



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

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

**Dydd Iau, 19 Ionawr 2012**  
**Thursday, 19 January 2012**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee. In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol****Committee members in attendance**

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Leanne Wood	Plaid Cymru The Party of Wales

**Eraill yn bresennol****Others in attendance**

Alun Davies	Aelod Cynulliad, Llafur (y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a Rhaglenni Ewropeaidd) Assembly Member, Labour (the Deputy Minister for Agriculture, Food, Fisheries and European Programmes)
Rob Halford	Pennaeth Cynllunio a Strategaeth, WEFO Head of Planning and Strategy, WEFO
Damien O'Brien	Cyfarwyddwr Rhaglenni Ewropeaidd, Llywodraeth Cymru Director of European Programmes, Welsh Government

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

Gwyn Griffiths	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Siân Phipps	Clerc Clerk
Meriel Singleton	Dirprwy Glerc Deputy Clerk
Ben Stokes	Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 10.00 a.m.*

*The meeting began at 10.00 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introduction, Apologies and Substitutions**

[1] **Nick Ramsay:** I welcome Members, witnesses and members of the public to today's meeting of the Enterprise and Business Committee. This meeting will be held bilingually. Headphones can be used to listen to the simultaneous translation from Welsh to English on channel 1, or for amplification on channel 0. The meeting is being broadcast and a transcript

of the proceedings will be published. I remind Members to turn off their mobile phones, BlackBerrys and other electronic equipment. I also remind Members and witnesses that there is no need to touch the microphones, as they should operate automatically. In the event of a fire alarm, please follow directions from the ushers. We have apologies today from Joyce Watson and Leanne Wood, but we have no substitutions.

10.00 a.m.

**Ymchwiliad i'r Cynigion Deddfwriaethol Drafft ynghylch Cronfeydd  
Strwythurol yr UE ar gyfer 2014-20: Craffu ar Waith y Gweinidog  
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Ministerial Scrutiny Session**

[2] **Nick Ramsay:** I welcome Alun Davies, the Deputy Minister for Agriculture, Food, Fisheries and European Programmes, along with Damien O'Brien and Rob Halford. Thank you for agreeing to come today and for providing written evidence, which was exceptionally prompt and understandable to the committee. You have ticked two big boxes there, so thank you for that. Would you like to make a short opening statement, of no more than two minutes, before we launch into the questions that we have for you?

[3] **The Deputy Minister for Agriculture, Food, Fisheries and European Programmes (Alun Davies):** No. I hope that the written evidence that we have provided is clear, so our time might be best spent if we go straight into the questions.

[4] **Nick Ramsay:** Okay. The first question is from me. What is your overall opinion of the draft legislative proposals presented by the European Commission in October? Are you satisfied that these provide a robust strategic framework for economic investment in Wales for 2014-20?

[5] **Alun Davies:** Yes, I think that we are. If you look at the evidence that we have provided, you will see that there were no surprises when the legislation was published in October, and we provided a statement on it to the committee at the time. We welcomed the package as a whole, and we believe that it provides the sort of framework that we in Wales need and which is needed across the European Union to address some of the structural economic issues facing the continent. As such, we were pleased with very much of what we saw.

[6] We will be seeking to continue discussions with the Commission and others about particular aspects of the package. So, we will continue to be a part of the process of discussion and debate, which will probably not be completed until the end of this year. So, we continue to be engaged in a wide-ranging political debate with parliamentarians, with the Commission and, of course, at the European Council level as well. However, I am anxious for people in Wales to feel part of this as well.

[7] On 1 December, we launched a reflections document at the Liberty Stadium in Swansea, which was welcomed at the time. However, I am anxious for it to stimulate a debate here in the Assembly, and we have a debate in Plenary next week. I am hoping that that will ensure that people who have views on the future of European programmes will be able to find a way of expressing those, and that that will then contribute to our overall view as a Government. We will continue on the basis of what we have learnt through this exercise in engaging with our friends across the European Union to see how we might seek some amendments to the packages that have been published. So, we very much welcome what has been published, but, as I keep saying to this and other committees, this is very much work in progress. We are at the beginning and not the end of the process, so there is a long way to go.

[8] **Nick Ramsay:** I should have pointed out, Deputy Minister, that we have quite a number of questions, and I know that Members particularly want to reach some of the last ones. So, if I am moving you and Members on, it is just so that we can make progress.

[9] **Byron Davies:** Evidence from Welsh stakeholder organisations, particularly from the HE sector, showed broad support for the European Commission's draft legislative proposals. The general view is that primary attention should be placed on preparing Wales for the future funding programmes rather than seeking to influence the negotiations in Brussels. Do you broadly agree with that view?

[10] **Alun Davies:** No. We have to do both. You cannot begin to plan a series of programmes if there are issues with the legislation that underpins that work. So, it would be irresponsible of this Government to withdraw from any negotiations, either with the UK Government, the Commission, the Parliament or with the European Council, at the point at which these proposals have been published. We are still waiting for the implementing regulations to be published—the strategic framework—and I assume that they will be published soon. It was due in January, but we assume that it will now be published in February. We do not know what the regulations contain yet. To withdraw from discussions on a document that we have not seen yet would be an irresponsible point of view for the Government to take. Having said that, we have to prepare for the programmes we expect to see delivered and anticipate will begin in Wales post 2013. As a committee, you will be aware that I have already created the architecture within and outside Government to ensure that that happens.

[11] I remember as a backbencher when I was first elected that one of the criticisms that was made, particularly by local authorities in west Wales, which I then represented, was that it was very difficult to access money and that money was not coming through immediately. That was a function of the planning that had gone on prior to that period. This time, we are anxious to ensure that, when the 2014 programmes kick in, we are able to start work on them straight away and we hit the ground running. To do that, we have established the post-2013 programme forum, which has already met, and which will meet again towards the end of next month. The ministerial advisory group has begun its work and will meet again next week. We have structures to involve our partners across the whole of Wales in the planning of these programmes and to drive up planning through Government so that we are operating on a number of different levels.

[12] That planning is going on and it might be useful if I try to find ways to share with the committee some of the work I have been undertaking within Government so that the committee can better understand the work we do. I will make reference to that in my speech in opening the debate next week. So, we will have an opportunity to do that. It might be useful for the committee to scrutinise some of that work, perhaps towards the end of this year when we have something concrete to propose to you.

[13] With regard to walking away from debates in Europe, I do not think we should ever do that. Byron, you know that I have criticised the Prime Minister—others did; in fact, I think everyone did—for walking away from discussions in December—

[14] **Nick Ramsay:** I do not think that the First Minister did.

[15] **Alun Davies:** I think he did. Leaving an empty seat is not a good position to be in.

[16] **Nick Ramsay:** That is a very positive suggestion with regard to our following up the outcome of what you have to say, so thank you for that suggestion, Deputy Minister.

[17] **David Rees:** Good morning, Deputy Minister. In your written evidence, you indicated that the UK Government's aim is to reduce the EU budget, particularly in the wealthier member states, with the ultimate aim of eliminating structural funds altogether. I also understand that the UK Government is not supporting the introduction of the transition category that has been coming through. That being the case, there are clearly some concerns with regard to possible support for the match funding side of EU funding. What assurances have you had from the UK Government that it will continue to support EU structural funding for poorer regions within wealthier member states, such as ours?

[18] **Alun Davies:** The UK Government is now on record as saying that, in the next round, it will support funding of the type you describe. We are closely involved in developing the UK negotiating positions. At official level, we have daily contact with the UK Government. The UK fully recognises the importance of funding for west Wales and the Valleys and the impact that structural funds will have on the Welsh economy. It is something we discuss at official level daily or weekly, and it is certainly something I have discussed with my counterparts in the UK Government. I have discussed it several times at the joint ministerial committee on Europe. We have met three times since my appointment and it has been raised at each meeting. I expect it to be raised again when we meet on 2 February. So, we have that contact.

[19] I attended a General Affairs Council meeting in Brussels before Christmas, and I would like to emphasise that it was the first time a Minister from a devolved administration anywhere in the UK had attended that council. I and Mark Prisk from the Department for Business, Innovation and Skills attended on behalf of the United Kingdom. The UK negotiating position is something that was developed with our Governments working together. Although we have some disagreements with the UK Government from time to time, it is important that we emphasise that the two Governments work together for the benefit of Wales and to ensure that the UK position always reflects Welsh needs and where particular Welsh interests are at stake in negotiating positions or what is being discussed in individual meetings. So, we have a good, strong relationship at official level, which works well. At a political level, we are ensuring that a Welsh voice is there, which is the first time that that has happened, and also that, when UK Ministers are speaking, they reflect Welsh needs. So, we are working at different levels to ensure that Wales is represented fully in all of these negotiations.

[20] **Nick Ramsay:** On that—I think that it is great that we have that Welsh voice—are you confident that it is not just a token Welsh voice, but that you are having a genuine input that will make a difference for Wales?

[21] **Alun Davies:** I am. If you take the situation that we were in before Christmas in Brussels, three of us—myself, Mark Prisk and Sir Kim Darroch, the then UK permanent representative—were sitting round a table discussing the approach that the UK delegation would take to the general affairs council. Our discussions were based on papers that Damien and others had been involved in developing. So, we have contact at official level, which is an ongoing relationship, notwithstanding where the current negotiations are, and then, at a political level, we ensure that the Welsh voice is there and that, when we are in discussions in Brussels, that voice is heard around the table before going into a full council meeting. I know from speaking to Ministers in a previous UK administration that having a Welsh Minister in the delegation room, or the Ministers from Scotland or Northern Ireland for that matter, is a huge and important asset. It means that the Minister who is leading the UK delegation—usually, but not always, a UK Minister—has to bring the Welsh voice into those discussions and negotiations. I cannot emphasise too greatly how important it is to have a Welsh ministerial voice in those discussions and negotiations so that the Welsh voice is a central part, where necessary, of the overall UK position.

[22] **Keith Davies:** Yn eich papur, rydych yn sôn am wahaniaethau rhwng fframwaith gyllido y Llywodraeth yn Llundain a'r un gennym ni yma. Gyda'r argyfwng yn Ewrop a'r galw am doriadau dwfn yn Lloegr, a ydych yn rhagweld y bydd hynny'n amharu ar y cyllid a fydd yn dod atom yn y dyfodol?

**Keith Davies:** In your paper, you discuss the differences between the budgetary framework of the Government in London and ours here. Given the crisis in Europe and the call for deep cuts in England, do you anticipate that that will have a damaging impact on the funding that will come to us in future?

[23] **Alun Davies:** Rwyf yn gobeithio na fydd. Rydym yn gwybod, ac mae'n fater o record gyhoeddus, fod gan Lywodraeth Cymru farn wahanol iawn i Lywodraeth y Deyrnas Unedig ar gyllideb y Comisiwn Ewropeaidd. Rydym wedi trafod hynny ac rwyf yn codi hynny mewn trafodaethau gyda Llywodraeth y Deyrnas Unedig, ac mae hynny'n fater cyhoeddus. Rwyf yn mawr obeithio na fydd y difrod a wnaeth David Cameron i sefyllfa'r Deyrnas Unedig yn y trafodaethau Ewropeaidd cyn y Nadolig yn parhau. Rwyf yn credu bod Prif Weinidog y DU wedi gwneud sawl camgymeriad yn ystod y trafodaethau ym Mrwsel cyn y Nadolig, ond rwyf yn mawr obeithio na fydd hynny yn amharu ar ein gallu i gyfathrebu a negodi gyda'n cyfeillion yn yr Undeb Ewropeaidd i sicrhau bod lle i Gymru a'n buddiannau yno.

**Alun Davies:** I hope that it will not. We know, and it is a matter of public record, that the Welsh Government has a very different view from that of the UK Government on the European Commission budget. We have discussed that and I raise that in discussions with the UK Government, and that is a matter of public record. I very much hope that the damage that David Cameron did to the UK position in the European negotiations before Christmas will not prove lasting. I think that the Prime Minister made several mistakes during the negotiations in Brussels before Christmas, but I very much hope that that will not impair our ability to communicate and negotiate with our colleagues in the European Union to ensure that there is a place for Wales and our interests there.

[24] Rydym yn gwybod bod pwysau ar y gyllideb Ewropeaidd. Rydym hefyd yn deall y bydd yr argyfwng sy'n digwydd yn ardal yr ewro yn effeithio ar yr hyn sy'n digwydd o ran y cytundeb ar y gyllideb. Rydym yn gobeithio y bydd cytundeb eleni. Rwyf yn amau bod hynny'n bosibl ambell waith, ond bydd yn rhaid inni weld sut mae'r trafodaethau'n mynd yn ystod y flwyddyn.

We know that that is pressure on the European budget. We also understand that the eurozone crisis will have an impact on what happens when it comes to the agreement on the budget. We hope that there will be an agreement this year. I sometimes doubt whether that is possible, but we will have to see how the negotiations go over the year.

10.15 a.m.

[25] Fodd bynnag, pe bai toriad yn y gyllideb, byddai hynny'n effeithio arnom ac ar yr arian a fydd yn dod i Gymru, ac nid ar yr arian strwythurol yn unig, ond ar ochr y PAC hefyd. Felly, gall Cymru weld effaith ddwywaith os yw'r gyllideb Ewropeaidd yn cael ei thorri yn ddifrifol. Mae hynny'n rhywbeth rydym yn ei godi yn aml gyda Llywodraeth y Deyrnas Unedig—ac mae'n destun pryder i mi ambell waith.

However, should there be a cut in the budget, that would have an impact on us and the funding that will come to Wales, and not just on the structural funds, but on the CAP side of things as well. Therefore, potentially, Wales will feel a double impact if the European budget takes a serious cut. That is something that we raise frequently with United Kingdom Government—and it is a cause of concern for me at times.

[26] **Julie James:** Good morning, Deputy Minister. Turning to the slightly different topic of the proposed strategic framework, and the partnership contracts under that, the committee has heard evidence from you and from various stakeholders about how it might work. Worries

have been expressed to us about our ability to structure that partnership contract to suit the interests of Wales. I am looking for your assurance that the partnership contract can be made to work for Wales, as a vehicle for our aspirations, as opposed to a controlling mechanism, if you like, at member state level. Indeed, Derek Vaughan MEP and the WLGA have suggested to us that there may be a possibility of negotiating a partnership contract between Wales and the European Union directly. Can you comment on that possibility?

[27] **Alun Davies:** A partnership contract is designed to be a very broad strategic document. At the moment, the Commission is looking for that to be delivered at the member state level. In itself, that does not necessarily cause me concern. I have discussed this matter very briefly with Mark Prisk on the margins of last month's council meeting, and I think that there is recognition within BIS that Wales has particular expertise, as well as a particular interest, in how these contracts are delivered. Ultimately, the sorts of mechanisms that we are looking at to deliver these programmes are all held by the devolved Government. So, it would be very difficult for the Government in London to deliver many of these programmes. I certainly have no reason to believe at present that we would have any difficulties with a partnership contract that exists at a United Kingdom level.

[28] I do not have any political or ideological problem with that. The only problem that I would have is if there were practical problems in delivering it and in ensuring that we have room to breathe, as it were, and to create programmes post 2013 that can deliver on the Lisbon agenda, which is a part of our approach to government here in Cardiff, and have the levers available to us to deliver those programmes.

[29] I understand the debates and discussions that are going on at the moment. I do not have a problem in principle with a partnership document at a UK level. I think that, again, we will have to wait to see what the strategic framework says about how that will be designed and delivered; we do not know that yet. I would be concerned to ensure that we, as a Government here, are able to deliver the programmes that we are looking at developing. So, we certainly need room to breathe, and we need room to manage. I have had no indication at all that the UK Government has any difficulties with that.

[30] **Alun Ffred Jones:** Dywedwch eich bod am sicrhau lle i Lywodraeth Cymru anadlu. Er mwyn ei sicrhau, oni fyddai'n well wrth gytundeb partneriaeth yn uniongyrchol â'r Undeb Ewropeaidd? Pe bai'r cytundeb ar lefel Brydeinig yn rhy gaeth am ba reswm bynnag, byddai'n rhy hwyr i'w newid.

**Alun Ffred Jones:** You say that you want to ensure that the Welsh Government has room to breathe. In order to achieve that, would it not be better to have a direct partnership agreement with the European Union? If a British-level agreement was too restrictive for some reason, it would be too late to change it.

[31] **Alun Davies:** Dywedwch y byddai hynny'n *fait accompli*, ond nid yw. Nid ydym wedi gweld y rheoliadau fydd yn gweithredu'r polisiau hyn eto, felly nid ydym yn gwybod o ba le y byddwn yn dechrau. Mae'r Comisiwn wedi dweud yn glir bod disgwyl i ddogfen y cynllun a'r fframwaith ddod o'r aelod wladwriaeth. Dyna'r sefyllfa ar hyn o bryd: os nad yw'r rheolau'n newid, hynny fydd yn digwydd. Nid wyf wedi edrych ar gynig gwelliant i'r ddeddfwriaeth i newid hynny. Ar hyn o bryd, nid oes rheswm i mi feddwl y bydd y sefyllfa rydych yn ei disgrifio yn digwydd.

**Alun Davies:** You say that it would be a *fait accompli*, but it is not. We have not yet seen the regulations that will implement these policies, so we do not know where we will be starting from. The Commission has stated clearly that it expects the scheme and framework document to come from the member state. That is where we are at present: if the rules do not change, that is what will happen. I have not considered proposing an amendment to change the legislation. Currently, I have no reason to think that the situation that you described will arise.

[32] Felly, ar hyn o bryd, rwyf yn hyderus y bydd gennym y fath o gytundeb y mae ei angen arnom i gyflawni ein rhaglenni yn ystod y cyfnod nesaf. Fodd bynnag, mae'n rhaid i ni barhau i negodi i sicrhau bod hynny'n digwydd. Dyna paham y dof yn ôl at eich cwestiwn cyntaf—mae'n hynod bwysig ein bod yn rhan o'r trafodaethau hyn a fydd yn parhau yn ystod y misoedd nesaf. Dyna paham mae'n hynod o bwysig bod cynrychiolwyr o Gymru yn rhan o'r trafodaethau gyda'r Comisiwn ac yn parhau i drafod gyda Llywodraeth y Deyrnas Unedig i sicrhau ei bod yn deall ein sefyllfa. Ar hyn o bryd, Alun, nid oes gennyf reswm i ofni hynny.

Therefore, I am currently confident that we will have the kind of agreement that we need to deliver our programmes during the next period. However, we must continue to negotiate to ensure that that happens. That is why I come back to your first question—it is extremely important that we are a part of these discussions that will continue over the coming months. That is why it is extremely important that representatives from Wales are involved in the discussions with the Commission and continue to discuss with the UK Government to ensure that it understands our position. At present, Alun, I have no reason to be concerned about that.

[33] **Nick Ramsay:** Ken Skates has a question on conditionalities.

[34] **Kenneth Skates:** On conditionalities, the UK Government, in its explanatory memorandum on the EU structural funds proposals, has said that the macro-economic conditionalities would not apply to the UK, which would mean, de facto, that Wales would not be affected by these. Is this your view and have you had any discussions with the European Commission to clarify this point?

[35] **Alun Davies:** I understand that the UK Government is seeking clarification on that exemption. There is little general support for these conditions from any of the member states. On the ex-ante conditionalities—preconditions, if you like—we are currently concerned to ensure that they are directly relevant to the programmes themselves and do not overextend the competence of the Commission. It might be useful for Rob to explain how the smart specialisation strategy could act to fulfil requirements in terms of ex-ante conditionalities.

[36] **Mr Halford:** The ex-ante conditions, or preconditions, are conditions that would need to be met to satisfy the Commission that the investments being made are truly strategic and will achieve the right kind of impact. So, in the papers that we have seen from the Commission, most of the examples of ex-ante conditions suggest that member states would need to have specific strategies in place to guide that investment. So, the Commission would expect member states to have in place strategies to guide future investments. The smart specialisation area is a case in point, where, before the Commission would seek to make funds available or pay funds to member states, we would have to demonstrate that we have a strategy that would guide that kind of investment. We do not have a particular problem in Wales with this, because we have a fairly well developed suite of strategies—some of which may need to be refined and enhanced. However, compared with some of the other member states, in particular some of the accession countries, where perhaps such a strategic framework does not exist, we do not anticipate the kind of problems that others may do in this regard. So, from an ex-ante condition perspective, we are reasonably relaxed, although we recognise that we would have to do work to up our game, if you like, given some of the considerations that the Commission has around smart specialisation in particular. For example, it talks about the need for the peer review of strategies, which would be a new requirement for us. Therefore, in general terms, we are comfortable with the ex-ante conditions in the terms in which we have seen them expressed to date.

[37] **David Rees:** I remember checking whether there were discussions in relation to urbanisation as well as to post and preconditions. If the UK is not exempt from these



conditions, what discussions have you had with the UK Government and, perhaps, the Commission about the partnership contract that the UK may have as a member state not impacting upon operational programmes in Wales? We may not have an impact on something going on elsewhere in the UK, but that may have a consequence for Wales if funding is taken back.

[38] **Alun Davies:** Discussions at official level are ongoing on these matters. At the moment, it is our understanding that the UK will not be subjected to any of the macro-economic conditionalities that are being discussed in parallel to debates on structural funds. I do not have a problem in principle with conditionalities in terms of taking this forward. What we are concerned with is that they are proportionate and relevant. At the moment, as I say, we are moving away from the beginning of these discussions, so you are right to raise this in terms of potentials, but we are not there yet. At the moment, we are involved in discussions with the United Kingdom Government that will enable us to have a partnership contract that recognises the reality of devolution and our settlement in the United Kingdom, and which provides the Welsh Government with a template or framework within which it can deliver its policies and these programmes. I have been given no reason at all, either at political level or at official level, to think that the concerns outlined by Alun Ffred would be realised. At the moment, these discussions are going well on both sides. We probably need to have the political discussion again before Easter to underpin the official-level discussions, and it is probably something that we need to look at next month, but at the moment, I am content.

[39] **Eluned Parrott:** Deputy Minister, one of the stated aims of the conditionalities is to ensure that we are moving to a more results-oriented approach as opposed to an output-oriented approach. What actions would you propose to deliver on this overall goal, given the concerns with the performance framework that you have discussed?

[40] **Alun Davies:** We do not have a problem with the performance framework, Eluned; we have a problem with the performance reserve. Let me try to explain what I see is the difference. We are in favour of a strong performance framework because we believe that we need to both measure performance and strengthen the information that we have on it. We have annual review meetings and the scrutiny of the programme monitoring committee to ensure that there is a strong focus on results.

[41] We both represent communities, Eluned, that have suffered economic distress and poverty for generations, and as somebody who represents the seat where he was born and brought up, let me say that I am absolutely focused on changing the face of these communities. I do not want any part of Wales to qualify in 2020 for the greatest level of support from the European Union. The policy of this Government is to focus on the alleviation and eradication of poverty. We want to see a strong economy in Wales and we are going to be focusing very strongly on how we deliver those results. You have made the point on a number of occasions, Eluned, about how that happens. I hope that you are satisfied that the architecture that we have in place now in terms of planning and preparation, two years in advance of the start of any potential new programmes, means that we are serious about learning the lessons of what we are doing today and what we did in the past, and then entrenching a very results-focused culture in what we do from 2013 onwards.

[42] **Eluned Parrott:** Just to follow up, that is fantastic to hear, and I think that we all hope that this will be the last time that we qualify. However, I want to focus on one particular area of the preparations, namely, the measurement programme. I want to look at the difference between the way that you measure an output-based approach, which clearly we have a lot of experience of, and this outcomes-based approach, which can be very difficult to capture. Obviously, it is a very different kind of research methodology that you will have to adopt in order to do that effectively. How are the preparations for that kind of move working in principle? Are you drawing in some expertise from the academic sector on that?

10.30 a.m.

[43] **Alun Davies:** One of the topics that we will be discussing, of course, in the forum and the ministerial advisory group is precisely that. We have representation from the academic community on both of those bodies, so I hope that we have the links that you describe. I agree that they are important. I also agree that we need to focus on outcomes, on the changes that we see in our communities. I want to change the life experiences and chances of people—not only the people I was in school with but the people I represent today. So, do not for one moment believe that there is any lethargy or any sense of bean counting in order to reach a target that does not have an impact in the real world on real people. My concern as a Minister, and as a Member of the Assembly, is to address fundamental issues of poverty and to invest in a stronger economic base for the communities of west Wales and the Valleys. So, please be assured that we are putting in place the means and the mechanisms by which to do that. We were elected in May, and I was appointed in May, we put restructuring measures in place in the autumn, and we made statements to you, as an Assembly, on that. We are making these structures work now. All of them are now working. We will be having a debate next week, and I will outline how I see these things moving forward. I am impatient to start work on this.

[44] **Nick Ramsay:** That is wonderful stuff, but forgive my cynicism. I do not doubt your commitment to eradicating poverty and child poverty in those areas and among people you grew up with, but you know that we have heard these sorts of commitments before and that targets have been missed. So, for you to make this ambitious statement and proclamation, you must realise that certain things would have to happen differently. Are you confident that you are able to drive that agenda?

[45] **Alun Davies:** You are so cynical and yet so young, Nick. [*Laughter.*]

[46] I am able to speak on behalf of this Government and on behalf of myself. We are in the process of closing the programmes up to 2006. We will see more information on the results of those in the next few months. We are working through a current range of programmes and are planning for the next set of programmes. This is not a process that begins and ends. This is a continual process of investment in people.

[47] One of the issues that I know has been brought up with you is about the transformational projects and big, grand schemes—I know that there is great enthusiasm for that on all sides of every political debate that you will ever be in. However, one of the things that I find most inspiring when I visit people is talking to individuals about how these European programmes—ESF, ERDF or whatever—have changed individual lives. For example, I heard the story of a teenager who is off drugs and clean for the first time since childhood, and of a teenager who used to be an alcoholic but who has now had an opportunity to learn and gain qualifications. There are opportunities that would not have existed had it not been for these programmes. So, I understand the point that you are making in terms of a statistical base, but let us not lose sight of the human experience of what these programmes have done to transform the lives of individual people, because that is a remarkable story. It might be useful for the committee, and we can facilitate it, to engage in some visits to hear some of these stories first hand. You would see that there are changes taking place in our communities, although we are all anxious to ensure that those changes are faster and more profound.

[48] **Eluned Parrott:** To clarify, can we expect to see case studies informing the matrix that you will be collecting? I am sure that you will agree that, while individual case studies are motivating and emotive, we need to see that the matrix supports the fact that there has been progress for a wide range of people, as opposed to individual narrow cases.

[49] **Alun Davies:** Point taken.

[50] **Mr O'Brien:** I will say something about the methodology of measuring the outputs and the outcomes from our programmes. You are absolutely right that the focus of this stage in the programme tends to be outputs. We have more than 100 output indicators. We measure them and we report them to the European Commission and the programme monitoring committee. However, sitting alongside that, we have an evaluation programme based on a series of process and thematic evaluations. For example, we are just about to publish a report on the employment aspects of the programmes. That programme is agreed with the European Commission, and the combined knowledge from those thematic evaluations will clearly help to inform the development of the next round of programmes. However, it is the nature of evaluation that is the issue, and, as you rightly say, outcomes are harder to capture. There is a time lag. In fact, we are just beginning to see the impact of Objective 1 in terms of evaluation. Evaluators will say that you need a seven to eight-year time frame before you really begin to see this coming through. A real step forward in these programmes is that there is a much stronger emphasis on evaluation at project and programme level. Nearly all of our projects will be undertaking independent evaluations, and combined intelligence from those project-level evaluations will be a very strong knowledge base for shaping the development of the next round of programmes.

[51] **Alun Davies:** I would like to emphasise that point. Eluned, I want to answer your questions. Part of the reason I sometimes find that difficult is because of that time lag. You do not invest however many millions of pounds in a community such as Blaenau Gwent, which I represent, and, six months later, see the impact. It can take years. We have also been through an economic hurricane over the past two years, which has had a significant impact on our ability to make that change within the communities that we represent and where we want to see the change. This current programme period has been remarkably difficult, but what we have been able to do—this goes back to the point about flexibility that Alun Ffred raised earlier—is develop new programmes, such as ProAct and ReAct in the previous Assembly. They are an example of how we were able to be very agile to respond to changes in circumstances and then have that impact. With regard to where we are going at the moment, I would dearly wish to be able to bring to this committee or the Chamber a demonstration that we invested a certain amount last year and that, this year, life is different—

[52] **Nick Ramsay:** Feel free to do that.

[53] **Alun Davies:** The changes that we are seeking to promote and deliver are far deeper than that and will take far longer for us to appreciate and understand.

[54] **Eluned Parrott:** Thank you, Deputy Minister. That point is well understood. One of the challenges that I was referring to is the fact that, with an outcomes-based approach, you are looking at a long-term measurement programme. In itself, that will mean changes in the way that you operate as well as changes in the mindset, hence the question about challenges.

[55] **Alun Davies:** Yes, I understand that.

[56] **Nick Ramsay:** Alun, I know that you want to talk about the human experience, but I have a question on thematic concentration, which I am sure you will be equally enthusiastic about. In your paper, you criticise the European Commission's proposals for thematic concentration and ring fencing on specific priorities for being too prescriptive. However, DG employment officials stated that, for ESF, the Welsh programmes are already delivering support above minimum thresholds. For clarification, do your concerns regarding thematic concentration relate to ERDF or do they relate to ESF more broadly?

[57] **Alun Davies:** I will clarify that. If the evidence is unclear on this point, I apologise. We fully support the principle of thematic concentration. As you say, it is something that is done in both the competitiveness and convergence programmes at present. We are concerned that a thematic concentration could, for example, become too prescriptive, which would not allow us the freedom to use funding in different ways. Rob, perhaps you could explain to Members what impact the current proposal could have on spending in competitiveness areas?

[58] **Mr Halford:** Yes. The key point here is, I guess, who gets to decide how the money is spent. If we consider, for example, how one would use European regional development fund money in east Wales, were it to qualify as an area that would be described in the new parlance as a more developed area, we would be looking at a situation where, under the current draft regulations, we would be required to spend 80% of any moneys that we got from the European regional development fund on three priorities, which are research and development, SME competitiveness and the low carbon agenda. It may well be that those three priorities are the correct ones to focus the funding on, although there may be others. Ideally, we would want to have the flexibility in Wales to decide how best to focus the resource. We feel that it is probably a decision that better rests here than within the European Commission. We are not against the concept of targeting or concentration, but we have an issue about whether we or the European Commission are best placed to make the decision on how the concentration should take effect.

[59] **Mr O'Brian:** I will pick up on the issue that the Commission responded to regarding the European social fund. The difficulty with saying that a proportion of a programme has to be set aside for a specific purpose is that it ignores the ways that some of these interventions are implemented. For instance, there is a proposal for ring fencing within the European social fund around poverty. Many of us would recognise that one of the best ways of helping people out of poverty is to get people into employment. Our European social fund programmes focus very much on helping those who are at the margins of the labour market, as well as young people who are finding it difficult to get a foothold in the labour market.

[60] We would argue that the interventions are part of our overall strategy for addressing poverty, but it is about the way in which the Commission would choose to measure that with regard to the regulations. We have no difficulty at all with the proposition that the resources need to be concentrated—they cannot be used to support everything—but we strongly believe that the decisions should be taken by the partnership in Wales.

[61] **Nick Ramsay:** The next few questions have been answered, so we will move on to transformational change in the Welsh economy.

[62] **Alun Ffred Jones:** Rydym wedi cael tystiolaeth gan y sector addysg uwch. A ydych yn cytuno â'r prifysgolion y dylai'r cronfeydd strwythurol yn y dyfodol gefnogi newid trawsnewidiol yn economi Cymru, gan ganolbwyntio ar economi ffyniannus yn seiliedig ar wybodaeth?

**Alun Ffred Jones:** We have received evidence from the higher education sector. Do you agree with the universities that the structural funds in future should support transformational change in the Welsh economy, focusing on a prosperous, knowledge-based economy?

[63] **Alun Davies:** Rwyf yn cytuno â hynny. Rydym wedi gweld sawl prosiect a rhaglen sydd wedi delifro hynny. Mae'r rhaglenni presennol yn cynnwys Cyfrifiadura Perfformiad Uchel Cymru, Canolfan NanoIechyd, Sefydliad Gwyddor Bywyd a Sefydliad Ymchwil Carbon Isel, lle rydym wedi buddsoddi'n helaeth mewn rhaglenni a

**Alun Davies:** I agree with that. We have seen several projects and programmes that have delivered that. Our current programmes include High Performance Computing Wales, the Centre for NanoHealth, the Institute of Life Science and the Low Carbon Research Institute, where we have invested substantially in programmes that will have

fydd yn cael yr effaith drawsnewidiol rydych yn sôn amdano. Felly, rwyf yn cytuno â'r dystiolaeth rydych wedi'i chael ar hynny.

the transformational impact that you mentioned. Therefore, I agree with the evidence that you have received on that issue.

[64] Mae'r sector addysg uwch yn rhan o'n proses gynllunio gyfredol. Gwn eu bod yn cyfrannu at bob trafodaeth yr ydym yn ei chael, ac edrychaf ymlaen at gydweithio â'r sector yn ystod y flwyddyn nesaf.

The higher education sector is part of our current planning process. I know that it contributes to every discussion that we have, and I look forward to collaborating with the sector during the next year.

[65] **Alun Ffred Jones:** Roeddent yn cydnabod nad yw prifysgolion yn y gorffennol wedi bod yn ddigon gweithgar a llwyddiannus yn y maes hwn o greu newid yn yr economïau yn rhanbarthol. A ydych yn cytuno bod hynny'n ffaith?

**Alun Ffred Jones:** They recognised that universities in the past have not been industrious and successful enough in the field of transforming regional economies. Would you consider that to be true?

[66] **Alun Davies:** Nid wyf yn cytuno ei bod yn ffaith, ond fe'i gwelaf fel safbwynt. Nid wyf mewn sefyllfa i gynnig barn resymol i'r pwyllgor ar yr hyn a oedd yn digwydd cyn fy mhenodiad fel Dirprwy Weinidog. Nid wyf wir am edrych yn ôl a chynnig barn am y cydweithio, neu fel arall, a fu rhwng sectorau. Hyd yma, ers imi gael fy mhenodi, mae'r sector addysg uwch wedi cyfrannu'n dda at gyfarfodydd preifat. Yr wyf wedi cael sawl cyfarfod â chynrychiolwyr addysg uwch, ac yr wyf yn hapus iawn â'r ffordd y mae addysg uwch yn cyfrannu at y rhaglenni ac at y potensial ar gyfer twf economaidd.

**Alun Davies:** I would not; I would consider it to be a point of view. I am not in a position to give the committee a reasonable opinion as to what happened before my appointment as Deputy Minister. I do not really want to look back and express a view on whether certain sectors have collaborated. To date, since my appointment, the higher education sector has contributed well to private meetings. I have had several meetings with higher education representatives, and I am very happy with the way in which higher education is contributing to the programmes and to the potential for economic growth.

10.45 a.m.

[67] **Alun Ffred Jones:** Rwy'n siŵr y bydd pobl eraill eisïau gofyn mwy o gwestiynau am hynny. Rydych yn dweud ym mharagraff 18, y

**Alun Ffred Jones:** I am sure that other people will want to ask more questions about that. You say in paragraph 18 that

[68] 'caiff Llywodraeth Cymru ei chydabod yn eang o fewn yr Undeb Ewropeaidd fel esiampl dda o ran rheoli cyllid a defnyddio Cronfeydd Strwythurol mewn modd arloesol',

'the Welsh Government is widely recognised in the European Union as an exemplar in terms of fund management and innovative use of Structural Funds',

[69] sydd yn bluen yn eich cap.

which is a feather in your cap.

[70] Yr ydych yn dweud ym mrawddeg gyntaf paragraff 10:

You say in the first sentence of paragraph 10:

[71] 'Mae Llywodraeth Cymru yn cydnabod yn benodol yr angen i fuddsoddi mewn modd mwy effeithiol.'

'The Welsh Government recognises in particular the need to improve the effectiveness of investments.'

[72] Gan gofio ein bod yn neuddegfed

Considering that we are in the twelfth year of

flwyddyn y cronfeydd strwythurol, ac nid yn yr ail neu'r drydedd flwyddyn, pa newidiadau sydd eu hangen yn rhaglenni'r dyfodol i gyflawni'r newid trawsnewidiol hwn?

[73] **Alun Davies:** Dyna yn union y gwaith yr ydym yn ei wneud ar hyn o bryd.

[74] **Alun Ffred Jones:** Y cwestiwn yw: pa newidiadau sydd eu hangen? Beth bynnag roeddem yn ei wneud ynghynt—nid wyf yn gofyn ichi feirniadu dim a wnaed ynghynt—pa newid sydd ei angen er mwyn cael effaith well ar yr economi a'r ardaloedd yr ydych yn sôn amdanynt, gan gydnabod bod ffigurau GVA fel ag y maent?

[75] **Alun Davies:** Mae'n rhaid inni fod yn fwy strategol yn y ffordd yr ydym yn defnyddio'r arian hwn. Mae'n rhaid inni edrych ar yr effaith a'r canlyniadau y soniodd Eluned amdanynt, a chael ffocws clir ar sut mae'r rhaglenni hyn yn newid bywydau pobl a'r cymunedau y maent yn byw ynddynt.

[76] Yr wyf yn oedi rhywfaint, Alun, gan ein bod ni yng nghanol proses o adolygu, cynllunio a gwrando. Felly, nid wyf yn teimlo'n gwbl hyderus ein bod wedi gwneud y gwaith angenrheidiol i roi ateb llawn ar hyn o bryd. Fodd bynnag, mae'r cwestiwn yn un teg a phwysig. Pan fyddwn yn dod yn ôl i edrych ar sut rydym yn cynllunio ar gyfer y rhaglenni nesaf, dylai eich cwestiwn fod yn destun trafodaeth yr adeg honno.

[77] **Alun Ffred Jones:** Edrychaf ymlaen at ofyn y cwestiwn eto.

[78] **Eluned Parrott:** Deputy Minister, you will be aware that we have received evidence from the Federation of Small Businesses that called for better engagement with the business community in terms of the use of these funds, and it was critical of previous and currently running programmes for being driven too much by the public and voluntary sectors. How do you respond to these claims?

[79] **Alun Davies:** I do not want to be tempted into a situation where I say 'Private: good; public: bad'. I do not want to get into that type of debate. The private sector as a whole is at the forefront of how we are planning for the next round of programmes; Rob recently met the FSB to discuss its concerns. A third of the members of the programme's partnership forum are from the private sector. The Assembly Government elected last May has increased representation from the private sector on the Wales programme monitoring committee, which monitors current programmes. So, we are looking at how we do that, in structural terms by involving the private sector in the delivery, and in the planning of our programmes.

[80] I agree that we must look at this in more depth and in more detail; you will have seen

structural funds, and not in the second or third year, what changes are required in future programmes to achieve this transformational change?

**Alun Davies:** That is exactly the work that we are currently doing.

**Alun Ffred Jones:** The question is: what changes are required? Regardless of what we did previously—I am not asking you to criticise anything that was done previously—how do things need to be changed in order to have a better impact on the economy and the areas that you mentioned, bearing in mind that the GVA figures are as they are?

**Alun Davies:** We must be more strategic in the way in which we use this funding. We must look at the impact and outcomes that Eluned mentioned, and have a clear focus on how these programmes change people's lives and the communities in which they live.

I am a little hesitant, Alun, because we are halfway through a process of reviewing, planning and listening. So, I do not feel confident that we have done the necessary work to give you a full answer at present. However, the question is a fair and important one. When we return to look at how we plan for the next programmes, your question should be the subject of discussion at that time.

**Alun Ffred Jones:** I look forward to asking the question again.

the reflections document that we published on 1 December, which included a whole chapter on this subject. That was intended to stimulate debate. We have agreed—and I will flesh this out in next Tuesday's Plenary debate—that we will stimulate additional debate following a reflection period. The work that Rob did with the FSB last week was in order to understand in more depth what is being said. When we complete the reflections exercise at the end of this month, we will look at what comes out of that and seek to stimulate further debate on the role of the private sector.

[81] I think that we have previously discussed the fact that Wales has a very good track record on partnership with the private sector. It is important that we recognise that something like £730 million is being invested in support for businesses in the current period, and that 900 contracts have been won by businesses to deliver structural funds projects. It is a significant investment in the private sector. With delivery contracts, we are looking at something like £380 million going directly to business in order to deliver them.

[82] There are issues that we have to address, Eluned. One example is displacement, where we are looking at how we can help. There are businesses that have been involved in the delivery of projects, and where public investment has been made, that has created problems for them. We have to look at that relationship, because do not want us to get into a competitive relationship in which you are looking at one or the other. We have to learn to work together, and we have to realise that individual projects are better led by different organisations and institutions, be that local government, Welsh Government, local business, the voluntary sector, third sector organisations or whoever. We need a matrix, if you like, of different organisations that will lead different projects. However, do not for one moment feel that we underestimate the importance of the private sector, either in terms of procurement or as a management vehicle.

[83] **Eluned Parrott:** Thank you, Deputy Minister. I think that we would all recognise that, ideally, we would look for a balanced approach between the private, public and third sectors to deliver programmes. However, there has been criticism in the past that, while the private sector has had a strong role in project delivery and the winning of contracts, it has had less of a role in previous rounds in the design of programmes and the early strategic phase.

[84] **Alun Davies:** In previous rounds.

[85] **Eluned Parrott:** Absolutely, and that has left you with a perceptual problem. The opinion that I have quoted here is not necessarily my own; it has come from the FSB. So, there is a perceptual problem, in that businesses do not feel that they are being engaged as fully as they might be. How do you intend to tackle that challenge?

[86] **Alun Davies:** I do not intend to do it through PR; I intend to do it through substance, by demonstrating that the way in which we deliver programmes does affect and involve people from the whole of society, in terms of geography and sectors, and in terms of where we are. Let me say this: the significant private sector involvement in all of our planning bodies means that there will be significant private sector involvement in the development and the design of the new programmes. That is not to say that all businesses would want to be involved in the delivery of programmes in the same way, however. When I was in business, I frankly would not have wanted to manage a programme, but I would have wanted an opportunity to deliver one through procurement. Different businesses will respond in different ways. I think that it would be a mistake to characterise the private sector as being some homogenous whole. It is horses for courses, so that everybody has a fair opportunity to tender for the delivery of programmes, and so that the management of programmes is made as simple as possible.

[87] Across a whole suite of funding programmes—including CAP, marine funds and the

rest of it—the simplification agenda is something of a holy grail. I have yet to meet anybody anywhere who disagrees with that, but whenever anybody is asked what simplification is, you get a stream of different definitions. We need to look very hard at simplifying the management, the delivery and the auditing of these programmes. We clearly need a structure, because this is not our money; it is public money, so there need to be structures of accountability, there need to be robust auditing structures and, as we all know, because we see in the papers where there are difficulties, we need a robust mechanism to manage the delivery of European funds on the ground.

[88] So, we need all of those things in place, but at the same time, we need to do it as simply as possible. Certainly, when I was running my business, my purpose was to create profit—it was not simply to deliver projects on behalf of the Government or whoever. We need to look at how easy we make it for people, and I think that that is a common argument across all sectors. We want the funding for European programmes to be out there at the sharp end and not stuck in management, if you like. So, let me say that we are looking at this from a number of different angles.

[89] **Eluned Parrott:** Just quickly, I do not think that any of us would suggest that you can overcome perceptual problems with a PR exercise, as you rightly say, but the perception arises as a function of people’s experience and engagement, with the Government in this instance, perhaps. Have you done any research to look at the reason this opinion keeps coming back from certain sectors of the business community? Have you looked into that a little more?

[90] **Nick Ramsay:** Feel free to answer briefly if you can, Deputy Minister, but we must move on to other questions.

[91] **Alun Davies:** The question might be answered by the work that we publish next month. I am more than happy to ensure that the committee has copies of all relevant papers on that, and either to attend again or to provide a briefing for the committee, if you wish to go into it in more depth or detail—or I could do that privately for individual Members.

[92] **Nick Ramsay:** I am sure that you appreciate, Deputy Minister, that there are no end of avenues that we could go down on this question of funding. We will now take a final question from Julie James.

[93] **Julie James:** I have a question related to the financial engineering instruments. In your evidence, at paragraph 14, you mention briefly the possibility of a greater role for financial engineering instruments, which you say that we support. We had some evidence from the Federation of Small Businesses recently from which it was quite clear that there was some confusion about the role of structural funds and the JEREMIE and JESSICA programmes. You have mentioned already greater simplification and understanding, which, certainly among SMEs, would be very welcome. I wonder whether you could say something more about the juxtaposition of those funds with the structural funds because, for example, the gentleman from the FSB specifically said that his members were looking for support to recapitalise investment in some of their businesses. I do not think that that is available within the structural funds, but it possibly is within the renewed financial engineering instruments. I wondered whether you had anything that you would like to say to us now or to give to us later about some of the more innovative things that can be done with those new financial engineering instruments.

[94] **Alun Davies:** They provide, potentially, an exciting means of delivering support for SMEs. The information that I have is that financial engineering instruments work well and deliver the support that is necessary. Certainly, the financial performance has been very positive. Damien is in a better position than I to take you through the financial background to



that. I can understand the evidence coming from the FSB, but I have to say that businesses have been very engaged in accessing funding from that, and, for us in Wales, this has been an enormously successful programme that we want to see continue into the future.

[95] **Mr O'Brien:** The headline figures are that over 350 businesses have benefitted from financial support through JEREMIE, which is, of course, roughly half-funded from the European structural funds. One reason we are attracted to these instruments is that the money comes back, and so it is a more sustainable way of financing interventions. The proposals that the Commission has put forward for the next round suggest that we can use those instruments in a broader range of areas of activity. At the moment, we can only provide financial engineering in support for businesses and for regeneration. In the next programme period, we can do it, for instance, in the energy field. So, we are keen to explore those opportunities because we need to look at life beyond the next programme period. We need to have that recycling of finance.

[96] **Nick Ramsay:** I am mindful of the time, but we have one other important question from David Rees. There are a couple of minutes for you to ask that.

[97] **David Rees:** Going back to the HE sector, in one sense, and its presentation, there is a feeling that we need stronger alignment between the structural funds and Horizon 2020. Coming from the sector, I suppose that they would say that they would want that. It comes down to the regional innovation strategy in a sense. When will that strategy be developed? It is a precondition in one sense. It is important to get that ready and also to get the involvement of the HE sector and the business sector in its development. What are your proposals for that? I will then come back for a second question on that.

11.00 a.m.

[98] **Alun Davies:** In terms of where we are on that, the science strategy is being developed by my colleague, the Minister for Business, Enterprise, Technology and Science. My information is that that strategy will be published this term, before the Easter recess. If I have got that wrong, I will write to the committee to confirm the publication date. My belief is that the science strategy will underpin this area of policy, and Edwina Hart will publish a strategy on in the coming month or so, and that we will be able to move forward on that basis.

[99] **David Rees:** So, you are saying that the science strategy will underpin the regional innovation strategy. Is that right?

[100] **Alun Davies:** Yes.

[101] **David Rees:** Do you agree with the HE sector that those funds should be more closely tied to the Horizon 2020 targets? I feel that there has been a slight failure of collaboration, going on the European collaboration funding programme under HE, and although the HPC Wales example is there, I have not seen it used for research projects as yet. Do you agree with the HE sector's view that we should be tying those more closely together, therefore enhancing HE's opportunities to collaborate further across Europe?

[102] **Alun Davies:** I do, and one of the exciting parts of where we are today in terms of the structural funds is that, at the moment, assuming that the legislation does not change in any fundamental way over the next year, it seems that we will be able to integrate many different funds and streams, which we have not been able to do in the past. The work that you gave as an example, David, can be used in terms of innovation and research, investment in Horizon 2020, and investment with structural funds, but also for the rural development fund and marine funds. So, there is a lot of potential here to bring together different funding streams to create the biggest potential impact, whether that is on individual communities, a regional

economy or on our ability to deliver research and development, which has always been a difficulty that we have faced in Wales. We do not have the significant private sector headquarter businesses providing large amounts of private research and development, which happens, for example, in the Thames valley or elsewhere. So, HE in Wales has always had a disproportionate involvement in research and development in Wales. I hope that we will be able to use that integration in an intelligent way to ensure that we are looking at the different funding streams that are available to us. We hope to have a significant impact on different communities and economies and we are looking for significant levels of growth over the new period.

[103] So, the integration agenda is something that I am very excited about. I will not detain the committee with a long discussion of my food strategy, but with regard to managing food supply chains, for example, there are tremendously exciting opportunities that we did not have previously and do not have under the current rural development plan, but we will have them under the new plan in those RDP areas that are also covered by the current convergence zone. So, there are elements that we can bring together to have a real impact, which is a tremendously exciting agenda. That is why it is important that we have discussions about the role of the private sector and also further conversations, Nick, if you would like, about how the planning is going for that.

[104] We went through this planning exercise—I do not want to use the words ‘in an abstract way’, but it was prior to having the legislation in place—and I have no doubt that we will be seeking amendments to the current legislation over the next year, and we will then have a planning structure in place that will enable us to bring these things together. It would be very good if the committee was able to scrutinise us on what we are doing in delivering that as we move forward over the next year, and I would very much welcome the committee’s views on that, as I will welcome Members’ views during the debate that we will be having next week.

[105] **Nick Ramsay:** We are certainly with you in wanting to scrutinise that, Deputy Minister. I have one final question. Am I right in thinking that we can expect further debate on the reflection exercise that is underway?

[106] **Alun Davies:** I have no objection if Members wish to have a debate of that sort. However, I want to look at where we are now. The current reflection exercise ends on 31 January. We will then take some time to look at what has been said in that exercise, and to draw some threads together. I know that Members are anxious for detailed and precise answers to all sorts of different questions, but we are currently having a conversation with people, and what I do not want to do as a Minister is to prejudge the results of that conversation. It is very good to have a reflection exercise, but to say beforehand that the Government’s policy is ‘a, b and c’ negates the value of that exercise.

[107] When we are in a position to evaluate what has been said, we will publish the responses that we have received. We will publish documentation and do some work on the private sector in the next month or so—I hope to be able to do that by the end of February, but it might slip by a week or so. However, certainly by the middle of March, we will publish more information on that and try to stimulate debate on the private sector. When we have brought together all of the information that we have received in the reflection exercise, we will publish it, and if the Assembly wishes to debate that, I am more than happy to facilitate a debate in Government time. If the committee wishes to re-examine our response to that reflection exercise, I am also more than happy to go through that scrutiny at that time.

[108] **Nick Ramsay:** That is more than clear; thank you for that answer, Deputy Minister, and for your concise written evidence and your succinct answers today. I thank Alun Davies, the Deputy Minister, and his officials, Damien O’Brien and Rob Halford, for being with us

today. We will be feeding your evidence into our inquiry. Thank you very much. With that, I bring the public session to a close.

*Daeth y cyfarfod i ben am 11.07 a.m.*  
*The meeting ended at 11.07 a.m.*