



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

**Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee**

**Dydd Iau, 10 Chwefror 2011
Thursday, 10 February 2011**

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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

Christine Chapman	Llafur Labour
Andrew Davies	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Nerys Evans	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Chair of the Committee)
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Jonathan Hale	Rheolwr Prosiect, Pontydd i Waith Project Manager, Bridges into Work
Yr Athro/Professor Dylan Jones-Evans	Cyfarwyddwr Ymchwil ac Arloesi Prifysgol Cymru Director of Research and Innovation, University of Wales
Peter Mortimer	Rheolwr Adnoddau Adfywio, Adeiladu'r Dyfodol Gyda'n Gilydd Regeneration Resources Manager, Building the Future Together
Suzanne Scarlett	Rheolwr Prosiect, Adeiladu'r Dyfodol Gyda'n Gilydd Project Manager, Building the Future Together

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Siân Phipps	Clerc Clerk
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

Dechreuodd y cyfarfod am 9.29 a.m.
The meeting began at 9.29 a.m.

Cyflwyniad ac Ymddiheuriadau
Introduction and Apologies

[1] **Gareth Jones:** Bore da i chi i gyd a chroeso cynnes i'r cyfarfod hwn o'r Pwyllgor a Gareth Jones: Good morning to you all and a warm welcome to this meeting of the Menter a Dysgu. Mae'r cyhoeddiadau arferol Enterprise and Learning Committee. There are the usual announcements to be made. The i'w gwneud. Mae'r cyfarfod yn ddwyieithog, ac mae clustffonau ar gael i dderbyn meeting is bilingual, and headsets are

gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ar sianel 1 ac i chwyddleisio'r sain ar sianel 0. Bydd cofnod o'r cyfan a ddywedir yn gyhoeddus. Atgoffaf bawb i ddiffodd eu ffonau symudol ac unrhyw ddyfais electronig arall. Nid oes angen inni gyffwrdd y meicroffonau yn ystod ein trafodaethau. Nid ydym yn disgwyl ymarfer tân, felly os bydd unrhyw fath o argyfwng, bydd yn rhaid inni adael yr ystafell, ac efallai'r adeilad, o dan gyfarwyddyd y tywysyddion.

available to receive the simultaneous translation service from Welsh to English on channel 1, while the sound can be amplified on channel 0. There will be a record of everything that is said publicly. I remind everyone to turn off their mobile phones and any other electronic devices. We do not need to touch the microphones during our discussions. We do not expect a fire drill, so if there is an emergency of any kind, we will have to leave the room, and possibly the building, following the guidance of the ushers.

[2] Yr ydym wedi derbyn ymddiheuriadau oddi wrth Jeff Cuthbert a Darren Millar. Yr ydym yn estyn croeso cynnes i Joyce Watson, sy'n dirprwyo ar ran Jeff Cuthbert. Dyma'r tro cyntaf inni gael y fraint o'ch cwmni, Joyce. Yr ydym yn edrych ymlaen at eich cyfraniad ac yn falch eich bod yn gallu ymuno â ni y bore yma.

We have received apologies from Jeff Cuthbert and Darren Millar. We extend a warm welcome to Joyce Watson, who is the substitute for Jeff Cuthbert. This is the first time that we had the privilege of your company, Joyce. We look forward to your contribution and we are pleased that you are able to join us this morning.

[3] Dyma'r cyfle i Aelodau ddatgan unrhyw fuddiant. Gan nad oes datganiad, trown at yr eitem nesaf.

This is the opportunity for Members to make any declarations of interest. Given that there are no such declarations, we will move on to the next item.

9.31 a.m.

Cronfeydd Strwythurol: Gweithredu Rhaglenni 2007-2013 Structural Funds: Implementation of the 2007-2013 Programmes

[4] **Gareth Jones:** Rhoddaf air byr o gefndir i'r eitem hon. Yn y cyfarfod hwn, byddwn yn edrych eto ar adroddiad y pwyllgor ar weithredu rhaglenni 2007-13 y cronfeydd strwythurol a gyhoeddwyd ym mis Gorffennaf 2010. Yr ydym yn falch o groesawu yn ôl y tystion a roddodd gymorth inni yn ystod yr ymchwiliad gwreiddiol er mwyn iddynt ddweud wrthym beth sydd wedi digwydd ers i'r Llywodraeth ymateb i'n hargymhellion ym mis Hydref 2010. Bydd y dystiolaeth yr ydym yn ei derbyn gan ein tystion y bore yma yn dystiolaeth ychwanegol a fydd yn ein helpu i lunio ein hadroddiad etifeddiaeth i'r pedwerydd Cynulliad. Byddwn yn cyhoeddi'r adroddiad hwnnw ar ddiwedd tymor y gwanwyn.

Gareth Jones: I will say a few words to give the background to this item. At this meeting, we will return to the committee's report on the implementation of the 2007-13 structural funds programmes that was published in July 2010. We are pleased to welcome back the witnesses who assisted us during the original investigation so that they can tell us what has happened since the Government responded to our recommendations in October 2010. The evidence that we receive from our witnesses this morning will be additional evidence that will help us to draw up our legacy report for the fourth Assembly. We will publish that report at the end of the spring term.

[5] Estynnaf groeso arbennig i'r Athro Dylan Jones-Evans, sydd yma ar ran Prifysgol Cymru. Dylan yw cyfarwyddwr ymchwil ac arloesi Prifysgol Cymru. Ar ran y

I extend a special welcome to Professor Dylan Jones-Evans, who is here on behalf of the University of Wales. Dylan is the director of research and innovation for the University

pwyllgor, hoffwn ddiolch yn fawr i chi, Dylan, am y dystiolaeth ysgrifenedig yr ydych wedi ei chyflwyno i ni. Yr ydym wedi cael cyfle i ddarllen eich papur. Cyn inni droi at gwestiynau, cewch, os dymunwch, wneud cyflwyniad byr o ryw bum munud i fynegi rhai o'r pwyntiau yr ydych yn eu hystyried yn allweddol er mwyn ein cynorthwyo yn ein trafodaethau.

of Wales. On behalf of the committee, I would like to thank you, Dylan, for the written evidence that you have provided for us. We have had an opportunity to read your paper. Before we turn to questions, you may, if you wish, make a short presentation of about five minutes to put forward some of the key points, as you see them, to help us in our deliberations.

[6] **Professor Jones-Evans:** I must apologise, because when I was asked to give evidence to this committee, it was on the Welsh Assembly Government's response to the report; if any of you have tried to get any information from the Welsh European Funding Office, you will appreciate how difficult it is to get any of the real detail associated with that. So, I decided to look at where there were gaps in the original information that was provided and try to elicit some discussion and debate about the facts surrounding not only the current state of the convergence and competitiveness programmes, but also what had happened previously. Part of the wider debate, as I am sure many, if not all, members of this committee will be aware, is whether Wales will potentially qualify for a third round of European structural funding at the highest level of intervention, which is now known as convergence funding, but was previously known as Objective 1.

[7] I hope that you have read the papers that I have sent. I would like to make a couple of points that are relevant to the two main areas that I examined, namely the previous economic performance of west Wales and the Valleys, which was in receipt of, probably, around £2 billion if you include both European and public sector match funding over the period 2000-06. I was very fortunate to be a special adviser to the Welsh Affairs Committee, which met to look at European structural funds at the beginning of the last decade. I believe that evidence was given—I think that Andrew was one of the individuals who gave evidence at the time, along with former First Minister, Rhodri Morgan. What I think struck all the members of that committee was that evidence was called from the other areas in receipt of European structural funding, which were south Yorkshire, Merseyside and, more relevantly, Cornwall. As I show in my paper, it is fascinating to see how each of the areas that had been in receipt of European structural funds at the highest level—known as Objective 1 funding at the time—had performed over that period of time. It is pertinent for this committee and any other committee to look back at the relative performances. The standout performance is obviously that of Cornwall, which grew by about 9 per cent over that period. In relative terms, the west Wales and the Valleys area has declined by 3.5 per cent.

[8] So, it is worth looking at in detail to try to understand what lessons can be learnt from the Cornish experience. It could be a range of factors. One of the key factors that came through, certainly during the select committee meetings at the time, was that the private sector was symbiotically involved, is it were, in the delivery and development of programmes. One of the main economic initiatives to have emerged from the economic renewal programme is this issue of the delivery of high-speed broadband to the business community. Of course, that had begun to be developed under the Objective 1 programme in Cornwall in association with British Telecom at the time, I believe, and it has developed since. That was because the business community was particularly involved at the time. There are obviously figures and facts, and I am sure that you will ask me questions about those. However, it is worth looking at the relative performance of west Wales and the Valleys and trying to learn lessons from the other regions.

[9] In October, I was invited to Brussels to talk with a gentleman by the name of Mikel Landabaso, who is in charge of all the innovation programmes under Directorate General for Regional Policy, which administers all the structural funds. It is only now that they have

started to appreciate that there are lessons to be learned from all the different types of regions that are in receipt of European structural funding. Certainly, the Spanish Government has now started to bring together all of the regions to try to understand how European structural funding is working in different ways across those regions. Again, that may be something that, not this, but the next Welsh Assembly Government will wish to consider—that is, how we can not only co-operate with other regions in receipt of convergence funding in particular, but learn from that and add value across those regions. Certainly, DG Regio would be very supportive if the regions in Wales were to take the lead on that. That is the message that Dr Landabaso gave us at the time.

[10] The other issue, which I will not dwell on too much, is that structural funding is at different levels. East Wales, which has a lower level of intervention, also receives that funding. Looking at the figures, probably the most disturbing thing I find every time I do this view of the GVA figures—most people spend Christmas doing other things; unfortunately, I spend it looking at GVA figures—is the difference over time between west Wales and the Valleys and east Wales. East Wales showed a higher relative drop in prosperity over the period than west Wales and the Valleys. You could argue that that makes the case that structural funding is working, but you have to look at where those drops have occurred. For example, in what I had always assumed to be one of the economic powerhouses in manufacturing terms, namely Wrexham and Flintshire, there was very limited growth compared to other parts of Wales. Again, it is worth the committee's noting that. Potentially, if the same committee exists in the next Assembly, it should look at how east Wales is performing—at how what we regard as the more prosperous parts of Wales are performing. Certainly, apart from in Cardiff, there has been a real slowdown in some of those parts of Wales, most notably Powys, Wrexham and Flintshire.

9.40 a.m.

[11] The second part of my paper looks at outputs from the existing programme. Again, I remember a time when a committee such as this used to get a report from programmes such as European structural funds every three to six months. Unfortunately, you have to dig very deep within various European funding office websites to get access to this information. Again, I would suggest that, given the importance of this particular programme, it would be a good idea for this committee to ask for those figures quite regularly. Those who sit on things such as the programme monitoring committee will get access to that. For example, Jeff Cuthbert chairs it. However, I think that the whole committee should get access to these figures, because they are quite important for monitoring the success of the programme.

[12] What I found fascinating—and, again, we can discuss these two main points afterwards—was, first, the speed of achieving targets between the two main programmes, which are competitiveness and convergence. The convergence programme, which is the main programme where most of the funding is from, seems to be behind the competitiveness programme in achieving the main targets. Let us look at two key targets: gross new jobs created and the number of new enterprises. You will find that the competitiveness programme is well on the way to achieving those targets even halfway through the programme. Compare that to the convergence programme, where there is still a considerable way to go. For example, on gross new jobs created, we are talking about having to create 30,000 jobs and we are roughly three to four years into the programme, depending on where you say the starting line was. Again, perhaps that says something about the programme management. That is worth looking at in depth.

[13] Secondly, there is the regional variation, which is to be expected. However, concerns were expressed during the last round of structural funding that certain regions were not getting their fair share of convergence money. The whole point of convergence is to bring all parts of Wales up to that level of 75 per cent of the EU average in GDP. So, again, the

performance varies considerably. Some of the areas, particularly areas such as Blaenau Gwent, are seen not to be performing. Given that the performance of Blaenau Gwent, or shall we say the Gwent valleys, as an area has been relatively in decline compared to the rest of Wales, the committee may wish to look at that area, rather than treating west Wales and the Valleys as one region. There are some regions that are doing particularly better than others, and we need to look in a bit more detail, because Wales is not just two regions. It is made up of several.

[14] **Gareth Jones:** Diolch yn fawr, **Gareth Jones:** Thank you for that Dylan, am y cyflwyniad hwnnw. Trof at Dr introduction, Dylan. I turn to Dr Brian Brian Gibbons am y cwestiwn cyntaf. Gibbons for the first question.

[15] **Brian Gibbons:** I was very interested in what you had to say. As you acknowledge yourself, you did not actually answer the question that you were asked. Nonetheless, the questions that you did answer are pretty fundamental to what we are trying to achieve. The first thing that struck me about the general tenor of your paper is that it seems to be completely at odds with the evidence that we get from the European Commission itself on how Wales is performing in terms of delivering EU projects. Indeed, when we had representatives of the Commission appear via a video link, one of the things they said was that Wales is not only good, but almost an exemplar of good practice. Of course, there has also been the award to the Assembly Government in the past couple of weeks.

[16] So, there seems to be discordance between the general tone of your paper and the view the Commission takes of this. I think that the Commission pointed out that one of the distinctive features of the way in which Wales is delivering structural funds is the high level of private sector involvement and that, compared to an awful lot of other delivery regions, Wales has possibly twice—and I would not stand over a figure, as this is from memory—the private sector engagement of many other regions in receipt of structural funds.

[17] According to WEFO's website, particularly in relation to the procurement side of things, the private sector, by numbers, is involved in delivering three quarters of the projects, and 54 per cent of the projects in value terms. From that point of view, the WEFO figures suggest a very high level of private sector engagement.

[18] On the first page, you present a graph of the relative GVA per head, which I think is an important measure. However, a health warning should be put on that graph that Merseyside and South Yorkshire—although not so much Cornwall—are on their second round of structural funds. Therefore, you are comparing Wales in the first round with Yorkshire in the second round. I went to Yorkshire and Merseyside myself. One of the big differences that I saw between their first-round programme and their second-round programme was the move from the initial bid type of culture, which we had in the first round of structural funds here, to the more strategic approach, which they had adopted for their second round and which we have adopted here. I accept that we need to learn the lessons of what other areas are doing to deliver this, but whether or not the lesson that we learn is greater private sector involvement, or the more strategic approach that has been taken in this second round, may be the message.

[19] If there is still time, Chair, I have some other things that I would like to explore. Dylan mentioned the difficulties in getting the figures but, generally, there is an economic commentary at the programme monitoring committee meetings, and there is usually a whole range of figures, tables and so forth in one of the papers for the programme monitoring committee. However, looking at its figures in terms of increasing employment in west Wales and the Valleys, one can see that there has been a consistent upward pattern until around 2008. Unemployment was consistently going down in west Wales and the Valleys until 2008, skill levels are continuing to increase, although the recession has hit us, and higher skills are

continuing to increase. There are a hell of a lot of positive things happening, which I do not think were acknowledged. In reading your paper, one would get the impression that it is a wholly unmitigated disaster area. I do not think that it is an accurate depiction of what is actually happening.

[20] **Professor Jones-Evans:** I am sorry that you got that sort of view about it. I can assure you that it was not intentional. Let me deal with some of the issues. You mentioned private sector involvement, for example. The issue there, and I think that this was highlighted at the last review, is that there is quite a difference between private sector involvement in the programmes and the private sector being involved in instigating the projects. If you look at the difference in those terms, you will see that very few of the 208 projects that have been funded have come from the private sector this time. That tends to be the case. As I said, that is a strategic decision for the Government to make. If I remember my figures correctly, I think that previously around 9.8 per cent of all of the Objective 1 projects were led by the private sector. In this round it is probably considerably less. The question is whether you believe that the private sector should be taking a lead, developing some of the projects, and driving those projects forward, potentially even in partnership with the public and the voluntary sectors—or whether it should be the other way around, with the public sector taking the lead and working with the private sector. The question is which approach delivers the most. Obviously, there is no test to see whether that is the case, but, at present, that is what is happening.

9.50 a.m.

[21] As you said, there was very much a different model in Cornwall, which, like west Wales and the Valleys, was in receipt, for the first time, of convergence-level funding. It is very much a matter of opinion. When you look at the figures for the programme itself, I really wanted to focus on those for this period, because, in the end, the success of the programme will be judged on what is happening on the ground. You could argue that it is enormously good news for Wales that we have 30,000 jobs to be created in our poorest areas over the next four years, given that there will be a slowdown in other parts of the economy. That is a target that has been set, so Wales will be creating, according to this, an additional 30,000 gross new jobs between now and 2015. Given the circumstances around the rest of the economy, that is exceptionally good news. My concern is that—and this comes back to looking at some of the programmes—there have been considerable delays in approving programmes. To be fair, there has been an acceleration over the last six months, but it was exceptionally slow. As someone who observes the economy, it was an enormous disappointment to me that, during the recession itself, there was not more impetus to use European funding. The only examples were ProAct and ReAct, which showed that, if the political will was there, you could drive through programmes within two to three months, even given the myriad of regulations that you have with WEFO—you could get those programmes out there, making a difference. I was speaking to other project sponsors, and many programmes have taken 18 months to two years to get through the process. Hopefully, we will now see an acceleration in the number of new jobs and new enterprises, and so on. However, one could argue that it has come a little too late. At the same time, maybe now is the right time to have those 30,000 jobs in the economy—as we face this slowdown in certain sectors.

[22] **Brian Gibbons:** There is a slight paradox there that one of the things that is slowing the process down is procurement—in other words, the process by which the private sector is involved. I do not know whether there is a way of short-circuiting the procurement process and market-testing more effectively. It almost seems that the very thing that you want—to engage the private sector more thoroughly, and on a more level playing field, through market testing—is the very thing that is slowing it down as much as or more than anything else.

[23] **Professor Jones-Evans:** Probably. To an extent I would argue that, for anyone involved in a European programme, as we are at the University of Wales, the amount of audit

and compliance that you have to deal with is an issue. I have never seen anything like it. We have had to pay for two evaluations, which has cost the programme £30,000 and we have had two main audits. If that applies across the 208 programmes—perhaps we are just being singled out, I am not sure—then you can imagine that you will be spending a lot of your administrative time dealing with audit and compliance, rather than getting on and delivering the programme. I think that you need a better balance. I can discuss that later in more detail.

[24] **Gareth Jones:** I have a follow-up point from Andrew.

[25] **Andrew Davies:** The problem with this is partly definition, and also statistics. Thanks for your paper, by the way. You cite the number of projects that are being led by the private sector, and it does relate partly to the procurement issue. Under Objective 1, although projects such as Finance Wales, for example, which was a joint venture with Barclays, may not have been led by the private sector, obviously Barclays was a major partner. The beneficiaries of Finance Wales were the SMEs in the Objective 1 area, and now the convergence area, as it continued. Although that may not come under the category of being led by the private sector, the private sector was the major beneficiary. So, I think that it is misleading to talk about private sector leadership.

[26] I would like to follow up on one specific point. You mentioned Cornwall, and superfast broadband. We took evidence from the Cornish regional development agency recently, when we were looking at green jobs and other areas, and it was clear that it was still going through the procurement process. It is a bit odd for you then to quote that as an example of success in terms of Cornish GVA per capita, because it will not historically have had an effect on that. There is an issue there about chronology.

[27] There is also an issue in relation to procurement. As Brian Gibbons pointed out, technically, if, for the sake of argument, BT were to come forward with a proposal, it would then have to go to procurement in order to win that public sector contract. That is how European state aid rules operate. Therefore, I imagine that that is a Cornish regional development agency project, with BT, which subsequently won the procurement process. So, once again, it would be a public-private partnership, with the private sector involved and one of the major beneficiaries, but it could well be identified as a public-sector-led project.

[28] **Professor Jones-Evans:** The point that I was trying to make related to the way in which the right type of projects are being brought forward. The question is where many of these projects originate and whether they are responding to what the private sector wants. One could argue that the wealth of knowledge within the civil service in Wales is coming up with the right kind of initiatives to help business, but is that being led by the private sector or does the private sector have an input into that? The more general point is how the private sector feels it is influencing the direction of European structural funding and, in a wider sense, economic development in Wales as a whole.

[29] **Andrew Davies:** However, you are comparing Cornwall, which is a single English county with a fairly small population that is fairly dispersed, and which is post-industrial, with an area that is two thirds of Wales and which is very different and complex.

[30] **Professor Jones-Evans:** Absolutely. That takes me to the point that I have made previously regarding whether there are lessons to be learned from the Cornish experience given that it is a smaller geographical area. When you look at west Wales and the Valleys and the direction that was taken for bigger projects—the number of projects has reduced from around 3,000 to 200 or so projects, although we will probably end up with 300—the question can be asked as to whether those projects should have been more geographically focused. Certainly, if you look at some of the results to date, then you will see that one area in particular, which has around 8 per cent of the population of west Wales and the Valleys,

seems to have benefited more than others. There are certainly gaps. The question is whether the Assembly Government or the National Assembly for Wales is happy to accept those gaps, particularly in the poorest areas. As I mentioned, it is notable that Blaenau Gwent, of all places, has not had the benefit expected in terms of jobs and the number of new enterprises, because, to an extent, you could argue that there are not local, county level, or even area-level focused initiatives to help the area; it is a west-Wales-and-the-Valleys-wide initiative. That means that it is those areas that are very well prepared to take advantage of this that will benefit.

[31] **Andrew Davies:** I feel that the Government cannot win on this, because, under Objective 1, the criticism was that there were far too many projects that were far too local in scale and that we needed a more strategic approach. Now, the Assembly Government is being accused of being too regional and strategic and is being told that it should go back to the local level. I would argue that, in Blaenau Gwent, there is a relatively weak private sector that is unable to have critical mass.

[32] On broadband, the previous Broadband Wales programme was significantly funded under Objective 1 for first-generation broadband, and I think that it was a very successful programme. However, you cannot argue that the super-fast broadband project in Cornwall, which effectively post-dates structural funds, and is only now being implemented, is the reason why Cornwall has outperformed Wales, if it has.

[33] **Gareth Jones:** This is a very interesting discussion. Jenny wants to come in on this and then Christine will ask the next question.

[34] **Jenny Randerson:** For the sake of clarity, is what you are saying that the Assembly Government has applied, more or less, a one-size-fits-all approach across Wales in terms of policy and strategic direction on structural funds and that there should really have been different policies using different levers in different parts of Wales?

10.00 a.m.

[35] Taking up Andrew's point about the low level of the private sector in Blaenau Gwent, would you therefore argue that there is no alternative in that area to a centralised Government approach, or would you argue that there should be a more private-sector-led approach, because the solution to the financial and economic problems in that area is to develop the private sector? The problem with the Blaenau Gwent area is that it is very dependent on public sector jobs and has a very weak private sector, when surely the outcome that you want is for it to be robust in terms of the private sector for the future. Which approach would apply to Blaenau Gwent? You will probably say that they should have had different approaches in different parts of Wales.

[36] **Professor Jones-Evans:** I was going to say, 'Yes is the answer'. As Andrew said, it is difficult because you have gone from one extreme of having a lot of small managed projects to the other extreme, where you have only a tenth of the number of projects, most of which tend to be 'national' projects that do not take differences at a local level into account. I wrote a paper on this in 2006 or 2007 that looked at all the programmes. It was clear that, even then, some areas were benefiting disproportionately from European structural funding and others were not. It is quite ironic to an extent, if I remember correctly, that even the major urban area of Swansea received proportionately less under the last round of Objective 1 funding than it should have received according to its population, its level of deprivation or a whole range of different factors. To use Swansea and Blaenau Gwent as examples, it is quite difficult to come up with a national programme that deals with the particular economic situations of both of those counties. Unfortunately, that seems to be what is happening, but it is very difficult to do that.

[37] **Jenny Randerson:** Therefore, which approach would benefit Blaenau Gwent with the ultimate aim of trying to stimulate the private sector?

[38] **Professor Jones-Evans:** To be perfectly honest, Andrew hit the nail on the head there, because there were too many local projects, but they have now gone entirely the other way to having only strategic projects. When you look back, it is easy to say that it would have been best to have a happy medium, but if you had £1.8 billion or £1.9 billion—depending on the exchange rate—there could have been a far greater balance between national strategic projects, which could have been driven far better at that level, and projects at a local level, which should have been delivered by working with the local authorities in those areas.

[39] **Gareth Jones:** Cyn imi wahodd Christine i ofyn ei chwestiwn, yr ydym yn sôn am swyddi yn gyffredinol a'r ffaith nad ydym yn gweld y cynnydd y buaswn yn dymuno ei weld. Cyfeiriodd Dr Brian Gibbons at y ffaith fod lefelau sgiliau yn cynyddu. Pa werth yr ydych yn ei roi ar hynny, achos buaswn yn meddwl fod y buddsoddiad hwnnw hefyd yn eithaf pwysig?

Gareth Jones: Before I invite Christine to ask her question, we are talking about jobs in general and the fact that we are not seeing the increase that we would have liked to have seen. Dr Brian Gibbons referred to the fact that skills levels are increasing. What value do you place on that, as I would have thought that that investment was also quite important?

[40] **Yr Athro Jones-Evans:** Mae'n bwysig, oherwydd y gwahaniaeth mawr rhwng rhaglen 2000-06 a rhaglen newydd 2007-13 yw'r ffaith mai dim ond 32 y cant o'r cronfeydd strwythurol Ewropeaidd o'r rhaglen gyntaf oedd wedi ei dyrannu ar gyfer sgiliau, ond 40 y cant yw'r ffigur bellach. Rhoddodd Mike German bwysau mawr ar y pryd i sicrhau fod hynny'n digwydd ac yr oedd siom fawr ar y dechrau nad 40 y cant oedd y ffigur yn y rhaglen gyntaf. Felly, mae'r pwyslais hwnnw wedi cynyddu. Mae 8 y cant mwy o arian yn swm anferth i gael ei fuddsoddi mewn sgiliau.

Professor Jones-Evans: It is important, because the big difference between the 2000-06 programme and the new programme for 2007-13 is the fact that only 32 per cent of European structural funds under the first programme had been allocated to skills, but the figure is now 40 per cent. Mike German placed a great emphasis on that at the time to ensure that it happened, and there was great disappointment at the beginning that the figure was not 40 per cent in the first programme. So, the emphasis on that has increased. Eight per cent more funding is an enormous amount to be invested in skills.

[41] Mae hefyd yn bwysig canolbwyntio ar y ffaith fod llawer o'r gwaith ar sgiliau yn digwydd ar wahân i bolisiau addysg y Cynulliad, yn arbennig mewn ysgolion. Yr ydym wedi gweld y ffigurau diweddaraf ar befformiad ysgolion Cymru yng Nghymru, yn enwedig o ran y pynciau STEM. I raddau, bu diffyg dychymyg o ran ystyried sut y gallwn ddefnyddio'r arian. Nid yw'r gymuned Ewropeaidd yn hapus fod corff fel y Cynulliad yn defnyddio arian Ewropeaidd ar gyfer addysg uwchradd, oherwydd mae'n dweud y dylem fod yn talu am hynny beth bynnag. Fodd bynnag, gallai llawer mwy o ddychymyg wedi cael ei ddefnyddio o ran datblygu'r agenda hon. Mae Prifysgol Abertawe wedi llunio cynllun sy'n canolbwyntio ar sgiliau STEM, ond mae

It is also important to focus on the fact that much of the work on skills takes place in a different sphere to the Assembly's education policies, especially in schools. We have seen the latest figures on the performance of schools in Wales, particularly in the STEM subjects. To an extent, there has been a lack of imagination in looking at how we can use the funding. The European community is not particularly keen on a body such as the Assembly using European funding for secondary education, because it says that we should be paying for that anyway. However, a lot more imagination could have been used with regard to the development of this agenda. Swansea University has developed a project that focuses on STEM skills, but it is now 2011 and we could have started on that

bellach yn 2011 a gallem fod wedi dechrau ar y gwaith hwnnw 10 mlynedd yn ôl. Hwyrach y byddem wedi gwneud llawer mwy o wahaniaeth pe baem wedi edrych ar y sgiliau hynny ar lefel cynradd ac uwchradd cyn poeni am yr hyn fyddai'n digwydd wedyn.

work 10 years ago. Perhaps we could have had much more of an impact if we had looked at those skills at a primary and secondary level before concerning ourselves with what would happen after that.

[42] **Christine Chapman:** To pursue the issue about the private sector, it would be fair to say that we have had the discussion on whether or not the private sector is fully engaged since we have had structural funds. Brian has challenged some of the views on that, using the available statistics. Andrew mentioned broadband and Finance Wales, which are big projects that have engaged the private sector. The Federation of Small Businesses said that 99 per cent of companies in Wales are small businesses. Do you have examples of where small businesses are being locked out of this system? I am not sure about this. You talk about delivering this on a strategic level as well, so can you give specific examples of where small businesses have been actively locked out of the process?

[43] **Professor Jones-Evans:** Touching on what Brian and Andrew said with regard to procurement, if you were a private business looking to invest in and lead a structural funds project, you would want to put a certain amount of capital aside to enable you to do that. However, if you are a private business, you operate from financial year to financial year and it is about having that window of opportunity to say, 'I'm going to invest in this project, European structural funds will match it, and that will take this project forward'. The problem was—I have experience of this in advising private sector businesses that submitted initial applications for funding—that the process took so long that the businesses could not just sit on that money, because they were coming through the recession and had to use it for something else. So, because of the delay in the process, the businesses could not commit that funding because they did not know when a decision would be made. That not only applies to private sector businesses but also, increasingly, to public sector businesses.

[44] The University of Wales developed a programme called Visiting Innovators. I will come back to the Deputy First Minister's response to that programme, but this committee noted how important it was to internationalise in its inquiry report and our aim was to establish links with universities all over the world. At the moment, we have established links with professors in the Massachusetts Institute of Technology and we have industrialists in Japan who are waiting to join this programme. We first submitted that programme in July 2008 and we are still waiting for a decision. No real explanation has been given by the Welsh European Funding Office as to why it has been delayed to that extent. We could understand it if it said, 'We don't feel the programme should be funded because it doesn't tick all the boxes', but having had to wait for two and a half years means that we have had to use part of the programme's funding elsewhere within the university. We have funded eight new professorial chairs in Wales using part of that funding, but our council had earmarked funding for that programme. However, it was unfair on us to have to sit there and wait for a decision to be made, so we have had to use the money elsewhere. The institution can use that money, but imagine if a private sector body was in the same position—it could not wait that amount of time for an organisation such as the Welsh European Funding Office to make that decision. To an extent, that is what turns off many businesses from getting directly involved in the delivery of that. It is not necessarily to do with the fact that they are not coming forward, but that the process remains exceptionally convoluted from submitting the bid to final decision. I know that some projects are still waiting for a decision, as we are.

[45] **Joyce Watson:** On the point about the timescales, you said earlier that ProAct and ReAct had turned things around quickly, but you give an example here of where it is not happening at all. What do you think is the fundamental difference between those two examples, the example of ProAct and ReAct that you mentioned with the political will to

drive it forward quickly, and the one that you just described for which people are waiting for a long time?

10.10 a.m.

[46] **Professor Jones-Evans:** It is simple: one came from the Deputy First Minister and one came from the University of Wales. I suppose that that would be the simplest answer. WEFO tends to prioritise projects. ProAct and ReAct have shown that it can be done, so there is no excuse for not doing it, but if you need that resource to make that happen, then make it happen, because it is critical for some of these projects. As I said, you are talking about the creation of only about 10 per cent of the total estimated number of jobs four years into the programme. The Welsh European Funding Office has calculated how many jobs will be created from all of the programmes, however, those calculations were made on the basis that all of the programmes would start on time, when most of them have not; most of them are playing catch-up at the moment.

[47] I know that the economic circumstances have changed, but, at the same time, there must be an analysis of not only the process beforehand, but the process that follows afterwards, because it has become an overly bureaucratic system, in which it is more about saying that you cannot do it a certain way and that it must go back. I think that I said this at the last meeting, but when our successful bid for the Prince of Wales Innovation Scholarship programme was accepted, my business plan was 120 pages long in single-space type. Any venture capitalist invests far more following a 15 to 20-page business plan in double space. There are five-year monthly cash flow forecasts—it is becoming overly bureaucratic. We know that it is worth our applying for the money and being able to do that, but you should also remember that structural funds provide only half of the money and the organisations themselves put in the other half. We need to deal with that. It is a matter of balancing an analytical approach to audit with being able to make those programmes work effectively and efficiently for the economy of Wales.

[48] **Brian Gibbons:** You are right. I am working with some private sector companies that are trying to access money from Europe and it is a torturous process. You are probably aware of a series of articles in the *Financial Times* six weeks ago about the governance of the structural funds programmes in Europe. One of the key messages was that about 80 per cent of the reasons why money was going astray in Europe involved procurement irregularities and so on. So, with regard to the stereotypical view of European money being wasted or fiddled, procurement and tendering seemed to have been the main reasons for inquiries. I do not know what the answer is, but there is clearly massive abuse of the system through the procurement route. A lot of this bureaucracy is to demonstrate due diligence, but the problem is whether it is proportionate.

[49] **Professor Jones-Evans:** Absolutely, and any organisation that is in receipt of public funding should be audited and fully accountable. The point that I am making is that, particularly in terms of the process of getting from the idea to the decision, it takes an inordinately long time, even compared with the previous process. As I said, two and a half years is a long time to have to wait to do that.

[50] **Gareth Jones:** That point had been established and Brian's explanation has also been noted.

[51] **Paul Davies:** Yn dilyn cwestiwn Christine, yr ydych wedi sôn am fethiant y sector preifat i gael mynediad i rai o'r rhaglenni cronfeydd strwythurol achos yr amserlen i wneud penderfyniadau. Ai dyna'r **Paul Davies:** Following on from Christine's question, you mentioned that the private sector is failing to access some of the structural funds programmes, because of the timetable for making decisions. Is that the

prif reswm pam nad yw'r sector preifat yn gallu chware rôl lawn yn rhai o'r prosiectau hyn? Yr ydym wedi cyffwrdd â'r prosesau caffael, ond beth yw'r rhesymau eraill? Beth yw'r ateb i sicrhau bod y sector preifat yn gallu cael mynediad i rai o'r prosiectau hyn?

main reason why the private sector cannot play a full role in some of these projects? We have touched on procurement processes, but what are the other reasons? What is the solution to ensure that the private sector is able to access some of these projects?

[52] Yr ydych hefyd yn sôn yn eich papur am ddiwyddymu Awdurdod Datblygu Cymru, a chredaf eich bod yn awgrymu y byddai'r awdurdod, pe bai'n dal i fodoli, yn gwneud gwahaniaeth. Pa wahaniaeth fyddai corff o'r fath yn ei wneud mewn sefyllfa fel hyn?

You also mention in your paper the abolition of the Welsh Development Agency, and I think that you suggest that the agency, if it was still in existence, would make a difference. What sort of difference would an organisation such as that make in a situation like this?

[53] Yn olaf, ym mis Mawrth y llynedd, yr oeddech yn mynegi pryder y gallai swyddogion Swyddfa Cyllid Ewropeaidd Cymru fod yn micrereoli prosiectau gan eu bod yn pryderu am dorri rheolau cymorth gwladwriaethol. A yw hynny'n wir o hyd yn eich barn chi?

Finally, last March, you expressed concern that officials in Welsh European Funding Office might be micromanaging projects because of concerns about breaking state aid rules. Do you still think that that is the case?

[54] **Yr Athro Jones-Evans:** Dechreuaf gyda'r ail gwestiwn. Y pwynt yr oeddwn yn ceisio'i wneud—mae'r pwynt yn codi o'm gwaith ymchwil, er nad oes neb wedi edrych i mewn iddo'n fanwl—yw y byddech, wrth edrych ar y ffordd yr oedd prosiectau'n datblygu, yn gweld bod y rhan fwyaf o'r arian ar brosiectau mawr, fel canolfannau technium a chynlluniau menter, wedi mynd i mewn o gwmpas 2003. Mae ffigurau eraill yn dangos bod y prosiectau hynny yn dechrau gwneud gwahaniaeth. Felly, wedi'r hyn a ddigwyddodd yn 2005, nid gyda'r WDA yn unig, bu i lawer o brosiectau roi'r gorau i symud ymlaen. Ailgychwynnodd pethau wedi i bethau symud i Lywodraeth y Cynulliad, ond yr oedd y saib clir yn y cynnydd. Byddai unrhyw un a oedd yn rheoli'r prosiectau hynny yn dweud hynny wrthyach.

Professor Jones-Evans: I will start with the second question. The point that I was trying to make—and it is a point that emerges from my research, although no-one has really looked into it in detail—is that, if you looked at how projects developed, you would see that most of the funding on major projects, such as techniums and enterprise initiatives, was invested around 2003. Other figures show that the projects started to make progress. So, following what happened in 2005, not just with the WDA, many projects stopped progressing. Progress restarted once things moved into the Assembly Government, but there was a clear pause in progress. Anyone who managed those projects would tell you that.

[55] Felly, fy mhwynt oedd y byddai'n werth edrych a oedd problemau y tu ôl i'r *blip* hwnnw, gan fod y ffigurau yn dangos bod y lefelau cyfoeth yn y Cymoedd a gorllewin Cymru yn tyfu. Efallai mai *blip* yn unig ydoedd, ond mae'n werth edrych yn fanylach ar y rhesymau, yn enwedig gan fod y prosiectau hynny i weld yn gwthio pethau yn eu blaen. Wedi'r cyfan, dyna yw pwynt pwyllgor fel hwn.

Therefore, my point was that it would be worth looking whether there any problems were responsible for that blip, given that figures demonstrated that prosperity levels in the Valleys and west Wales were on the increase. It might just have been a blip, but it is worth looking in more detail at the reasons, particularly given that those projects were progressing effectively. After all, that is the point of having a committee like this.

[56] Credaf fod y sector preifat yn teimlo y tu allan i'r broses—nid o ran cael cyllid Ewropeaidd i brosiectau, ond gyda'r broses o ddatblygu'r economi yn gyffredinol. Mae cryn waith i'w wneud, felly, i gael y sector preifat i deimlo'n rhan o'r economi. Yn fy marn i, byddai'r economi yn gweithio orau pe bai cyrff addysg, yn arbennig prifysgolion, diwydiant a'r Llywodraeth yn cydweithio—dyna a elwir yn *triple helix model*. Mae llawer iawn mwy o waith i'w wneud, nid yn unig o ran arian Ewropeaidd, ond yn fwy cyffredinol hefyd.

I think that the private sector feels disengaged—not with regard to obtaining European funding for projects, but with the process of developing the economy in general. So, there is work to be done to make the private sector feel that it is part of the economy. In my opinion, the economy would work best if educational institutions, particularly universities, industry and Government collaborated—the so-called triple helix model. There is a great deal of work still to be done, not just with regard to European funding, but also more generally.

[57] Rhaid i WEFO roi ffydd yn y cyrff y mae'n dyfarnu cyllid iddynt i reoli'r prosiectau hynny eu hunain, oherwydd, fel y dywedais, mae'r cyrff hynny fel arfer yn ariannu mwy na hanner y prosiectau eu hunain. Mae'n iawn dod â phobl i mewn i archwilio prosiectau—mae pawb yn deall hynny—ond, ar hyn o bryd, y munud yr ydych yn gorffen un archwiliad, rhaid dechrau ar un arall; dyna sut mae'r broses yn datblygu ar hyn o bryd. Felly, yn lle canolbwyntio ar sicrhau bod y rhaglenni yn gweithio ac o fudd i'r cyrff sy'n rhan ohonynt, mae tueddiad i ganolbwyntio mwy ar y broses archwilio nag ar weithredu'r rhaglenni eu hunain.

WEFO must trust organisations to which it awards funding to manage their own projects, because, as I said, they are usually responsible for funding more than half the projects themselves. It is fine to bring people in to audit projects—everyone understands that—but, at the moment, once you finish one audit, you have to start on the next one; that is how the process is developing at the moment. So, instead of concentrating on delivering the programmes and ensuring that they benefit the organisations involved, there is a tendency to concentrate more on the audit process than on implementing the programmes themselves.

[58] **Gareth Jones:** Yr ydym yn rhedeg yn hwyr. Nid fy lle i yw dweud wrth Aelodau pa gwestiynau i'w gofyn, ond mae hwn yn gyfle, tra bo'r Athro yma, inni benderfynu beth y dylem ei roi yn ein hadroddiad—yr hyn y dylid ei ystyried o ddifrif a'r hyn y dylid ei newid. Felly, byddwn yn gwerthfawrogi pe baech yn cadw hynny mewn cof. Credaf fod gan Andrew bwynt i'w godi.

Gareth Jones: We are running behind schedule. It is not my place to tell Members what questions to ask, but this is an opportunity, as the Professor is here, for us to decide what we should put in our report—what should be considered in detail and what should be changed. So, I would appreciate it if you could bear that in mind. I think that Andrew has a point to raise.

10.20 a.m.

[59] **Andrew Davies:** Yes. I would not want Dylan's point about the abolition of the WDA to go uncontested.

[60] **Professor Jones-Evans:** I was deliberately not looking at you. [*Laughter.*]

[61] **Andrew Davies:** The technium programme was a WDA-initiated programme. Jenny will remember asking me questions about this very issue when I was a Minister. Indeed, your vice-chancellor, I am sure, would also repeat the points that I will make. There was no strategy for the roll-out of the technium programmes, and existing ones are augmented by the biotechnium at the National Botanic Garden of Wales, which has subsequently been—it remained empty for many years under the WDA. There was also a plan for a media technium

at Gelli-aur, near Llanarthne in west Wales, but, again, there was no objective business case for it. It is not the fact that these projects stalled after the merger of the WDA, but it was due to gross mismanagement by the WDA of programmes like technium that the Government made the decision to merge the WDA and other quangos into the Government. Nothing has changed; there has been gross mismanagement, before and after the merger, by those running it, who were, essentially, WDA members of staff.

[62] **Professor Jones-Evans:** I would hate to be accused of being a defender of the WDA—I would hate to have that on my gravestone when the day comes for me to meet the Lord. However, I agree with Andrew in that respect. I was merely trying to say that there needs to be more detail on this. One aspect that has disturbed me, as someone whose academic area is entrepreneurship and small business management, is the point at which the entrepreneurship action plan, and all of the programmes funded under Objective 1, ended. You will see that there has been a fall off the cliff in terms of the number of new enterprises created. I do not know whether there is an association between the two, but I would argue that it is not as simple as Andrew and I are saying.

[63] **Gareth Jones:** That point has been established. I am trying to be progressive in looking ahead and getting something into the report that will be worthwhile for the next term. Do you have any further questions, Jenny?

[64] **Jenny Randerson:** You will be pleased to hear that I have simply asked my question.

[65] **Nerys Evans:** Mae gennyf dri phwynt penodol i'w codi. Ar dudalen 2 eich papur, mae tabl ar GVA ym mhob diwydiant. Yr un sy'n sefyll allan yw amaeth, hela a choedwigaeth, sydd wedi cwmpo yn eithaf sylweddol rhwng 2000 a 2008. A allwch esbonio hynny? Os ydych yn tynnu'r ffigur hwnnw o'r cyfanswm, mae'n effeithio'n sylweddol ar ganlyniadau canrannau cynnydd GVA dros y blynyddoedd hynny.

Nerys Evans: I have three specific points to raise. On page 2 of your paper, there is a table on GVA in each industry. The one that stands out is agriculture, hunting and forestry, which declined quite significantly between 2000 and 2008. Can you explain that? If you extract that figure from the total, it has a huge impact on the results in terms of the GVA percentage growth over those years.

[66] Yn ail, yr oeddech yn sôn am rôl y sector preifat, ond yr ydym wedi clywed tystiolaeth am y problemau a wynebwyd gan y sector preifat wrth gael mynediad at gyfalaf ar gyfer arian cyfatebol yn ddiweddar, oherwydd y dirwasgiad. Faint o ffactor oedd hynny o ran cyfranogiad y sector preifat yn y cynlluniau hyn?

Secondly, you mentioned the role of the private sector, but we have heard evidence about problems faced by the private sector in accessing capital for match funding recently, due to the recession. How much of a factor has that been in terms of the involvement of the private sector in these schemes?

[67] Yn olaf, mae'n amlwg bod rhai ardaloedd o Gymru yn dlotach nag eraill. A oes rhai ardaloedd lle nad oes ysgogiad na modd i'r sector preifat roi arweiniad, lle ceir rôl gliriach a mwy pendant i'r sector cyhoeddus a mentrau cymdeithasol?

Finally, some parts of Wales are clearly poorer than others. Are there some areas where the private sector is unable to take a lead, where there is a clearer and more specific role for the public sector and social enterprises?

[68] **Yr Athro Jones-Evans:** Ceisiaf fod yn gryno.

Professor Jones-Evans: I will try to be concise.

[69] **Gareth Jones:** Mae un cwestiwn y gallwn ei ychwanegu at hynny.

Gareth Jones: There is one question that we can tag on to that.

[70] **Brian Gibbons:** The decline in agriculture stood out. If you take that out of the calculation, you will see that growth in GVA in west Wales and the Valleys is nearly 45 per cent, which is as good as, or even better than, Merseyside and south Yorkshire. I also looked at the GVA regional figures, and the decline in agriculture is quite anomalous, because it is not happening in the other regions.

[71] **Professor Jones-Evans:** I know.

[72] **Brian Gibbons:** That has a massively distorting effect.

[73] **Professor Jones-Evans:** It does.

[74] I ddod yn ôl at bwynt Nerys, mae hyn yn ddi-ddorol. Fel y dywedodd Brian, o edrych ar rannau eraill o Brydain—er enghraifft, yr Alban—mae cyfraniad amaeth i GVA wedi codi dros y 10 mlynedd diwethaf. Yr wyf wedi trafod hyn gyda ffermwyr a chwmnïau yn y sector amaethyddol, ac nid oes neb yn gwybod pam fod hyn wedi digwydd. Mae rhai'n dweud nad oes digon o gymorth wedi'i roi i sicrhau'r berthynas gref rhwng y tir a'r sector cynhyrchu bwyd, sydd wedi digwydd mewn ardaloedd eraill. Fodd bynnag, nid oedd unrhyw un wedi sylwi ar hyn. Ysgrifennais erthygl arno'r llynedd, ac mae hyn yn wir ar draws Cymru. Ym mhob rhan o Gymru, bron, mae wedi disgyn 75 y cant dros 10 mlynedd. Os yw'r pwyllgor hwn yn dychwelyd yn y Cynulliad nesaf, mae'n rhaid cynnal ymchwiliad i hyn, gan ei fod mor bwysig i rai rhannau o Gymru. Yr wyf yn cofio un Gweinidog yn dweud nad oedd amaethyddiaeth yn bwysig gan ei fod yn llai nag 1 y cant o GVA Cymru; mewn lle fel Powys, mae'n 10 y cant, ond eto mae wedi disgyn o 75 y cant. Mae hynny'n cael effaith anferth ar yr economi leol, felly rhaid edrych ar y rhesymau.

To come back to Nerys's point, this is very interesting. As Brian said, if you look at other parts of the UK—Scotland, for example—the contribution of agriculture to GVA has increased over the last 10 years. I have discussed this with farmers and companies in the agriculture sector, and no-one knows why this has happened. Some say that not enough support has gone into ensuring a strong relationship between the land and the food production sector, as happens in other areas. However, no-one had picked up on this. I wrote an article on it last year, and it is true throughout Wales. In nearly every part of Wales, it has dropped by 75 per cent over 10 years. If this committee returns in the next Assembly, it must undertake a major inquiry into this, because it is so important for some parts of Wales. I remember one Minister saying that agriculture was not important because it contributed less than 1 per cent of the GVA of Wales; in an area like Powys, it is 10 per cent, but it has fallen by 75 per cent. That has a massive impact on the local economy, so we must find out why.

[75] Efallai mai'r eironi mawr yw'r ffaith nad oedd y sector preifat yn rhan o'r cynlluniau a bod hynny, gan bod arian yn dynn, wedi achub rhai o'r cwmnïau a'r rhaglenni. Y gwahaniaeth mawr rhwng Amcan 1 a'r rhaglen newydd yw'r pot o arian cyfatebol a roddwyd gan y Llywodraeth yn San Steffan i Gymru ar gyfer Amcan 1. Nid yw'r pot hwnnw yn bodoli mwyach. Mae cronfa wedi'i thargedu ar gael yn awr, ond mae cyfanswm yr arian yn fach—ni fyddai llawer o'r prosiectau a ariannwyd o dan Amcan 1 yn cael eu hariannu nac yn cael yr arian cyfatebol hwnnw a oedd yn dod o San

Perhaps the great irony is the fact that the private sector was not part of these schemes and that, because money was tight, that saved some of the companies and programmes. The major difference between Objective 1 and this new programme is the pot of match funding provided to Wales by the Westminster Government for Objective 1. That pot no longer exists. Targeting funding is available now, but the amount of money available is small—many of the projects that were funded under Objective 1 would not be funded and would not get the match funding that came from Westminster.

Steffan.

[76] Yn drydydd, fel y dywedais wrth Jenny, mae'n glir bod yn rhaid inni edrych ar strategaethau gwahanol ar gyfer gwahanol rannau o Gymru. Er enghraifft, soniais am Abertawe; yr injan yno yw'r brifysgol, sy'n gallu datblygu pethau fel y Sefydliad Gwyddorau Bywyd a'r canolfannau technium—yr unig ganolfannau technium sydd wedi gweithio yw'r rhai yn Abertawe. Mae strategaeth glir yno, ond ni fyddech yn gallu cael yr un strategaeth ym Mlaenau Gwent. Nid yw'r agwedd 'yr un peth i bawb' yn gweithio. Mae'n rhaid i bob ardal gael strategaeth wahanol. Yn y gorllewin, er enghraifft, mae'r sector cynhyrchu bwyd yn hynod bwysig, felly mae'n rhaid edrych ar sut y bydd yn tyfu, i sicrhau bod y rhan honno o Gymru ar ei hennill.

[77] **Gareth Jones:** Hoffwn ddod â'r sesiwn hon i ben yn awr. Ar ran y pwyllgor, diolch, Dylan, nid yn unig am heddiw ond am eich cyfraniad ar hyd y tymor o bedair blynedd. Yr ydym wedi ei werthfawrogi'n fawr. Yr ydych wedi bod yn fodlon rhannu eich safbwyntiau—rhai ohonynt yn ddigon dadleuol—gan roi'r cyfle inni drafod pwyntiau allweddol ym maes datblygu economi Cymru. Yr wyf yn dymuno'r gorau ichi yn eich gwaith.

[78] **Yr Athro Jones-Evans:** Diolch yn fawr, Gadeirydd, a dymuniadau gorau yn y dyfodol.

10.30 a.m.

[79] **Gareth Jones:** Symudwn ymlaen at ail ran eitem 2, ar gronfeydd strwythurol—gweithredu rhaglen 2007-13. Mae'n bleser ar ran y pwyllgor groesawu cynrychiolwyr o ddau brosiect sydd wedi rhoi tystiolaeth inni o'r blaen ac sydd wedi derbyn y gwahoddiad i ymuno â ni eto. Yr ydym yn falch iawn o hynny. Yma yn cynrychioli prosiect Adeiladu'r Dyfodol Gyda'n Gilydd mae Suzanne Scarlett, rheolwr y prosiect, a Peter Mortimer sy'n rheolwr adnoddau adfywio. Hefyd, yn cynrychioli prosiect Pontydd i Waith, mae Jonathan Hale, rheolwr y prosiect. Yr wyf ar ddeall nad yw Bill Hill yn ymuno â ni heddiw. Croeso cynnes i chi, a diolch i chi am y dystiolaeth ysgrifenedig. Yr

On the third point, as I said to Jenny earlier, it is clear that we have to look at different strategies for different parts of Wales. For example, I mentioned Swansea; the engine there is the university, which is able to develop things such as the Institute of Life Sciences and the techniums—the only techniums that have worked are the ones based in Swansea. There is a clear strategy there, but you would not be able to develop the same strategy in Blaenau Gwent. The one-size-fits-all approach does not work. Each area needs its own strategy. In west Wales, for example, the food production sector is extremely important, so consideration must be given to growing that sector, to ensure that that part of Wales benefits.

Gareth Jones: I want to draw this session to a close. On behalf of the committee, thank you, Dylan, not only for today but for your contribution over the four-year Assembly term. We have very much appreciated it. You have been willing to share your views—some of which have been contentious—giving us the opportunity to discuss salient points on the development of the Welsh economy. I wish you well in your work.

Professor Jones-Evans: Thank you, Chair, and best wishes for the future.

Gareth Jones: We will now move on to the second part of item 2, on structural funds—implementation of the 2007-13 programme. It is a pleasure on behalf of the committee to welcome the representatives from two projects that have given evidence to us in the past and who have accepted the invitation to join us again. We are very pleased that you have done so. Representing the Building the Future Together project is Suzanne Scarlett, the project manager, and Peter Mortimer, the regeneration resources manager. Also, representing the Bridges into Work project is Jonathan Hale, the project manager. I understand that Bill Hill will not be joining us today. A warm welcome to you, and thank

ydydym eisoes wedi cael cyfle i'w darllen. Yr ydych wedi cyfeirio at bwyntiau pwysig yn eich tystiolaeth. Fel y gwyddoch, bwriad y cyfarfod hwn, a'n trafodaethau ni, yw ceisio casglu pethau at ei gilydd er mwyn eu cynnwys fel argymhellion mewn adroddiad etifeddiaeth y bydd y Pwyllgor Menter a Dysgu nesaf yn cael cyfle i edrych arnynt. Mae eich cyfraniad yn werthfawr i ni. Gwahoddaf chi i roi cyflwyniad byr o ryw dri munud yr un, ac wedyn bydd cyfle i'r Aelodau eich holi.

you for your written evidence. We have already had the opportunity to read it. You have raised some important points in your evidence. As you know, the intention of this meeting, and our discussions, is to try to draw things together to be included as recommendations in the legacy report for the next Enterprise and Learning Committee to have an opportunity to consider. Your contribution is valuable to us. I invite you to give a short presentation of about three minutes, and then there will be an opportunity for Members to question you.

[80] **Ms Scarlett:** I will briefly go through what the project entails and where we are to date. Building the Future Together is a project primarily for 11-19 year-olds in Rhondda Cynon Taf. It was approved in July 2009 and has recently been given an extension until September 2012. Bringing the project to where we are today has been a challenging process, as was the re-profiling that we undertook with colleagues at the Welsh European Funding Office in September 2010. We are now successfully on target with the project and are working with at least 3,000 young people in Rhondda Cynon Taf. We support them through a whole range of interventions and activities to improve their access to learning, their chances of gaining employment and their basic skills, both in the community with colleagues in the youth services and through secondary schools.

[81] In the report, I have attempted to give you an overview of the types of intervention that we are providing, which are very far-reaching. We have a central team within the local authority that commissions services right across the borough for young people in need. We have worked closely with secondary schools and colleagues in the community to identify those needs. We have tailored programmes, varying from one-to-one support for individual young people to non-stigmatising activity programmes to basic skills and employability programmes involving our joint sponsor on the project, which is Coleg Morgannwg.

[82] As I have mentioned, it has recently been re-profiled. That gave us an opportunity to look in particular at the participant profile, and the level of evidence required to identify outputs and outcomes on the project. That has been quite challenging, particularly when you are working with a group of young people between the ages of 11 and 16. While we do have qualification targets, at that age it is very much about confidence, self-esteem and basic-skills building, before we introduce them into the world of work. We have had some debate with colleagues at WEFO to ensure that we are clear about participants and the outputs that we want to measure.

[83] We have received an extension until September 2012 and we are now beginning to see the benefits of the project on the ground. We are receiving a lot of positive feedback from workers on the front line and from young people, and we feel that an extra year to the project would enable us to begin to transfer skills and to downsize the project more gradually, rather than it coming to what might be quite an abrupt end in September 2012.

[84] I have mentioned briefly in the report our concerns about cuts in the public sector and our dependency on match funding, mainly from discretionary services. That remains a concern for us, but, to date, we have been fortunate that the project has been very highly supported in Rhondda Cynon Taf at the highest level because it meets some of the priorities of our local service boards. So, we do not have any concerns at this point in time about match funding. I have also mentioned some concerns we have encountered with other project sponsors running ESF projects in Rhondda Cynon Taf, which are perhaps multi-authority

projects. There is some hostility in some cases and perhaps some anxiety about whose participants are whose and how you ensure that we are not doublecounting. We are working proactively to meet the sponsors of other projects to ensure that we are complementing each other's projects as opposed to competing.

[85] I also mentioned the data-collection system. We devised our own in-house system. We are still facing some challenges in extracting the level of information that is required across the breadth of the participant profile. Some help and direction from the outset in that respect would have been useful. I have also mentioned procurement. Fortunately, we have not had problems with the procurement process. We were granted permission to use the council's standing orders to go through procurement processes, which has made everything much easier for us. As I said, we are commissioning services from the voluntary and private sectors to run a range of projects locally in Rhondda Cynon Taf.

[86] I also mentioned the Welsh European Funding Office. We are hugely reliant on WEFO on a weekly basis to interpret things and provide us with advice. We are proactively trying to respond to emergent need through the project and to tailor support on a month-to-month basis, and it is a continuing two-way dialogue to ensure that we are incurring eligible expenditure and counting eligible participants. Our dependence on it cannot be overstated.

[87] To sum up, my recommendations are about taking due account of the time needed to put an infrastructure in place to deliver a project of this scale—it is a £14 million-project. We probably would not have been so ambitious in our early delivery profile had we known what we now know about how difficult it is to get a project of this size up and running. With regard to soft skills, we have had a great deal of debate with WEFO—and we continue to have that debate—about the importance of soft skills as foundations for employment and how you support young people, particularly in their early years in secondary schools, to acquire soft skills before we are in a position, in a three-year project, to start counting hard qualifications and outcomes.

[88] With regard to the importance of transferring skills and experience, we do not see this project as a finite project with a start and an end. It is very much about working with colleagues to transfer the skills and to be able to sustain a change in service delivery locally. The only other thing is a point to make on behalf of the participants of projects in Rhondda Cynon Taf. Because there are so many European projects operating in the locality—we may be a member of a five-authority or 10-authority project being led elsewhere—it would be helpful for there to be better communication channels in place and pathways for participants so that they know what is available to them in the locality.

[89] **Gareth Jones:** Thank you, Suzanne, for referring to those points, which are very important ones for us. They are highly relevant to our inquiry. I invite Jonathan to say a few words now.

[90] **Mr Hale:** Thank you. My name is Jonathan Hale, and I work for Torfaen County Borough Council. I have two roles. One is that I oversee finance and monitoring for all of the European social fund convergence projects that happen within Torfaen. The second is that I manage two projects—Bridges into Work and Working Skills for Adults. I am here today to talk about Bridges into Work. It is a £19 million priority 2 project, helping the economically inactive and unemployed into work. It covers the six local authority areas from Torfaen at one end to Bridgend on the other side.

10.40 a.m.

[91] Since I was last here for the original inquiry we have undergone re-profiling, just like Building the Future Together, and we have been offered an extension to the project of eight

months, which has been gratefully received, so it should now run until August 2012. It is that experience of the re-profiling that has informed the answers and the points that I have made about the recommendations that were raised by this committee.

[92] I will keep my comments brief because I realise that time is ticking by.

[93] **Gareth Jones:** I now turn to Members for questions. Jenny is first.

[94] **Jenny Randerson:** You mentioned the issue of double counting. That is something that was raised with us when we did our initial inquiry. Suzanne has referred to the fact that there are so many projects going on in one place that it is easy to see how double counting could occur. However, the Welsh Government's response to our recommendations, following our initial inquiry, said that WEFO had systems in place to remove double counting. Jonathan, in his evidence, says that he does not think that they are satisfactory. Could you give us some more information about that problem?

[95] **Mr Hale:** The vast bulk of my written submission related to recommendation 17—the data collection side. I read with interest the response from the Assembly Government and I was not satisfied that it was taking things far enough. Looking at the data that WEFO tends to publish, and the procedures for the participant-level collection system—which is where the duplication could be identified—I am not convinced that all of the published figures come from that source. It seems that they come from the claim indicators, which is just where each project sends in, 'We have this many participants'; there is not enough information for it to identify any duplication. We are currently putting together our second submission to the participant data system, and this project started in January 2009.

[96] It is a difficult area, and the advice that we have had has been conflicting, which is another point that I have raised previously. Our projects have multiple interventions with other projects. We work in close collaboration with, for example, the JobMatch project. So, where Bridges into Work might deliver some generic, basic skills-style training, we would count that participant and that training as an outcome for us. JobMatch may also have an intervention with the same participant, moving them closer to the workplace. We have been told that that is valid activity, and we should both be counting the activity that we deliver, which is fine. The issue that we normally have is when we get down to the job outcome, which is one of our key targets, in determining which project was responsible for that job outcome. That is a difficult decision to make. In this particular instance, involving JobMatch and Bridges into Work, we have an agreement built into the business plan; Bridges into Work does not have huge job targets in JobMatch areas, so we do not count them, and we know that we are not duplicating those outcomes because of that agreement. However, that is the only project where we have such an agreement. I suspect therefore that it is happening in other areas.

[97] **Jenny Randerson:** So, to summarise, you are saying that individual projects could be inadvertently claiming success. Would it also be the case that, if three organisations had interventions with a participant, and the participant got a job, all three would claim that job, as you have indicated, and therefore the figures would show that three jobs had been created?

[98] **Mr Hale:** Yes, that would be the case at the claim indicator level. When the data are fed in to the participant-level system, you would be able to identify that that has happened. I have asked WEFO previously, assuming that this data validation exercise takes place and duplication is identified, what it would do at that point. Our project is judged on outcomes. If we find that some of our targets have also been recorded by someone else, and they come to us and say that they have taken them from us because they are not valid for our project, what are the implications for us as a project and for the programme as a whole?

[99] **Gareth Jones:** Is there a feasible solution to that? It is a difficult area to tackle, so can you see a way out? You mentioned the level at which WEFO looks to the data, but that is too late. So, can it come in with some kind of a system at another level?

[100] **Mr Hale:** The honest answer at this stage is, possibly, 'no'. When the programme was put together, one of the things that we were hearing was that the participant data collation would be done by the sponsors, but held by WEFO. At that point, it would have live data meaning that it could do live validation, because when you are feeding into these sorts of systems, it is always after the fact. Suzanne pointed out that the nature of the data is quite complex; it is not a straightforward job. We are reporting for 11,000 participants in around 2,800 interventions. So, one project in six areas means that a lot of data are coming through. It is not a small job at all.

[101] **Mr Mortimer:** What we have just talked about is essentially process related and about data gathering. There is another point to be made about the various projects that are being delivered in a local area and are being managed in different ways. Suzanne mentioned that we have Building the Future Together, which is a locally-managed project, but there are others that are on a similar territory that are being managed much more remotely. The Genesis programme, for example, is important to us, but it is managed on a national basis. Similarly, although Reach the Heights is being delivered locally, it is managed centrally and sub-contracted to a range of different providers. So, something can now be done to ensure that those projects relate to one another much more effectively in a local area, and that the referral systems between individuals who have similar needs can be improved. That can help the kind of issues that we are talking about here.

[102] **Ms Scarlett:** We have taken it upon ourselves to map all of the European projects that contribute to the 11 to 19-year-old population in Rhondda Cynon Taf. We are also beginning to visit those project sponsors ourselves, so that we are clear about the population that they are working with in RCT and what interventions are in place, so that we can work together. We received representations from colleagues who are delivering under the Reach the Heights and the Pupils Understanding Problems in their Locality projects, and as early as last autumn, they were concerned about whether we could work with the same young people, because of the issue of claiming the same outcomes. However, we have now overcome that issue and we have realised that we can work with the same young people, as long as we are delivering and recording different outcomes.

[103] **Gareth Jones:** That is the important issue here. We can put up with some kind of administrative problems, but the impact on the individual is paramount, particularly if repetition leads to disengagement. We have gone into this in some detail in previous inquiries, but I am very grateful to you for raising that important point again. Andrew, did you want to come in on that point?

[104] **Andrew Davies:** I just want to say that we also found that in Swansea with those not in education, employment or training in all the various programmes.

[105] **Gareth Jones:** We are very much aware of that. Thank you for that point, Andrew. Brian, you have the next question.

10.50 a.m.

[106] **Brian Gibbons:** I just a few factual things to mention before I ask my specific questions. Suzanne, you state in your paper that targeted match funding is still open for revenue, but that capital funding is no longer available.

[107] **Ms Scarlett:** That was Jonathan.

[108] **Brian Gibbons:** Okay. Is that just for this year?

[109] **Mr Hale:** I looked at the WEFO website and, at the time, I noted that it stated that the ERDF capital fund was closed to new projects. I do not have any more information. ERDF is not my field; I deal with ESF only.

[110] **Mr Mortimer:** I can say something about targeted match funding, because I am responsible for managing several projects in Rhondda Cynon Taf that are dependent on targeted match funding for their delivery. As far as I am aware, the budget for targeted match funding is now fully committed.

[111] **Brian Gibbons:** Is that for the whole structural funds programme or just for this financial year?

[112] **Mr Mortimer:** It is for the budget that is available at the moment.

[113] **Brian Gibbons:** Is that up until 2013?

[114] **Mr Mortimer:** As far as I am aware, yes.

[115] **Brian Gibbons:** We know that projects are going to struggle with the cuts, because the public sector leads many of them. If match funding will not be readily available, there could be a significant bottleneck in the system.

[116] **Mr Mortimer:** There are implications for projects that are receiving targeted match funding.

[117] **Brian Gibbons:** Yes, I can see that.

[118] **Mr Mortimer:** The delivery of targeted match funding applies quite rigidly to financial years. That money is applied rigidly across a wide range of projects. We manage four projects in Rhondda Cynon Taf as far as targeted match funding is concerned, and in those, we have to spend specific amounts within a financial year, with no flexibility—we find it difficult to apply and deliver on those terms.

[119] **Brian Gibbons:** I would suggest, Chair, that this is something that needs to be clarified. If, at this stage, Peter and Jonathan are right—

[120] **Garteth Jones:** We are touching on an important point. In reading your papers, I was taken with the way that you embed the project; you are looking to sustainability, so that, even though the project ends, it does so at the right time. That is a very valid point; it deserves that support. If you cut it short, there will be repercussions and I do not think that it will be as successful as it would otherwise be. So, we will make a note of that, Brian.

[121] **Brian Gibbons:** May I ask Jonathan a bit of an anorak question? We do not seem to be making as much progress in terms of GVA—according to the tables, at least. For example, the central valleys, as the area is called in NUTS 3, and the Gwent valleys are doing particularly badly—you said that you are covering the Torfaen area, so I am just using this as an opportunity to test the thesis with you. However, if you look at the same figures, you will see that Cardiff is doing extraordinarily well; it has nearly 75 per cent higher growth than the central and Gwent valleys areas. Because GVA is measured where the jobs are, how far do you think the actual GVA is being transferred out of the Valleys? That is, Valleys people are benefiting from structural funds but, because they are working in Cardiff, the good results of the work that you are doing is not being captured in the area where the value has been added

in getting these people ready to go to Cardiff to get the jobs.

[122] **Mr Hale:** Thank you for that question. [*Laughter.*]

[123] **Brian Gibbons:** I knew that you would like that question.

[124] **Mr Hale:** It is not something that I have wanted to look at. I did a quick survey of the data on job outcomes within our project and looked at where a lot of these jobs were based. I did not want to do any analysis, because it was quite scary. However, I agree that a lot of the job outcomes that we are recording for the people we work with involve people moving and working outside of their home areas. This is not so much the case in Torfaen, but it certainly is in the more central valleys, where people are able to get down to Cardiff, and that is particularly true of Rhondda and Merthyr.

[125] **Brian Gibbons:** Jenny was legitimately worried by overcounting the GVA as a measure of the success of the structural funds programme. From what you are saying, my impression is that it is equally possible that we are undercounting the figures because of the leakage in terms of where GVA is being created.

[126] **Andrew Davies:** Brian said that he wanted to ask an anorak question, but this is an anorak issue. Part of the problem is that once you use GVA for anything below NUTS 2 areas, it is not a relevant figure, because of migration, nor does it take into account transfer payments and other things. The other point about GVA is that it is effectively calculated using two elements: one is employment, and the other is company growth and profits, and it is in these aspects that west Wales and the Valleys have been successful in creating jobs. Wales has outperformed any other part of the UK for many years in private sector increases. It is the only part of the UK where the increase in private sector jobs has been greater than in the public sector. Where there has been a failure or weakness, it is in the ability to get company growth, which takes us back to what Jenny said about Blaenau Gwent. If you have a relatively weak private sector with small numbers of relatively small companies, then that is one of the reasons why GVA is low. Even though there is significant employment growth, this is not necessarily reflected in the GVA. We use GVA as a figure, but it can obscure some of the real successes of the programmes.

[127] **Gareth Jones:** Unless we get procurement right, our indigenous businesses cannot develop, because businesses tend to come from outside to take on that aspect. These are vital points.

[128] **Christine Chapman:** Suzanne, you have talked about your project, which is clearly excellent. Brian talked about the end of that project, which you said would be in 2012. You mentioned a concern that there should be a period of at least a year to downsize the project. You also talked about transferring skills and experience to influence the longer-term change in mainstream services. Do you think that there is a role for WEFO in that, or do you think that it is something that your organisation should be looking at? We all hear about projects finishing from time to time, and while there is clearly huge disappointment about it in the community, people forget that the project was only meant to last for a certain time. Should more be done by WEFO in this regard, or do you not think that that is its role? Yours is clearly an excellent project, which is obviously fulfilling a need, but should there be more support towards the end?

[129] **Ms Scarlett:** We are looking to WEFO to support us in developing sustainable solutions to take the project forward. In approving a project, you should be looking at an exit strategy from the outset, and at the impact that a project of this scale is going to have, its legacy and the difference that it will make for those young people who follow the cohort of young people we are going to work.

[130] **Mr Mortimer:** In past programmes, what we had were a lot of small self-contained projects in which an exit strategy design would have been far simpler. Now, by design, you have much larger and more strategic projects that will have a greater impact. If that impact is lost at the end of a project, it leaves a far greater gap than would have been the case previously with the smaller projects. The issue of an exit strategy is far more important now than it was in the past, and ensuring that we understand the role of these projects and the benefits that accrue from them is really important. WEFO can help with the recognition of that, and if that needs to be picked up in policy by Assembly Government departments, then WEFO has a role in making that message clear.

11.00 a.m.

[131] **Christine Chapman:** How much is it a role for WEFO and how much for your organisation? There is huge disappointment when these projects come to an end, but, often, people seem to forget that they were supposed to end. Do you see the point that I am making? I wonder whether it is all WEFO or is it about individual organisations not working as satisfactorily as they should.

[132] **Ms Scarlett:** It is about partnership, and I would welcome greater challenge from WEFO to ensure that we are considering sustainability and exit. The solutions pretty much come from within the borough, from colleagues involved in the local service board and the children and young people's partnership, in particular, looking at how we make the interventions sustainable. If it was given greater priority by WEFO at the point of project approval and implementation, it would lead to a greater focus on sustainability and ensuring a cohesive approach to making it happen. We are working on that as we go, but I do not think that it was given enough consideration at the outset.

[133] **Mr Hale:** I would echo that. The projects that I am dealing with have a wider base than yours, which is just in RCT, and one of the difficulties in trying to ensure that this happens is in getting political buy-in across the board. Having WEFO on your side can sometimes be helpful in that regard.

[134] **Gareth Jones:** I do not believe that there are any further questions. I will conclude by saying how much we appreciate your contribution, which I sincerely mean—it has been very valuable. We have had a lot of discussion about high-level figures—we know all about GVA, NUTS and so on—but you have brought it home to us, because you are talking about individuals. Your approach has been innovative and creative in that sense and deserves every success. It is important, as you have done, to remind us that we are here to help individuals pave their way through life, and you have referred to a very vulnerable group. We extend our best wishes to you on this important work. I can assure you that the points that you have raised will be incorporated in our legacy report for the next Assembly. If there is anything further that you would like to share with us at a later stage, before the end of this term, please do so. Thank you for your attendance this morning and all the best to you.

[135] Mae un papur i'w nodi, sef There is one paper to note, namely the
cofnodion y cyfarfod blaenorol. Gyda hynny, minutes of the previous meeting. With that, I
yr wyf yn cau'r cyfarfod. cloe the meeting.

*Daeth y cyfarfod i ben am 11.03 a.m.
The meeting ended at 11.03 a.m.*