, the Commission, on the metro, because it is going to enable us to provide sustainable transport. And, as I said earlier on, it's about accessing jobs and businesses accessing labour markets. So, I think the metro—. East Wales has an allocation for the metro. It didn't have that at all in the previous round. And also there's the fact that, of course, west Wales and the Valleys, the urban public transport allocation, which is £138 million, that also can be very supportive towards the metro.

[101] **William Graham:** Thank you very much. Mick.

[102] **Mick Antoniw:** Just following through on that, because, obviously, there are some good things that are happening—I mean, the Welsh Government's money is being put into the Coleg y Cymoedd for the rail electrification apprenticeship training, and so on. But within the actual funding for the metro as one of the big transformational projects—and it's really good to see this at the fore in the way that it has been, I think, endorsed at a European level—obviously, European regional development fund and the figure of £252 million is very important. But, taking us on to the European investment fund list of potential funding that the UK Government has approved and has put in as part of the Juncker programme of £3 billion, which, as I understand it from our earlier discussions, from the European side, is effectively borrowing—a sort of expedient borrowing system facilitated by Europe—how does that match? I mean, where does this figure of £3 billion come from? Because, for many of us who are really supportive and keen on the whole metro project, we haven't yet seen a plan as to what the vision is of the metro, let alone the potential costings. If anything, our concerns have been that it is sort of incrementally piecemeal. How does this also then fit in to the obligations with regard to restrictions on our borrowing powers, and so on? And what are the implications for other aspects of budget expenditure?

[103] **Jane Hutt:** Very pertinent questions. In terms of the Juncker £3 billion, obviously, it's not new money. You've discussed this, and I've discussed that at the JMC, the joint ministerial committee, for Europe only very recently, with finance Ministers from all the devolved administrations. So, we need to protect those areas where there would be a top slice in order to provide funding, although I have to say that we have also submitted our own bids for capital spend in relation to the Juncker funding, the Juncker allocation. I think it's very important that we look to opportunities such as Connecting Europe, where that's a source of funding over and above our structural funds. It is a source of funding of about €33 billion, and

it supports development of trans-European networks. We need to make sure that there's still access for us to that funding and that we're not going to lose out on that, that that's not going to be affected. But I think it's important, going back to the metro, you know, that the national transport plan now out for consultation is very clearly focusing on the metro as a key project. I've already, as finance Minister, allocated funding to the metro under the south-east Wales integrated transport taskforce—in fact, investment of £62 million—which is going towards the south-east Wales metro system. I think they're important points you make, Mick, but the key issue is that the Commission is very keen that we use our allocation for connectivity and urban development on the metro, and that funding will be secured via east Wales and west Wales and the Valleys. So, you know, it's going to be the transformation that we need in terms of connectivity for urban development and access to business.

[104] **Mick Antoniw:** Is it the case that there will be a more detailed analysis of the figure, the project and, I suppose, the timescale, and the overall financial implications in due course on this?

[105] **Jane Hutt:** I'm working very closely with Edwina Hart on this, because she, obviously, is developing this in terms of the ways in which she can use the structural funds to deliver on the national transport plan out for consultation now. And I think the key point about this round is that we need to use our structural funds—the Commission wants us to use our structural funds—to finance a project like the metro, so, you know, time is of the essence, and the detail on the metro, of course, will be forthcoming from the Minister.

[106] **Mick Antoniw:** Thank you.

[107] **William Graham:** Rhun.

[108] **Rhun ap Iorwerth:** Just carrying on from there, there are things that are in the responsibility of the transport Minister specifically, but how do you decide what should be developed through structural funds means and what should be left to see if there are opportunities through the Connecting Europe Facility?

[109] **Jane Hutt:** I think, in terms of transport, it has been very difficult because, as you will be aware, the Commission have not been keen to fund more roads. They're very keen to fund sustainable transport and integrated transport. We worked hard—I think probably Damien has the scars, but he's delivered in terms of successfully negotiating for not just funding for the metro but for the TEN-T network as well. I mean, the fact that we've actually got specific funding for the A40 and the A55, north and west, is very key.

[110] The point about the bids and the process is that—I mean, clearly, you know, we need to ensure that, through the national transport plan, we are responding to the business planning based on economic needs, based on, for example, the enterprise zones in Anglesey and Haven Waterway, which have identified the need for investment in the A55 and the A40—we can then look to our structural funds as a source of funding. Structural funds are a source of funding—they're not the starting point; the starting point is the business planning around the national plan and our Wales infrastructure investment plan as well.

[111] **Rhun ap Iorwerth:** But do you see the TEN-T spending through structural funds and what can be achieved through Connecting Europe as being intertwined, or do you treat them separately?

[112] **Jane Hutt:** Well, no. They have to be intertwined. In terms of Connecting Europe, that's about considering opportunities to access funds like that, because it's a wider EU fund. We've got to start, and our responsibilities, and your interest here today particularly, are on the new round of operational programmes that were approved, which included, of course, the

A40 and the A55. But we need to go beyond that, if we can, to enhance that investment. But, you know, the starting point is, ‘What does Wales need? What do our enterprise zones need in particular? What is going to be the right fit?’, which, of course, could be eligible for structural funds, and then, ‘Can we go beyond that in terms of other EU funds like Connecting Europe?’ I think it’s very tough to get that agreement particularly. But on the TEN-T road network, it’s two sections, of course, of the TEN-T road network that are eligible, but I think, also, the national transport plan identifies where the pinch points are and where the economic need is.

[113] **Rhun ap Iorwerth:** Finally from me, there are other opportunities, too. What have you been able to identify perhaps in addition to what we might have talked about in the past? What new opportunities are you finding to exploit the Wales-Ireland link, for example, to develop TEN-T—because I know you’ve been very involved in the Wales Ireland programme—and, in particular, the port of Holyhead, which, of course, is only a comprehensive, and not a core, port and needs, I think, the opportunities it has through its links with Dublin in order to be able to draw down substantial funds?

[114] **Jane Hutt:** Well, I think Members—well, hopefully—will be aware that I issued a written statement earlier on today to confirm that we’ve got in-principle support for the Ireland Wales programme, which is very welcome. But it’s a small amount of money and, unfortunately, it can’t support infrastructure such as the TEN-T network; it is a small budget. But there can be some transport-related activity supported under the Ireland Wales programme—low-carbon initiatives are one opportunity in terms of transport-related activities, and there are some softer measures relating to transport. I can see the strategic importance in terms of what could be developed with the TEN-T network, but I think the Ireland Wales programme just is too small to deliver that. But, of course, we could look at, perhaps, those softer projects that could be helpful in terms of the links and the transnational added value that we can get through the Ireland Wales programme, particularly in your neck of the woods.

[115] **William Graham:** Keith.

[116] **Keith Davies:** Thank you, Chairman. I think it was earlier this week we had some information from Gregg on the TEN-T networks, and I had a look at them—they showed the maps there, showed Holyhead, and showed Milford Haven. But, in the leaflets that went with it, it actually said there that they would be improving rail connections between Cardiff, Swansea and Milford Haven. It doesn’t say where the money comes from, but it was part of, you know, the improvement with the TEN-T networks. I just wondered whether there was any money for improving the rail westwards from Cardiff.

[117] **Jane Hutt:** I don’t know, Damien or Rob, whether you want to comment on that? I think it’s not in the operational programme.

[118] **Mr O’Brien:** No. Of course, the Connecting Europe fund is managed by the European Commission. It’s under intense demand, particularly in the context of the new Juncker €300 billion investment programme. What we try to with the structural funds is to complement investments under those big strategic programmes. So, you know, transport investments are very expensive; we’re really addressing pinch points on these networks rather than replacing the networks or upgrading the networks, because we don’t have that scale of funding available to us. So, when we consider proposals for funding, our starting point is, ‘Well, is this money needed? Have you explored other sources of funding and, actually, what results are you going to deliver?’ And what we look for in terms of transport are reductions in journey times.

[119] **Keith Davies:** So, are we saying then—when I looked at these papers at the beginning of this week, the TEN-T papers—let’s forget about the structural funds—is there

funding for the TEN-T networks that is independent of, you know, the structural funds?

[120] **Mr O'Brien:** There is funding for the TEN-T network out of programmes like Connecting Europe, but, of course, it will never meet the demands that are placed upon it. There are roads that are designated as strategic routes across the European Union, and they are given priority for investment. The reason that we eventually got agreement on some funding for road investments is that we agreed that we would focus that investment on the TEN-T network, which, because there isn't enough money available to fund all of the ambitions for the TEN-T network—. And it's interesting that a lot of the investment that has come forward through the proposals for the Juncker package is, really, TEN-T related.

10:45

[121] **Keith Davies:** Okay. Thank you. Thank you, Chair.

[122] **Eluned Parrott:** I wanted to come back to the funding of the metro, because you discussed some of the different funding sources that are available—you've allocated money out of the Welsh Government's budget to deliver it, you've allocated money out of the RDF funds and you've also talked about the TEN-T network. Well, frankly, the TEN-T network's priority is to connect European capitals, and so, up until the point where Hirwaun becomes the capital of Ireland, I can't see it being used to extend that rail line for the Valleys network. But Mick's point does remain: there are very specific sums of money being talked about in terms of delivering the south Wales metro and yet there is no project. How can you know how much money to allocate to this project if we don't actually know what the project looks like?

[123] **Jane Hutt:** Well, we will very shortly know. We've already made some specific allocations, of course, in terms of the money that I've made available, in terms of the south-east Wales integrated transport network. I mean, I think, you know, the £11.5 million three-year package we agreed back in 2013-14 for Ebbw Vale railway station extension, seeing that as part of the wider scheme is important, in terms of the Valleys delivery. But, you know, we will get the details; we've got the money, and we want to get on with it and spend it. I mean, it's very interesting that the £28 million we've got for east Wales, the Commission said, can be spent only on the metro.

[124] **Eluned Parrott:** I'm very glad that we've got money to spend, but saying that any improvement to any transport infrastructure in south-east Wales is 'part of the metro' is no credible alternative for actually having a plan, and, in terms of money coming from west Wales and the Valleys, surely the people of west Wales might expect, for example, a metro plan to include improvements that are going to improve the life of commuters in Swansea and the Swansea valleys too—but we don't know, because we don't know what the master plan is. It's very difficult, I think, for us to scrutinise whether or not it's credible, the amount of money we're talking about investing here, without knowing what it is we're investing in. So, you know, the question remains: how are you allocating this money without knowing what it is that we're trying to achieve at the end?

[125] **Jane Hutt:** Well, I mean, obviously, this is very important—the key project for the Cardiff capital region, as you're well aware, and, meeting with Roger Lewis, the chair, and knowing that this is their key project, I can assure you there will be details of this plan very shortly.

[126] **Mr O'Brien:** Can I just add one point, Minister? Of course, the funding that's available for west Wales and the Valleys is for urban mobility, so it's not hypothecated specifically for the metro, unlike east Wales—as the Minister says, there's only one option for east Wales. But, for west Wales and the Valleys, we can invest in improvement in transport in and around Swansea, Bangor. So, we will want to, of course, consider the proposals that come

forward, and we'll be judging them against the results: the improvements in journey times to key employment centres. So, that's the process that the programme monitoring committee has agreed and that's the process that all projects will go through.

[127] **Eluned Parrott:** Thank you.

[128] **William Graham:** Would you like to move on to Horizon 2020?

[129] **Eluned Parrott:** Yes, thank you. I'd like to, yes, move on to Horizon 2020, which is obviously a very big opportunity for higher education institutions in Wales. Previously, this committee has called for there to be a much closer relationship, essentially, between how we're using our structural funds, and the opportunities that Welsh HEIs can be looking to from Horizon 2020. I'm wondering, what, within the programmes that you're planning at the moment—how you are using them to enable Welsh HEIs to be more successful in Horizon 2020 than they were, perhaps, in the EU's seventh framework programme plans.

[130] **Jane Hutt:** This is very important to us and, in fact, we've got the first annual Horizon 2020 event only in a few weeks' time, on 18 February, and, you know, the focus that I'm driving is to achieve those synergies between Horizon 2020 and the structural funds, and to make that difference, that step change, from FP7 achievements. In fact, the focus of the event that we're having on 18 February is a stairway to excellence in Wales, and we've got so many more opportunities, particularly as a result of the work of the chief scientific adviser, Professor Julie Williams, to take this forward. But, also, you know, we've got money for research and innovation through the structural funds. We got £310 million in ERDF funding available in the structural funds for research and innovation, and we do expect that to directly result in an additional £130 million of research income, and that does include Horizon 2020. You know, that does mean that, during this programme period, we could see a considerable increase in competitive and private research funding as well coming to Wales during the life of the programme.

[131] I mean, I think the importance that we've got now and the opportunities about commercialising research in Wales and producing new-to-market products and new-to-firm products is key as well. So, there's a real opportunity now to make that kind of step change, and I know, of course, and I wrote about it in my written evidence very clearly, that we've had very valuable research done to identify how we can maximise the impact of Horizon 2020, as a result of the scoping study. So, it really does mean that we can develop the support structure that we had for FP7, and give it a much greater focus. And we're implementing the recommendations from that study to help us achieve that.

[132] **Eluned Parrott:** I think, Minister, in terms of making sure that there is the intellectual property being generated in Welsh universities and that it's being used and translated, perhaps we need to be thinking again about successors to the Prince of Wales Innovation Scheme, which still have not been forthcoming, and other opportunities in which we can develop early-career researchers. But that's something very separate from Horizon 2020, which is looking at really very big, cross-institutional partnership bids. The big challenge there for HEIs is to be able to fund the kind of networking and the kind of brokering between international institutions that is necessary to put a successful bid together. We need international partners. This is not something that is cheap or easy to create, and, if we want to create the conditions where Welsh HEIs are able to do that, then, obviously, there's going to need to be some form of assistance and support there. So, what kind of assistance and support can you see the structural funds providing to enable that kind of groundwork to happen, so that we can be more successful with Horizon 2020?

[133] **Jane Hutt:** Of course, you're aware, clearly, of SCoRE Cymru and the importance of SCoRE Cymru to deliver this. I think that scoping study, which you clearly are aware of, has

given us a clear guide as to how we could get that engagement. It's a Team Wales approach and it's working closely with the higher education sector in Wales—individual universities, the Higher Education Funding Council for Wales, Higher Education Wales, and also Welsh Higher Education Brussels, in terms of the transnational engagement. I think the fact that we now have those opportunities with the Horizon 2020 unit already—. For example, with SCoRE Cymru, since May 2013, it's awarded £103,000 to 28 organisations, with 78% of that funding going to Welsh small and medium-sized enterprises. Interagency dialogue is key, working very closely with the department for health and social services, as well as economy science and transport, in terms of how we integrate Horizon 2020 future activities. But we've also got, for example, a community of practice, developing experts and evaluators, working together; we've got a support network, working, of course, with the Welsh Government innovation team.

[134] The event in February is going to be a key event in terms of bringing all those partners together. So, you know, I feel that we're in the best place. In terms of the scoping study, it did say we mustn't have unrealistic expectations for making improvements in Welsh performance, but we have got to be ambitious. But if you look at FP7 performance, an increase of 0.7% in the Welsh share of the UK's total funding may be possible for Wales by the end of 2020 if we do take this kind of action. I'm pressing for that, because I think we do need to be very clear that we can make that step change. So, I think that, very shortly, I'll be able to say more about successful bids that are emerging from Wales in terms of Horizon 2020, and we know that 14 Welsh participations have been selected for funding.

[135] **Eluned Parrott:** Minister, you'll be aware that Cardiff University, in the most recent research excellence framework, was assessed as fifth in the UK in terms of the quality of the research that it is putting out now. Cardiff Metropolitan University was the best post-1992 institution. Swansea has also shot up the table. Our institutions are performing incredibly well. The quality of what they offer is superb. I think ambition there is really, really key, and the Welsh Government has a key role here in making sure that those improvements are supported and given the opportunity to fly. Now, I understand that, as part of the work that you've been doing, you put in a COFUND bid in October 2014 with some of our HEIs to develop a Welsh fellowship fund. Obviously, this feeds into what I was talking about in terms of POWIS and early-career researchers and trying to make sure that there is that opportunity to develop commercialisation. Can you tell us what the status of that bid currently is?

[136] **Jane Hutt:** This goes back, as I said earlier, to the important and crucial engagement of the chief scientific adviser in this work, which you will be very well aware of, working very closely to develop that Welsh COFUND bid and also to—. I mean, that was submitted last year, as you said, last October, the COFUND bid. Just for Members' understanding, this is a bid that is for strengthening international research capacity in Wales, which is what COFUND is geared to. We expect an outcome from that shortly in terms of that bid. But also, I think, equally important is the fact that the chief scientific adviser has also put in a related bid for the Welsh fellowships scheme structural fund proposal. There has been advice and engagement with Horizon 2020 for that. So, I mean, I think those are examples of ways in which embedding Horizon 2020 in WEFO is already having a beneficial impact and linking it very closely to the work of the chief scientific adviser and Sêr Cymru, which we had comments on yesterday, I think, in questions to me in Plenary on the business statement. Because, as you say, there are fantastic results in terms of the research exercise assessment, not just for Cardiff and Swansea and Cardiff Met. So, I think, you know, we have got everything going for us and we're taking the advice and we are engaging, not just in the Government in terms of all-department engagement, but with HEIs. I hope that the event on 18 February will demonstrate the impact we're having.

[137] **Eluned Parrott:** Thank you, Chair.

[138] **William Graham:** Members will recall that the annual Horizon 2020 event, which the Minister is now undertaking, was one of the recommendations we made to the Minister; I am grateful to you for taking up that suggestion. Thank you. Joyce.

[139] **Joyce Watson:** Good morning, Minister. I want to ask first of all a question about the European globalisation adjustment fund and whether you know if the UK Government have made an application to that with regard to the Murco oil refinery situation.

11:00

[140] **Jane Hutt:** I'm sorry; I can't answer that question. I don't know if either Damien or Rob—. Could we perhaps write to the committee on that point?

[141] **Joyce Watson:** Okay. I'll go on to ask you questions around the EU funding opportunities panel that has been set up. We would like, as a committee, to gain greater understanding of the role that will be played by the ambassador panel, how in practice that panel will engage with all the Ministers and departments involved in delivery of the structural funds, and how they will co-ordinate across all directly managed funds.

[142] **Jane Hutt:** Thank you very much, Joyce. As you know, I have appointed this panel of EU funding ambassadors: Dr Grahame Guilford, Hywel Ceri Jones and Gaynor Richards. They've agreed to serve as a small panel to help promote and maximise opportunities, particularly those presented by the directly managed funding programmes of the EU, because the committee has been concerned, and I've been concerned, that we're not taking full advantage of those directly funded programmes. The ambassadors all have got their own valuable experience and expertise, particularly relating to particular sectors. So, we will be using those ambassadors in order to maximise those funding opportunities, advise me and other Ministers on how Wales can be more successful in accessing the funding, and also to other sectors. Many of you will be aware of Gaynor Richards MBE who is at the very forefront in the third sector as director of Neath Port Talbot Council for Voluntary Service. She is very engaged in wanting to engage particularly in some of the funding streams that relate to health and social care and tackling poverty outside the structural funds. That's just one example, of course. Grahame Guilford is also very involved already in terms of his role in the programme monitoring committee, Horizon 2020 and research and development funds. Hywel Ceri Jones is involved in terms of skills and apprenticeships for international engagement and the Erasmus programme. So, they're all getting stuck into these roles already.

[143] We're also undertaking mapping of potential EU funding opportunities, and that's something that we're doing work on alongside Wales House, the Welsh Government EU office and the European Commission office in Wales. David Hughes might have mentioned this earlier on.

[144] **Joyce Watson:** Thank you, Minister. You mentioned the Wales House and the Welsh Government taking a stronger strategic role in the Wales House, and that you would provide a centralised contact point for organisations in Wales and those outside Wales looking for Welsh partners. Could I ask the Minister if you're able to give us an update on the actions that have been taken to implement the agreed recommendations of the committee's EU funding opportunities inquiry?

[145] **Jane Hutt:** I was very positive about those recommendations from the committee. I've started to undertake, on my visits to Brussels, meetings with all the stakeholders and partners, with cross-sectoral representation of course, at Wales House, which have proved to be very valuable. I know that the Welsh Government EU office has started having discussions with Wales Council for Voluntary Action, and discussions are planned with the Federation of

Small Businesses, the Confederation of British Industry Wales and CollegesWales in the coming weeks to see how we can strengthen co-operation in Wales House. I'm sure Gregg is probably aware of these discussions as well. So, we took this approach following the recommendations, and my experience of bringing together all of those stakeholders currently represented at Wales House means I will be able to come back to this committee to show the strengthened arrangements that we've got, and see what improvements can be made.

[146] **Mick Antoniw:** I wanted to raise a new matter.

[147] **William Graham:** By all means.

[148] **Mick Antoniw:** I'd like to just raise the issue of the transatlantic trade agreement and the potential implications of that for Wales, both financially and organisationally. I was wondering if there's been any serious consideration by Welsh Government of the negotiations that have taken place and what the potential implications might be.

[149] **Jane Hutt:** This is something that came up in a debate—I think it was an opposition debate before Christmas, at the end of the year—and the Minister for Economy, Science and Transport responded to that and gave a very firm and vigorous line in terms of Welsh Government's position. But also, this has been raised at the European joint ministerial committee, which I sit on, and particularly in relation to the concerns that we have about the potential impact on our public services and the national health service in particular. Now, I know that there's—. I would be very happy to share what I've said to the joint ministerial committee, and to share that with this committee, if that would be helpful, in those arenas.

[150] **Mick Antoniw:** Minister, I think that would be helpful. I think my concern is this: many of the impacts of the agreement have been narrowed down as though it's just about the NHS and certain public services, but there are many other broader implications that I think probably haven't reached devolved governments, federal structures within European countries and so on, partly because they've been deliberately excluded, by decisions by member states, from any engagement within the process. So, potential spin-offs and consequences may well impact on us, but we don't have any input into the considerations and discussions that have taken place. I just wonder—I know this committee may consider possibly doing some work on this—whether the potential financial implications for not only Welsh Government, but also local government, and some of the broader concerns, is something that perhaps would be worth considering and perhaps for further discussion, at either joint ministerial level or in terms of representation to UK Government.

[151] **Jane Hutt:** Well, those wider concerns certainly have been raised and discussed at the JMC by colleagues from Scotland and Northern Ireland, as well as myself, although recognising also the strengths and importance of trade with the US as well. I think that was reflected in the very useful opposition debate that we had, and the Minister for economy responded to that, not indeed the health Minister. So, those wider concerns have been raised and acknowledged. We have been given reassurances about these issues by not only the Europe Minister and the foreign Secretary, but also the Commission. I think, in fact, William, you also referred to some reassurances that you had received. But, I think, these are matters which—. If the committee's interested, I am certainly happy to give you what I've done in terms of my representations.

[152] **William Graham:** That would be very helpful.

[153] **Mick Antoniw:** I'll leave that matter there then for now, Minister.

[154] **William Graham:** Thank you very much. Keith is next.

[155] **Keith Davies:** In your paper, Minister, you talk about directly managed EU funding programmes, and in the evidence we had last year, that stood out. There was the creative industries fund because we had a producer or director—I can't remember what position he held—from *Hinterland* saying that they'd received £0.5 million, I think, towards preparing that programme. We also met students in Cardiff Metropolitan University on the Erasmus+, and we were told that the Erasmus+ programme has increased significantly this year in terms of the amount available. I just wonder how do we get those messages out. Is it the ambassadors that do it, or how does the Government try to get more people going into the creative industries fund, and also to get more students on the Erasmus+ programme?

[156] **Jane Hutt:** Well, certainly, that was one of the major roles I had conceived with the appointment of the European funding ambassadors: that they would be able to promote in Wales, and promote not just through the Welsh Government, but with all those interested stakeholders, partners, and potential beneficiaries, in terms of those funds. I think that you point to two of the most important—the creative industries and Erasmus—and it's been very helpful that this committee has brought this out to the fore, in terms of more recognition and acknowledgement. I think, also, that one of the things that we want to do, and this is something that has been done in partnership with the rest of the Wales House team, as I said, is produce a web-based portal with contact details about all of the organisations that can help and provide information about other EU funds, and can also help with partner search and provide advice on funding opportunities. So, that's something that, again, I would say that this committee has helped to move forward, in terms of your recommendations and your understanding of gaps where we could maximise opportunities for accessing directly managed funds. We will be able to, again, announce how this is going to come forward. I hope this web-based portal will be in place very shortly.

[157] **Keith Davies:** Thank you. Thank you, Chair.

[158] **William Graham:** Minister, just for completeness, just two questions, if I may. In your paper, you said there's a:

[159] 'stronger focus on achieving outcomes and results from EU investments'.

[160] So, do you intend to publish any output and outcome data for live projects?

[161] **Jane Hutt:** Certainly, not just through the evaluation and monitoring outcomes, which, I think, must be as transparent as possible, and are all available on the WEFO website, but I think we will look to ways in which we can demonstrate—. I feel that this is a key test of us in Government: that we can demonstrate the impact that we're making in terms of results. So, I think we'll look to a way in which we can publish that.

[162] **William Graham:** Thank you very much. If I may, I want us just to go back to the scoping study into Horizon 2020. Time frames, Minister, on that, please.

[163] **Jane Hutt:** The scoping study has been undertaken—the CM International scoping study. It's the recommendations that we are now delivering, and, if you would like something more from me on how we are implementing those—. I've given you an account of some of those recommendations, but I can certainly add to that, if that would be helpful. I think that a lot of that will be reported at the event on 18 February.

[164] **William Graham:** Right; any information would be most gratefully received. Thank you, Minister. Gwenda, do you have a question?

[165] **Gwenda Thomas:** Yes; thank you. Picking up on your mention of health and social services in your previous reply to Eluned Parrott, and my need to understand the scope and

possible limitations of this round of funding, I know that we're all aware of the need for research into future demands for social care and the way that we pay for it, and the need for innovation in its delivery. Considering also that the independent sector is a major employer in the field of social care, I read in your paper, under the heading 'ESF programme', that it includes a 20% increase in support to develop employee skills that will support an innovative and high-quality knowledge-based economy. I'm wondering if that can include, or will include, the social care staff who need this high-quality training. Also, on Horizon 2020, we know that there's excellent research going on now into future demands for social care, and I'm wondering if this fund could be made available for research into social care, particularly, for example, in the establishment of the institute for social care that is proposed under the Social Services and Well-being (Wales) Act 2014. I very much welcome the establishment of the panel of ambassadors, and the inclusion of Gaynor Richards on that panel, and I'm wondering how Welsh organisations will get to know about the existence of the panel.

[166] **Jane Hutt:** Thank you very much indeed, Gwenda. Well, I certainly think that every opportunity should be taken in the social care sector to make sure that there is a way in which the social care workforce can benefit from that extra 20% increase in support for employee skills. It's crucial, as we know, in terms of quality and standards of the social care sector. I'm not aware of whether we have been able to use in the past, European structural funds, to support—particularly support—the social care sector in this way, but certainly, we'd want to look into this. Of course, there is funding available for apprenticeships in the social care sector and, of course, a lot of that Welsh Government funding is also supported with structural funds. So, I'll certainly take that back.

11:15

[167] I think we've got every opportunity, particularly with the skill and professional expertise of Professor Julie Williams, to make sure that the work that's being developed to help promote eligible Horizon 2020 bids could, and should include, and does include, life sciences, health and social care. There's no question about that, because of the strength that we've got, particularly in Cardiff and Swansea universities, to deliver on that. In fact, certainly some of the successful funding that was secured under FP7 was in the life sciences. So, again, that's something that we will take back to our Horizon 2020 colleagues to look at this further. I mean, it's not available—wouldn't be so much available, I wouldn't have thought—in terms of funding actual new institutions or establishments, but the appropriate work of the institute may be eligible. And your third point, yes; in fact, I met with Gaynor Richards last night at the European Commission office, and she was asking me to come and speak at a west Wales voluntary sector and third sector event on European funding on Europe day. So, obviously, I've given a lot of information—I've issued written statements and public statements—about the new ambassadors' roles and who they are and their engagement, but I certainly feel that Gaynor Richards, particularly, will be targeting the third sector and looking at those areas of tackling poverty and health and social care.

[168] **William Graham:** Rhun.

[169] **Rhun ap Iorwerth:** Thank you. Can I ask you, finally from me, I guess, to, sort of, publicly state your level of expectation for what we might expect this third tranche of major structural funds to achieve? Because, no doubt, there have been many, many success stories throughout Wales on a local level in terms of outcomes over the past nearly 15 years, but we know that if we look at the big picture, it has not had the transformational effect on Wales that we would have wanted. That's why, of course, Wales, along with, I think, only Cornwall and the Scilly Isles, has been eligible for a third round. So, what is going to be different this time round? Are you confident that things will be different, and that there can be a substantial step forward, in terms of increasing Wales's GVA and GDP in relation to the rest of Europe this time, and what gives you cause for that optimism this time?

[170] **Jane Hutt:** Well, I think—. I welcome that final and big all-encompassing question, really, because, this round of programmes, as I said at the beginning, at the outset this morning, is not business-as-usual investment. It's got to be much more focused. It's got to be, as we've discussed fully, about impact and results. It's only one strand, in terms of impact on the Welsh economy. You know, it is going to help us. These funds are going to help us with the key challenges that face the Welsh economy and labour market. But, of course, many of those are much longer-term structural issues that are going to take time and sustained investment to resource. So, although it's only one component, I do believe that the next round of structural funds will have a key role to play in the transformation of the Welsh economy. Of course, jobs and growth will help to tackle our overriding priority, which is to tackle poverty, which, of course, was Jeff's first question this morning.

[171] **William Graham:** Well, thank you very much, Minister, for answering our questions, and to your staff today. We're most grateful to you for your attendance; thank you very much.

11:20

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**
**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

Cynnig:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod yn unol â Rheol Sefydlog 17.42(vi).

*Cynigiwyd y cynnig.
Motion moved.*

Motion:

that the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[172] **William Graham:** I now move a motion under Standing Order 17.42. Thank you for your agreement. The meeting is now closed to the public.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:20.
The public part of the meeting ended at 11:20.*