



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

**Y Pwyllgor Materion Ewropeaidd ac Allanol
The Committee on European and External Affairs**

**Dydd Mawrth, 18 Ionawr 2011
Tuesday, 18 January 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

Eleanor Burnham	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Jeff Cuthbert	Llafur Labour
Rhodri Morgan	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Sue Baxter	Dirprwy Gyfarwyddwr, Cystadleurwydd yr UE a Rhyngwladol, yr Adran dros Fusnes, Arloesi a Sgiliau, Llywodraeth y DU Deputy Director, EU and International Competitiveness, Department for Business, Innovation and Skills, UK Government
Yr Athro/Professor Simon Bradley	Pennaeth Peirianeg, Ffiseg, Technoleg Gwybodaeth, Gwasanaethau Diogelwch a Simiwleiddio, EADS Innovation Works Head of Engineering, Physics, Information Technology, Security Services and Simulation, EADS Innovation Works
Neville Davies	Cynghorydd Ewropeaidd, Cymdeithas Llywodraeth Leol Cymru European Adviser, Welsh Local Government Association
Mike Glycopantis	Pennaeth Tîm Cyllid yr UE, Trysorlys Ei Mawrhydi Head of EU Finances Team, Her Majesty's Treasury
David Golding	Pennaeth Strategaeth, Bwrdd Strategaeth Technoleg Head of Strategy, Technology Strategy Board
Andy Klom	Pennaeth Swyddfa'r Comisiwn Ewropeaidd yng Nghymru Head of the European Commission Office in Wales

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

Lara Date	Clerc Clerk
Gregg Jones	Pennaeth Swyddfa UE Cymru, Gwasanaeth Ymchwil yr Aelodau Head of Wales EU Office, Members' Research Service
Sarita Marshall	Dirprwy Glerc Deputy Clerk
Rachel O'Toole	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

Dechreuodd y cyfarfod am 9.04 a.m.
The meeting began at 9.04 a.m.

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

[1] **Rhodri Morgan:** Welcome to all Members, officials and everyone in the public gallery. I apologise for my slightly late arrival this morning. I remind everyone that headsets are available for translation, or if you are slightly hard of hearing like me, you can use them for amplification of sound, which is available on channel 0. The Welsh-to-English translation is on channel 1. Please ensure that any mobile phones, BlackBerrys or anything else that you have, are switched off completely as they can interfere with the sound equipment. I cannot even switch mine on, so that is not a problem. In the event of an emergency, an alarm will sound and ushers will direct everyone to the nearest safe exit and assembly point. I have received an apology from Nick Bourne. I invite Members who need to make any relevant declarations of interest under Standing Order No. 31.6 to do so. I see that there are none.

9.05 a.m.

**Ymchwiliad Craffu: Adolygu Cyllideb yr UE a Dyfodol Polisi Cydlyniad yr
UE—Casglu Tystiolaeth (drwy Gynhadledd Fideo)
Scrutiny Inquiry: EU Budget Review and Future of EU Cohesion Policy—
Evidence Gathering (via Video-conference)**

[2] **Rhodri Morgan:** This is being held via video-conference. I cannot try out your coffee by video-conference, but I welcome everyone on the other side, to use spiritualist terminology this morning. [*Laughter.*] We will move on to the session on cohesion policy and, in particular, the UK Government's views on it. Joining us are Sue Baxter, who is the deputy director for EU and international competitiveness in the Department for Business, Innovation and Skills, which is sometimes known as DBIS, and Mike Glycopantis, who is head of the EU finances team at the Treasury. Andy Klom has also joined us here.

[3] The purpose of this item is to hear your views on the current stance of the UK Government on the EU budget and its impact on the competitiveness and cohesion agenda. I would like to invite you, Sue and Mike, to make some introductory comments, which would be quite useful to test the video recording system and to know whether or not I can hear you. We will then move on to questions. Please say at least a few words to get us going.

[4] **Ms Baxter:** Good morning, everyone. My name is Sue Baxter, as you have heard. My role, among other things, is to co-ordinate EU policy and performance on structural funds, and that includes negotiating the next financial perspective. We have just been handling a consultation from the European Commission that is open until the end of January on exactly the subject of today's conversation, so I will be very happy to outline our initial views. Can you hear me?

[5] **Rhodri Morgan:** Mike, do you want to add anything to that?

[6] **Mr Glycopantis:** I am the team leader for EU finances in the Treasury. That means that I lead on giving advice to Ministers on the annual budget negotiations, and also on the preparations for the next financial perspective. We expect the Commission to come forward with its proposals before the end of June on the numbers regarding structural funds, the cohesion policy, the common agricultural policy and all other elements of the EU budget.

[7] **Rhodri Morgan:** Okay. I will start with a few questions. Could you both speak up a little? I am rather hard of hearing, and even with my headset on, I was struggling just a little to follow what you were saying.

[8] There is a \$64 billion question for us in Wales. We now have the broad number for the inflation-related increase in the overall size of the EU budget, as I understand it, but we do not have a breakdown of it. The next phase will be how cohesion policy will fit in within this overall budget envelope for CAP, structural funds and everything else. Where does the UK Government stand at the moment on this issue—which has bounced back and forth for the past 10 years or more now—of whether the idea of cohesion should be redefined so that it is only the poorest member states, as distinct from less well-off regions in relatively rich member states, that should be seen as needing to benefit from cohesion policy?

9.10 a.m.

[9] Therefore, should an area such as west Wales and the Valleys, which constitutes two thirds of Wales, and which is below 75 per cent per head of GVA—according to the most recent figures that we have, from 2008—continue to benefit from EU cohesion policy, because of its relative lack of prosperity per head of GVA, or should rich member states look after their own lagging regions, which is a view that has been floated from time to time? What is the current UK negotiating position on that issue?

[10] **Ms Baxter:** I think that it is fair to say that our position has slightly changed this time around. We have acknowledged at the outset of the negotiations that all regions of the EU are likely to receive, or to continue to receive, structural funds and to be covered by cohesion policy. That is a departure from where we were last time. Within that framework, we argue that, certainly in the longer term—by which we mean in the next but one financial perspective, namely not 2014-20, but after 2020—we would be seeking for only the poorer member states to receive structural funds. However, before then, and for the immediate financial perspective, richer regions in the richer member states should see a significant drop in their receipts. Obviously, that does not cover west Wales and the Valleys, and it is difficult to know at this moment whether west Wales and the Valleys will continue to be a convergence region or not. We still support the principle of structural funds being aimed at the poorest regions and the poorer member states as a point of principle, because the point of structural funds is to enable the poorest regions, and the poorest member states, to catch up with the EU average. Therefore, if west Wales and the Valleys improves in terms of its GDP, so that it is approaching the EU average, that is to be applauded, in our view.

[11] **Rhodri Morgan:** I would like to elicit some more information on this issue. I believe that it is fair to say that everyone in Wales would accept that, if west Wales and the Valleys was approaching the EU average of GVA per head, no-one would wish to see the area continue to be in receipt of structural funds. However, what we are talking about today is the in-between period, between being at 74 per cent of the average GVA, or whatever it is at present, and the point at which it reaches 99 or 100 per cent, which might happen sometime in the next nine years, leading up to 2020. None of us can foresee what will happen after 2020, but, from 2013 to 2020, are you saying that the UK Government's position is clear, that it is not now pushing for the lagging regions of rich member states to be excluded from access to structural funds?

[12] **Ms Baxter:** No, we are not doing that. That is correct.

[13] **Rhodri Morgan:** Good. Rhodri Glyn Thomas has the next questions.

[14] **Rhodri Glyn Thomas:** Hoffwn eich holi am y syniad hwn o bartneriaeth datblygu a buddsoddi. **Rhodri Glyn Thomas:** I would like to ask you about this idea of a development and investment partnership.

[15] Are you getting the translation feed?

- [16] **Ms Baxter:** No, I am sorry. The sound is also distorted.
- [17] **Rhodri Glyn Thomas:** Yes, the sound is distorted. I will try in English; it may be easier for you to follow, rather than the translation, given the noise interference.
- [18] **Rhodri Morgan:** It is the echo.
- [19] **Rhodri Glyn Thomas:** Yes, it is. I was asking about the idea of a development and investment partnership, which has been raised. What is the UK Government's view on that? Is it something that you would support as a UK Government position?
- [20] **Ms Baxter:** Would you care to elaborate on what you mean by an investment and development partnership?
- [21] **Rhodri Glyn Thomas:** It is based on the idea of national reform programmes for Europe 2020, which has set out the commitments of national and EU funding, including structural funds, against an agreed common strategic framework. What is the UK Government's view on that?
- [22] **Ms Baxter:** We certainly support the idea of a strengthened national development and investment partnership. We are very interested in exploring the ideas not only of a convergence between structural funds—ESF and ERDF, which I gather you do very successfully in Wales—but of what the linkages might be between structural funds and aspects of the common agricultural policy, and particularly those that deliver competitiveness-type objectives. In a time of shrinking public funds, the opportunities for aligning EU investment with domestic investment are very attractive. We would very much welcome the proposition to concentrate that on a few core themes that are the drivers for economic growth, but we need to see a bit more detail from the Commission before we could really sign up to all the proposals that might lie beneath that.
- [23] **Jeff Cuthbert:** Good morning. As the Chair indicated in his opening questions, and as you will be aware, the issue of structural funds is very important to us in Wales. I am certainly pleased to hear that there does not appear to be any change to the idea of funding poorer regions, certainly up until 2020. No-one can speculate what the situation will be after that date. One of the other suggestions that has been made is that structural funds might be focused on thematic issues—occupational areas, such as motor manufacturing or hospitality—as opposed to having a geographical basis. Can you confirm whether there are moves towards a thematic approach, which I would have to say I would not be too wild about, or whether the geographic issues will remain as the main directors?
- [24] You briefly mentioned the issue of synergies when you talked about links with the CAP. As a separate point, in terms of the framework research programmes building up to FP8, are you looking seriously at greater synergy between the use of structural funds and the framework research programmes?
- [25] **Ms Baxter:** With regard to thematic versus geographical approaches, I should make clear the distinction between the allocation of funds, which will be done on a geographic basis—and which will probably be done according to the NUTS 2 geographic regions that map onto the current regions in the UK—and what those regions choose to spend their money on. What those regions choose to spend their money on may well follow thematic lines. We are not necessarily advocating a sectoral approach with quite the specificity that you outline—for example, a focus on the automotive industry—but more of a focus on categories of investment, such as support for infrastructure, innovation, small and medium-sized enterprises or localised regeneration. So, it would be thematic in that sense, but allocated according to the

eligibility of each region, which is structural.

[26] **Mr Glycopantis:** I would just like to add something, if it is not too early to bring in the EU 2020 strategy. We know a lot about the plans of the Commission for the EU 2020 strategy and we know a little bit about how it would like to apply those and co-ordinate those more strongly with structural funds. We have this new concept of bottlenecks to growth, which have been identified in different member states. The Commission's idea is that the structural funds and other funding from the EU budget would increasingly be aimed at trying to address these bottlenecks to growth. However, it is very important, and it is the UK Government's position, that each member state needs to have flexibility in terms of exactly how these issues should be addressed. That is quite a strong theme in the Commission's recent reports in this area. So, that is a welcome development. However, with regard to thematic issues coming into play in the area of structural funds, it would probably be more in the area of the EU 2020 goals on productivity, employment, sustainable growth and tackling climate change that there would be a set of principles there, a set of targets for the EU, and each member state would have a set of bottlenecks, but then flexibility for regions receiving funding to say, 'What is the priority for us?'

9.20 a.m.

[27] **Jeff Cuthbert:** The other question was on the links with framework programme 8, and so on.

[28] **Ms Baxter:** We think that having a single programme that perhaps embraces FP8 as well is probably a step too far. However, there is an awful lot of scope to clarify the distinction between the various EU programmes. I am aware that there are some projects that happen under framework programme 7 that could almost translate into structural funds projects, so clarity on the purpose of each fund and a greater focus on what the fund is trying to achieve, and what a project is trying to achieve, which is closer to the objective of the fund, would be welcome.

[29] **Eleanor Burnham:** How are Welsh Ministers, and possibly the other devolved administrations, being involved in the process of formulating and presenting the UK Government's position in negotiations? Are you able to comment on the key element of the UK position on the future of the common agricultural policy, particularly in relation to the EU budget discussions? How have they been formulated to reflect the views of all parts of the UK, including us here in Wales?

[30] **Ms Baxter:** I can talk about the development of the position that we are outlining to you today on structural funds, and perhaps Mike can talk about the CAP.

[31] **Mr Glycopantis:** The overarching process was that the European Affairs Committee met in the autumn to decide the Government's overall approach to the EU budget, and that was preceded by correspondence with the devolved administrations—UK Ministers wrote to all the devolved administrations asking about their priorities for the budget. That was the overarching process, but Sue can say more about cohesion.

[32] **Ms Baxter:** Certainly. There was a lengthy process in forming the initial views that we are presenting to you today, and we have involved your officials to quite some degree. We have come up with a draft document which will, hopefully, reach your desks today, if it has not reached them last night, setting out all of these ideas. It has been developed very much in consultation with your officials, both informally and also through a structure at official level called the structural funds policy group, which is convened every few weeks. We do it by videolink, just like this meeting. It is true that we have been aware of some areas of disagreement, but there are a lot of different stakeholder views to take into account. The

exercise for us has been about trying to bridge the gaps between different key stakeholders and to come to a view in a set of words that all could more or less live with. I very much hope that you will be supportive of it in general terms, although there may be some things that you are not quite so comfortable with when you see the document.

[33] There was a previous process whereby we established a baseline position. We wrote to you at the end of last summer, just before September, to seek your views on an outline, opening position that supported the continuation of cohesion policy, making the distinction between our former and our current position, which is to acknowledge that there will be structural funds in all regions, and setting out the need for flexibility. We had a written response from you.

[34] I do not know whether Mike wants to say anything about the common agricultural policy.

[35] **Mr Glycopantis:** There is an equivalent process on the CAP.

[36] **Eleanor Burnham:** How does the UK Government's position on reducing its budget deficit correspond to your wish to reduce the EU budget?

[37] **Mr Glycopantis:** What the Prime Minister did at the October European Council was to make the European Council focus on the question of fiscal consolidation and its relationship to the EU budget. So, we have some October European Council conclusions that say that the evolution of the EU budget, going forward, needs to reflect the considerable efforts that member states are making with their domestic budgets. That is in the full European Council conclusions of all 27 member states back in October 2010.

[38] At the same time, there was an initiative on the 2011 annual budget; 13 member states wrote saying that they did not want to move beyond an annual increase of 2.91 per cent on the 2010 budget. That was the final settlement that was made with the European Parliament. So, that was the agreement. At the December European Council, there was a follow-up initiative, not by the whole council but by the UK, France, Germany, the Netherlands and Finland. Those five member states said, 'With regard to the evolution of the budget over the next few years and taking into account the next financial perspective, we want to step up the efforts that we made in 2011 to contain the EU budget, and, in particular, we don't want the budget to rise by more than inflation over the next financial perspective'. The UK took that position with other large contributing member states, reflecting what they wanted from the EU budget in order to make it consistent with the efforts that are being made in domestic budgets to achieve deficit reduction plans.

[39] **Eleanor Burnham:** Finally, I am interested in the eurozone crisis in general and what implications you see for us in the UK and particularly for us in Wales.

[40] **Mr Glycopantis:** The important thing from an EU budget perspective is that the EU budget adjusts to the fiscal consolidation efforts being made domestically. That is the priority.

[41] **Rhodri Morgan:** There are two final questions from me. The first is on the question of loans rather than grants and using the European Investment Bank to a greater degree in symmetry or synchronisation, whichever it is, with the previous quiver full of arrows of the structural funds, which are mainly based on grants for developing skills in ESF or developing infrastructure, and sometimes for assistance to companies under the European regional development fund. Does the UK Government have a view that supports this switch from a grant culture to a loan culture? What does that imply for enhanced funding for the EIB, because no bank can lend capital that it does not have? Does it mean additional capitalisation for the EIB?

[42] I also have a completely different question on the urban initiative, regarding the big cities of Europe that are not in the convergence regions, and sometimes not in the competitiveness regions either, such as London, Paris or Vienna, especially taking into account the fact that Commissioner Hahn, when he was mayor of Vienna, was very much the leader of trying to push for the big cities of Europe, regardless of their location relative to the convergence regions, getting access to structural funds. If they were to get that access, and the overall envelope for structural funds remained the same, that would mean less for the convergence regions. A lobbying effort has been going on for at least a decade by London, Paris, Vienna and so on to get access to these funds. We have no problem with that if they are additional funds, but we have a big problem if it is a zero-sum game and more money for London, Paris, Vienna and so on means less money for the convergence regions. Can we have your views on those two issues?

9.30 a.m.

[43] **Mr Glycopantis:** I will start on the EIB and then Sue will continue. To start with the Government position, the Government is keen that the EU should act using the right tool. We have the budget, the EIB, regulation, legislation and domestic activity. We have seen the EIB play a big role during the crisis. In 2010, EIB lending was approaching €70 billion, which is very material compared to the annual budget of €123 billion. That was much higher than originally anticipated; the original plans for EIB lending in 2010 were for about €45 billion. So, the EIB has expanded its activities, and we are interested now in what role it can play going forward. It has played a bigger and successful role over the past few years. We are interested in hearing people's ideas about how the EIB can continue to play a significant role going forward. As I said, sometimes we think that the budget is the right tool and sometimes we think that it is the EIB, and we are interested in seeing a lot more analysis on the optimum mix for the future.

[44] **Ms Baxter:** I think that Mike is absolutely right. It could play a useful role in helping some of the richer regions, which may have to endure a significant drop in their structural funds receipts, to make the transition to a lower level of receipts overall. Having the right blend of grants and loans will help to ease the pain, if you like.

[45] The question on urban areas is a good one. It is probably fair to say that we have not yet formed a particular view, so if you have some points that you want to make, they would be warmly received. You are right in pointing out that having an earmarked fund for urban development stands to go against the principle of targeting structural funds at the poorer regions and member states. That is a point well made and well taken. However, we also have to acknowledge that, very often, urban areas are the drivers for growth in a particular country. So, if you are trying to uplift the whole member state's GVA, there has to be some kind of link between what happens in the urban regions and their rural hinterlands. In an urban policy within structural funds, we would aim to capture how best to exploit those linkages. In terms of our current exercise, that is probably the next step along, so, if you have some ideas, they would be warmly received.

[46] **Rhodri Morgan:** Okay. Just to clarify the point, when you mention the next step along, do you mean post 2020, the period between 2013 and 2020, or the second half of that seven-year period?

[47] **Ms Baxter:** I was talking about our current exercise in formulating the UK position in the current negotiations, so perhaps within a few weeks or months.

[48] **Rhodri Glyn Thomas:** I am interested in the UK Government's view on future negotiations. What are your core objectives for the multiannual financial framework

discussions? We have had some indication of that, but what are the red lines there? What will be the role of Welsh Ministers and Ministers of other devolved nations in formulating the UK Government's view for those discussions?

[49] **Ms Baxter:** I think that we have moved off the starting blocks already. As I said, you have been involved in that in the previous correspondence that was sent in September and in the forthcoming correspondence that is about to be sent to you. So, hopefully, the document that you will receive very shortly will set out our core objectives, which are very much for continuing cohesion policy, but being focused and targeted about what it is aiming to achieve in the context of 2020. It is about keeping it economically focused on trying to pull up the GVA of the poorest regions and member states, but, at the same time, leaving member states the flexibility to apply those funds in the way that will help them to meet their own very specific challenges best. Those will vary across the piece, both within and between member states. So, we want flexibility, but also simplified and harmonised bureaucracy and the freedom to grow our own economies in the way that we think fit.

[50] **Eleanor Burnham:** I am concerned about how we can adequately reflect the concerns of Wales. You obviously have discussions with officials and Welsh Ministers, and you have just made a very interesting point about urban conurbations being the hubs and drivers of the economy. I live in north-east Wales, which is very close to Liverpool and Manchester—I was in Manchester a couple of weeks ago. We have a difficulty in Wales, because if you look at what is happening in the hinterland, as you call it, it is very important. Rhodri can correct me if I am wrong, but the majority of the geography of Wales is within the hinterland. We are suffering greatly—just look at the price of petrol at the moment—travelling is difficult and getting jobs is difficult if you do not have a mode of transport. Many people have left north-west Wales to come down to Cardiff because this is the main hub in many respects, even though it is miles away. I am very concerned about how our concerns about what is happening are adequately reflected in the cohesion policy, and how we can ensure that we get our share of the cake to help the hinterland, which is extremely important for us.

[51] **Ms Baxter:** I hope that you will write us a full and frank letter expressing all your views. I very much take the point that you make, and that is why we do not just blithely embrace the urban proposals that are being put out by the Commission and some of the member states as they are at the moment. In our view, it is very much about trying to get the linkages right and functional between the factors that drive growth and wealth in cities and how that translates into benefits for the people that cannot readily access them. That could be within a city boundary, but also, more importantly, within the regions around a city that would currently find it difficult to access some of those drivers without structural funds. So, it is about pulling out and unravelling some of the key mechanisms that help to drive growth, and spinning those out further. If you have specific concrete examples, I would be very interested in helping to work those up with your officials.

[52] **Eleanor Burnham:** We are talking about what David Cameron talked about in the autumn, namely wellbeing. This is not only about growth—it is about the basic wellbeing of people, and their ability to function at the basic level of getting around with jobs in mind, and so on.

[53] **Rhodri Morgan:** We will draw this part of the meeting to a close. You have posed us a question and we will respond to that, although it will not be easy—as you can probably tell—for this committee to come to an agreed position on this urban issue. A final comment from me is that although the Irish republic's geography is the opposite of Welsh geography, it is fascinating to look at how the Irish republic used European structural funds, convergence tier 1 industrial assistance status and its 12.5 per cent tax rate to let Dublin rip extremely successfully, until letting Dublin rip turned into the horrendous property boom, which

resulted in the Irish rip becoming very torn, as it were—excuse my attempt at macabre humour at this time of the morning. In other words, can you prevent a property boom from causing a crash at the end of an extremely successful inward investment boom?

[54] **Ms Baxter:** I hope that that is not attributable solely to structural funds. I hope that we will look to you to help us to avoid arriving at such a situation.

[55] **Rhodri Morgan:** We undoubtedly will, but it may take a long session into the night to reach an agreed position. Thank you very much to Sue Baxter and Mike Glycopantis. I will ensure that you have a copy of the draft transcript to correct any factual errors. Thank you very much for your contribution over the airwaves this morning.

9.40 a.m.

**Ymchwiliad: Cyfranogiad Cymru mewn Rhaglenni Cyllid yr UE ar gyfer
Ymchwil, Arloesi a Dysgu Gydol Oes: Casglu Tystiolaeth
Inquiry: Welsh Participation in EU Funding Programmes for Research,
Innovation and Lifelong Learning: Evidence Gathering**

[56] **Rhodri Morgan:** We have 40 minutes set aside for this item. We are running about two minutes late, so we are not doing too badly. We have two papers to guide us, and two witnesses, namely, David Golding from the Technology Strategy Board—one of the few quangos that is going to survive the present cull, I believe.

[57] **Mr Golding:** Yes, it is certainly surviving.

[58] **Rhodri Morgan:** Good; you are still in a job, so you can explain to us how that works in relation to stimulating Welsh participation in the less well-known non-structural, non-CAP parts of EU funding. We also have Professor Simon Bradley from EADS Innovation Works. You have not come quite so far—well, neither of you has come a long way. Swindon is only about an hour away, I suppose, and Newport is obviously a lot closer.

[59] Welcome to both of you. You are welcome to make some introductory comments, and then we will move into questions from myself and other members of the committee. David, we will start with some opening remarks from you.

[60] **Mr Golding:** The Technology Strategy Board was established in July 2007 as a non-departmental public body—

[61] **Rhodri Morgan:** A quango for short. Call a spade a spade.

[62] **Mr Golding:** Yes, a quango. It reports to the Department for Business, Innovation and Skills. We have around 140 staff and an annual budget of around £300 million. We provide support mainly to businesses, although about 25 to 30 per cent of our budget goes to academia. We provide funding for collaborative research and development projects, supported through the framework programme, as well as a range of other types of support such as knowledge transfer partnerships and knowledge transfer networks, where the support is geared more towards small companies. In terms of the support that we provide for the framework programme, we provide online awareness raising activities, as well as support for national contact points. These are individual experts who provide advice and guidance to companies on a range of different areas and thematic priorities for the framework programme. That encapsulates the type of support that we provide overall.

[63] **Rhodri Morgan:** Simon, would you like to make some initial comments on EADS

Innovation Works? EADS is one of Europe's leading technology-based companies, if not the leading one.

[64] **Professor Bradley:** It is certainly one of them. Last year, we invested just shy of €4 billion in research and development. On early upstream research—which is what the framework programmes are really geared towards—we spent somewhere in the region of €891 million with technology readiness levels of 1 to 4. In the UK, EADS has been established for a long time. We have the largest UK manufacturing plant, at Broughton. In terms of research and development and technology, Innovation Works, which is the corporate research arm of EADS, opened its doors in Newport in 2008. It was its first site in the UK, and very much supported by the Welsh Assembly Government. Last year, we estimate that the amount of money raised in FP7 programmes was to a magnitude of around £6 million in terms of the impact on Wales, either through direct jobs or through sub-contracting some of the French and German programmes with people here. It has worked very well for us.

[65] **Rhodri Morgan:** Let us start with the Technology Strategy Board. You help to define areas of interest for the Government, not so much by picking winners in the old manner of the 1970s, but by picking winning technologies—the areas of Government interest—where you think that the UK can do even better than it is already doing. How do you try to ensure that the framework programme expenditure fits in with the technology vision—which either you draft and then sell to the UK Government, or which the UK Government tells you it wants and you get on with it; I am not sure which way around that relationship works—that is agreed between you and the Government, with you as the quango and the Government as the democratically accountable body? How do you ensure, at the level below the UK, that it does not result in a worsening of regional disparities but that, if possible, it corrects some of those regional disparities and does not lead to overconcentration into the golden triangle of Oxford, Cambridge, London and the M25, Heathrow, and so on?

[66] **Mr Golding:** On your first point, we work closely with the Department for Business, Innovation and Skills, with businesses and with academia to try to define what the priorities are for the UK. We look to identify the UK's strengths, in terms of business strengths—looking at something like the EADS and where we can see strengths there—and in looking at where the strengths are in academia. We then look at the two combined so that we identify the UK's strengths. We then look to build on those strengths and we look at how we can align with the framework programme more effectively.

[67] The Technology Strategy Board only came into existence in 2007, so we are trying to influence framework programme 7 currently and looking at how we can align activities with it. Going forward, we are working with the Department for Business, Innovation and Skills on its consultation on framework programme 8 and we are working with businesses to try to define what the priorities are going forward. So, we are always trying to look at the alignment between the national priorities and at how those then align with the framework programme.

[68] **Rhodri Morgan:** That is the bit that fascinates us, obviously. If you were talking about an English region—such as the south-west of England, which is the one closest to where we are sat, or the north-west of England, which is closest to north Wales, or the north-east of England, which some people compare a lot to south Wales as having a similar inherited structure of overdependence on old staple industries—is there any difference in the way that you would approach attempting to assist the north-east of England and the way that you would attempt to assist Wales in terms of seeing opportunities for framework programme 7 expenditure, for example?

[69] **Mr Golding:** The Technology Strategy Board looks to support the best projects on a UK-wide basis.

[70] **Rhodri Morgan:** Are you saying, then, that you are—what is the phrase—regional-disparity blind as an organisation and that you cannot take on board that agenda, as that is for someone else to do?

[71] **Mr Golding:** We do not focus on a regional agenda; we want to support the best projects on a national basis. Therefore, we want to support the best university with the best company, wherever they are based. We tend to tailor our programmes to the needs of specific companies. So, we are looking at tailoring programmes to the needs of small companies or micro companies, or to the needs of the large companies. We work to support the best companies, wherever they are based, and the best projects, wherever they are based. By and large, we are supporting projects that involve companies from Wales working with universities in Scotland; there is a range of different combinations.

[72] **Rhodri Morgan:** So, just to be brutal about it, then, if the consequences of public money spent by the Technology Strategy Board were to result in an overconcentration, a continued concentration, or a worsening of the concentration of technology leadership at university and private sector levels within the so-called golden triangle, you would say, 'That's tough; it's not our job to try to correct regional disparities: that is what happens, and you can't expect you to be a regional development agency as well as a technology strategy board'. Is that too brutal?

[73] **Mr Golding:** No, I think that the role of the Technology Strategy Board is to support the best projects, wherever they are based. We work closely with the devolved administrations. So, we work closely with the Welsh Assembly Government to look at the issues in particular regions or particular locations. We try to address this by taking that approach, but we are still looking all the time. Because the type of funding that we provide is awarded on a competitive basis, it is responsive to the Technology Strategy Board. We are not looking at identifying funding for a particular location.

[74] **Rhodri Morgan:** Okay. I would like to ask you both a question. I am trying not to say that, in the first 20 minutes, we will deal with you and we will then deal with Simon; I am trying to bring you both in. Simon, you mentioned aerospace, plus the Innovation Works campus in Newport, which by and large does not deal with aerospace so much as defence and security systems, cryptography, homeland security and so forth. Give us a rough view, Simon, of your dealings with the Technology Strategy Board and the impact that that might have on where you invest your resource.

9.50 a.m.

[75] **Professor Bradley:** We have a lot of good interfaces into TSB. Obviously, we know Iain Gray very well, being ex-head of—

[76] **Rhodri Morgan:** Of course you would—an ex-employee. [*Laughter.*]

[77] **Professor Bradley:** Yes. I have to say that it is scrupulous—

[78] **Rhodri Morgan:** If you had problems getting onto the inside track in the TSB, you can imagine what other firms face.

[79] **Professor Bradley:** We do find that it is not as easy, sometimes, to get successful projects through the TSB compared, for example, with European funding and foundation funding for Wales. It is a harder sell. We need to put in more effort. I agree with David's comment: it is very much about the best in technology, and it is not a regional system. Much of what we do in Wales is targeted for the benefit of Wales. We have a specific foundation set up, and its purpose is to work together for the benefit of Wales. That means that we cannot

use that foundation mechanism for other funding opportunities. We use the EADS Foundation to do work in Wales, but we cannot reuse the resource that is paid for by the Welsh to apply for TSB funding or for FP7 funding, because we would then be trying to get two bites of the same cherry. For the first time this year we have been successful in gaining a TSB call, which will be responsible for the south-west and for Wales. We will be employing people and making the call for £2 million, I think, for the first time. That was a big success last year, but it has been a long slog and we have been told ‘no’ quite a few times. With the TSB looking for technical excellence, you have to expect to be told ‘no’ quite a few times before you get a ‘yes’.

[80] **Mr Golding:** Aerospace is a good example of where the projects that we are supporting are supporting supply chains. So we are working with EADS, Rolls-Royce, Airbus and a whole range of supplier companies. A large aerospace project does tend to cover quite a wide geographic spread of locations.

[81] **Rhodri Morgan:** Certainly; and it is of huge interest to Wales. You used the expression that you had a ‘call’ from the TSB. I assume that do not mean that you got a telephone call.

[82] **Professor Bradley:** No. Do you want to explain what a call is, David?

[83] **Rhodri Morgan:** Tell us what a call is.

[84] **Mr Golding:** The Technology Strategy Board works on a competitions basis; therefore, we put out calls for projects. We will say that we are putting out £10 million for a call in a particular area and invite project proposals in to respond to that particular call.

[85] **Rhodri Morgan:** In response to one of those, you finally hit a modest-sized jackpot sort of thing.

[86] **Professor Bradley:** Yes. The key for us, with the call, is that the TSB will be asking for small companies in niche technologies specific to the area in which we are interested. We have been able to ask the TSB for a call that is of specific interest to us. So, as opposed to us doing all of the work, it encourages small companies to do work that we would not normally be able to do.

[87] **Rhodri Morgan:** Therefore you lead it.

[88] **Professor Bradley:** Yes.

[89] **Rhodri Morgan:** I see. I have Eleanor Burnham, Rhodri Glyn and Jeff Cuthbert wishing to come in.

[90] **Eleanor Burnham:** Good morning. This is fascinating. One of our concerns is research and development in Wales. To be pedantic, I suppose that we are concerned about getting and improving the specification so that it can be a global player. You have just said that you give 25 per cent to academia, but the Oxfords and the Cambridges of this world would probably be your first call. How can institutions in Wales that may not have the credibility or the advanced status attain that status? You can understand that it is the chicken and egg scenario. We are desperate in Wales to become global players, looking at China and all of the other BRIC countries. How can you assist? You say that it is not your role, but surely there are little gems there—little acorns that could be grown. Should that not be part of your remit?

[91] In case I get cut off, can you tell us how you engage with business in Wales through

your role as the national contact point for FP7? Can you give details of events that you organise and the types of businesses that have been successful in Wales in accessing FP7?

[92] **Mr Golding:** In terms of the universities that we work with, the ones that get the most projects from the Technology Strategy Board are Nottingham, then Loughborough, so it is not necessarily Oxford and Cambridge.

[93] **Eleanor Burnham:** Nottingham and Loughborough—how fascinating.

[94] **Mr Golding:** There is often more of a focus on some of the business-research-intensive universities, not necessarily Oxford and Cambridge, although they do very well. We do a lot with Cardiff University, for instance—David Grant, who is vice chancellor of Cardiff university, is on the Technology Strategy Board’s governing board. So, we have good links with Cardiff University.

[95] **Eleanor Burnham:** The Glyndŵr University is very new and is in north-east Wales, which is part of my region of north Wales. It is also associated with aerospace, although I am sure that I have no need to tell you that. How do we press our Government to ensure that it achieves a much higher status than it has already?

[96] **Mr Golding:** We find different programmes across the Technology Strategy Board. We have involvement in different universities, so we tend to find that different types of university apply to knowledge transfer partnerships programmes than to some research and development programmes. We have a mix of different programmes that may support or favour different universities—more research-intensive universities or more business-focused universities. If you are looking particularly at the framework programme, by and large we are quite happy to go to speak to universities and work with them. You mentioned national contact points, which I will come on to, but we are quite happy for our national contact points to go out to work with universities or businesses when holding events to really try to help them gain the expertise that they need to put applications into the framework programme.

[97] **Eleanor Burnham:** What about my next question about what you have done about FP7?

[98] **Mr Golding:** In terms of national contact points, the Technology Strategy Board supports 11 national contact points—individual people who have expertise in a particular field. For instance, there is an individual who looks after information and communications technology, who is an expert in that field and has very good links with Commission officials. They understand what is going on both within the Commission and also the needs of UK businesses and academia. That individual will go out to events and speak at events organised by a whole range of different organisations—it could be the Enterprise Europe Network, for instance, which the Welsh Assembly Government runs, or other events run in Wales, Newcastle, Manchester or anywhere else. So, we are quite happy for these people to go out to explain the opportunities to businesses and academia.

[99] **Eleanor Burnham:** You have not mentioned any points in Wales where you have been.

[100] **Mr Golding:** We work very closely with the Enterprise Europe Network, which is run out of the Welsh Assembly Government.

[101] **Eleanor Burnham:** I asked you specifically about events. Can you point to any, and to any successful Welsh businesses that have accessed this in the last year?

[102] **Mr Golding:** One of the national contact points is looking at nanoscience production

and technologies. I know that that one individual has worked with around 16 organisations in Wales who have been successful in framework programme bids.

[103] **Eleanor Burnham:** Perhaps you could send us a note of who they are and what they are doing.

[104] **Rhodri Glyn Thomas:** We were having problems with the translation to London earlier, but it should work fine on channel 1 of your headphones.

[105] O ran y Bwrdd Strategaeth Technoleg, cyfeiriwch yn eich papur at chwech o feysydd sydd â'r potensial, o ran economi Cymru, o dynnu arian i lawr o wahanol ffynonellau. A allwch ehangu ychydig ar y meysydd hynny, a sut y gellid gwireddu'r potensial hwnnw yng Nghymru? Yr ydych yn derbyn, fel y clywsom mewn tystiolaeth, nad yw Cymru wedi manteisio'n llawn ar y cyfleoedd hyn yn y gorffennol.

In terms of the TSB, you mention in your paper six fields that have the potential, with regard to the Welsh economy, to draw down funding from different sources. Can you expand a little on those fields, and say how it would be possible to fulfil that potential in Wales? You accept, as we heard in evidence, that Wales has not taken full advantage of these opportunities in the past.

10.00 a.m.

[106] Mae gennyf gwestiwn hefyd i EADS, sy'n cyffwrdd â hynny. Soniwch yn eich papur eich bod wedi cael llwyddiant o tua 50 y cant gyda'r ceisiadau a wnaethoch yn 2009; ni wn a yw honno'n flwyddyn sy'n gynrychioladol o'r blynyddoedd eraill, ynteu a yw'n flwyddyn arbennig, ac mai dyna pam y cyfeiriwch ati. Fodd bynnag, a yw eich llwyddiant yn ddibynnol ar y ffaith bod gennych y math o weinyddiaeth y tu ôl i chi sy'n eich galluogi i wneud y ceisiadau hyn? Mae'r dystiolaeth yr ydym wedi ei derbyn yn nodi bod y broses yn un gymhleth, a'i bod yn anodd i sefydliadau a chwmnïau bach fanteisio ar y cyfleoedd.

I also have a question for EADS, which touches on that. You mention in your paper that you had a success rate of about 50 per cent with the applications that you made in 2009; I do not know whether that is representative of other years, or whether it is a special year, and that that is why you refer to it. However, does your success depend on the fact that you have the type of administration behind you that allows you to make these applications? The evidence that we have received suggests that it is a complicated process, and that it is difficult for small organisations and companies to take advantage of these opportunities.

[107] **Mr Golding:** In terms of the priority areas, one example that I included in the paper was photonics. What we have seen is that, by building on national programmes, we are able to take some of the consortia that are starting to form nationally and use that as a platform for building into Europe. We recognise that we cannot support all sectors, or all technologies, in the UK, so we have to focus, and we have selected a few areas where we believe that the UK has opportunities, because we have the strength in terms of business and academia, as well as good alignment between UK and EU programmes. We can see a synergy between the two, where we can start to build on the expertise and the consortia that are forming in the UK, and then use that as a good platform to build into Europe. So, if you are looking at where Wales can take advantage, it is about looking at where the strengths are in Wales, and then starting to build consortia between businesses and academia, and then using that as the platform into some of the framework programmes, where there is a larger pot of funding to go for.

[108] **Professor Bradley:** In terms of the percentages, 2009 was a good year—there is no question about that. However, it is part of a larger effort to increase the overall amount of money that we get from public funding, as opposed to the amount that we put in at corporate level. Three or four years ago, it was running at about 33 per cent; we are trying to push 40

per cent. The FP7 is 50 per cent, but we need to take into account the fact that, in France, there is Les Pôles de Compétitivité, in Germany, there is LuFo, and in the UK you have things such as TSB, and the funding rates are very different. However, as an overall average, we are trying to push up as much as possible, which is why we have a consorted effort with FP7, because the funding rate of 50 per cent is much better than some of the national programmes. That said, we would not do the work if it was not in the company's strategic interest; we are not there just to get public funding to do work—that work has to go to help with active programmes, for example the new A320 NEO. Much of the work that we have been doing in the last two to three years will go forward to help with that plane.

[109] **Rhodri Morgan:** So, it has to synchronise.

[110] **Professor Bradley:** Yes, it has to synchronise. That is one of the reasons why we have an office in Brussels that does nothing but look after FP7, and now FP 8 preparation; it is very complicated. I concur with your opinion that, for SMEs, it must be a nightmare. It is bad enough for us, and we have a large administration team that can help. I only know of one Welsh SME that is working with us on an FP7, namely Eurostep, which is doing well, and is punching above its weight. However, it is quite an investment for an SME to invest in research; the pressure is always on to earn as much money as possible.

[111] **Rhodri Morgan:** It is about revenue.

[112] **Professor Bradley:** Yes, you have to pay the bills. In terms of Wales, we have a better rate of return here than we do in the rest of the UK. We are not quite up there with France and Germany, but we must remember that the corporate research centres in those countries have been going for many years, and that they are well supported by the French and German Governments. Wales is punching above its weight in the UK, and we hope to continue that, and to get it up with the rest of Europe. However, there is a temptation for universities in Wales to hide their light under a bushel.

[113] **Rhodri Morgan:** I think that we are known as 'honest Celts'.

[114] **Professor Bradley:** Yes. One of the things that I think would actively help would be to do more transnational work. It is not about Welsh universities partnering with other Welsh universities and Welsh companies. Welsh universities need to partner with French universities and German companies, because it is those programmes that typically have three or four countries involved that actually win framework 7 programmes. The framework 7 people look at the fact that there is a cross-national part to the programme, and it helps with the scoring mechanism.

[115] **Rhodri Morgan:** Thank you very much for that.

[116] **Eleanor Burnham:** I want to ask something on the back of that. We had testimony from Bangor University. You are obviously aware of what it is up to. It seems to me that there is a fairly new team there. Those witnesses were very gung ho and enthusiastic and energetic, so you would expect them to be very successful in the transnational context.

[117] **Professor Bradley:** Yes, certainly with the transnational work. We try to encourage it. We sit on many of the boards that help to steer some of the universities. We are on the board of the Higher Education Funding Council for Wales's innovation committee. I am a member of the Science Advisory Council for Wales. It is all about trying to nudge them gently in the right direction.

[118] **Jeff Cuthbert:** My next question flows quite nicely from the point that you have just made and some of the written evidence that we have received. You mentioned Welsh higher

education institutions hiding their light under a bushel, and that point has been made. However, it is pleasing to hear that, certainly within the UK, you get a better rate of return in Wales. One of the things that has been suggested to us in previous sessions is that, because all of Wales, to one extent or another, is covered by structural funds—convergence or competitiveness—many institutions, certainly including higher education institutions, concentrate on getting structural funds and have tended not to think of the other funding sources, such as FP7, and FP8 to come. Do you have any views on that? In your experience, is that an issue?

[119] I do not know whether you heard the previous discussion that we had with the Department for Business, Innovation and Skills, where one of the issues raised was the need for greater synergies between the framework programmes and other European funding sources, such as structural funds. Do you have any comments on that? Do you think that there could be greater collaboration, perhaps particularly in drawing in SMEs? You made a point about the bureaucratic procedures, which are very off-putting if you are a very small organisation; investing manpower, time and money in procedure is not attractive. However, perhaps there is a way in which procedures could be streamlined through some sort of collaborative approach. Do you have any views on that?

[120] **Professor Bradley:** With FP8 there is certainly a big push from the EU to streamline the process. We understand that the reporting mechanism will be significantly eased. I think that we included in the document our estimate of the amount of money it takes to run and report against an FP7 programme. It is about €30,000 for a three-year programme. That is just to report back to the EU what you are doing, and that has to be taken into account when you are calculating the cost of the programme itself. So, for an SME, that is quite a large barrier to entry. I am not sure whether there is a huge amount of success in return for bringing in structural funding or regional or local funding, or even other parts of EU funding, to the framework programme, purely because they are run by separate people and it is just about working at the moment. I am not sure whether you would want the grief of trying to bring them together because you may find a better rate of return is achieved by seeing how FP8 goes with its new streamlined approach, as opposed to seeing what else you can bring into the mix.

[121] **Mr Golding:** To pick up on the SME point in particular, you find that, in some ways, there is a perception issue. There is a great deal of word-of-mouth with regard to the framework programme being very difficult, which tends to put SMEs off in the first place. It is bureaucratic, and the Commission is looking at how it can improve that process and the overall application and assessment processes that companies have to go through. However, we are looking at whether we can provide the support and guidance to help those companies into the framework programme.

10.10 a.m.

[122] We tend to find that, once a small company, or any company, gets over the first hurdle and gets involved in the framework programme, it then stays involved. It is about overcoming that initial barrier to get companies involved in the framework programme in the first place. If you can provide the guidance and support through organisations such as the Technology Strategy Board or the Enterprise Europe Network, and get companies into the framework programme in the first place, then once they are there, they stay there. You need to get them up a learning curve to understand how one works within a framework programme.

[123] **Jeff Cuthbert:** I understand the point that you are making and that different departments have different responsibilities. I appreciate all that, but it seems to me that, especially if you talk about the development of higher-level skills—which is meant to be an issue for aspects of the structural funds, as well as, I imagine, something that is dear to your

heart in terms of framework programmes—if there is a way of improving the synergy so that resources can be focused, that ought to be something that we should aim for. Would you not agree with that?

[124] **Mr Golding:** I would certainly agree that within Wales it would help to focus it, but I am not sure that there is much that you can do to guide the EU before FP9. The procedures have already been streamlined for FP8, so trying to change the large aircraft carrier into a slightly more agile speedboat is a long process with the EU. It is fine if you can do something locally, but I am not sure that you would achieve a huge amount by lobbying people involved with the actual framework.

[125] **Jeff Cuthbert:** Perhaps we could develop the planes to go on the aircraft carriers. *[Laughter.]*

[126] **Rhodri Morgan:** Quite. Simon, you have mentioned that EADS is sufficiently transnational, European and wised-up on the potential for FP7 and other European funding streams in the technology area to have at least a person, if not a team, in Brussels. Are you alone in having a team in Brussels, or do Siemens and Nokia and the other big technology-led European companies, even if they are not as transnational as EADS, have teams in Brussels?

[127] **Professor Bradley:** Siemens does, and I would imagine that most of the large industrials do. The other option is to pay lobbying companies in Brussels, but the return rate is significantly less. It is an investment, but it is one that has paid back, because we are a large organisation. At the last Higher Education Funding Council for Wales innovation meeting, we had a presentation from the Enterprise Europe Network. It was surprising how many of the people around the table were not aware of that. More promotion of the EEN to Welsh small and medium-sized enterprises and universities would help.

[128] **Rhodri Morgan:** The next question is probably more of a question for David, although I would be interested to hear Simon's view on it. It is on this issue of being regionally blind. The Technology Strategy Board says that it is regionally blind and that its job is not to distribute resources but simply to follow where the expertise already is. My impression is that the French equivalent is the total opposite and is directed to ensure that there is not an overconcentration of high technology in the Paris and Île-de-France region—for example, telecommunications has been pushed out to Brittany, aerospace was already focused in Toulouse, and high-quality nuclear engineering is focused in Grenoble, near the Swiss border. They try to ensure that there is not an overconcentration in the greater Paris region. How much does this affect how you see your job? How much does it affect EADS and the way that it operates in France, where it would be more regionally focused? How does it work with the Technology Strategy Board, which is saying that it does not care where the business is, it just follows the best, and if that results in overconcentration, that is not its problem?

[129] **Mr Golding:** If you look at areas such as aerospace or chemicals, there tend to be concentrations within particular areas of the country, so we will work with aerospace in Wales, or the south-west or the north-west. If we are focusing on a particular sector, by and large, because it will be located in a particular area of the country, we will then have a focus on that area. At the same time, we recognise that, in the aerospace sector, we need to support the best projects overall, and we will draw on all those different locations. If we decided to focus on one area, we would perhaps pick up only one part of the project. So, we might work with EADS in Wales, but we might also need to work with other companies such as Rolls-Royce, Airbus and other component companies for the whole project. So, unless we have a wider scope and cover all the geographic areas, by and large, the projects will not operate. It is about trying to draw on the expertise where we need it, and recognising that some of the expertise is located in specific areas of the country.

[130] **Rhodri Morgan:** Simon, do you have any comments on that?

[131] **Professor Bradley:** From a French point of view, we are very focused on specific regions and, in fact, we have a similar model here in the UK. The work that we do here in Wales supports the local Welsh business interests of EADS—it is a very important country for us. The research that we do is transnational. For example, we have a composite centre of excellence in Getafe in Spain. All the major composite research work will be done there, rather than being replicated in each country, just to be efficient. In Wales, the centre of excellence relates to command and control facilities and, as you say, cyber security. That is supporting jobs in Wales, in Newport. So, we are unashamedly regional in that respect, in that we support local businesses.

[132] **Rhodri Morgan:** To turn to the issue of cyber security in my penultimate question, if TSB decided, for instance, that cyber security will, by 2030, 2040 or 2050, be a big industry—to use the term ‘industry’ in the loosest sense—how would you start to look at building up really good, focused centres of excellence in the UK in cyber security? If you chanced to work with EADS on that, how would you take forward the private sector, the interests of academia, the Government support that you need and the transnational programmes that you need, to say, ‘The UK is going to be a leader in cyber security, and this is how we will do it’?

[133] **Mr Golding:** The first thing that we would do would be to map where the expertise is in the UK. So, we would look at where the business expertise and the academic expertise are. We would work with business, academia and Government to have that conversation as to where we think the UK is positioning itself in respect of cyber security, and we would work out where the strengths are. Once we had done that, we would work with all those organisations to decide which part of cyber security could be—

[134] **Rhodri Morgan:** I know that some of it sits in Cheltenham, but we will not go into that now. [*Laughter.*]

[135] **Mr Golding:** We are working with all those organisations to question the best position for the UK to take on cyber security and to discover where the UK has strengths. We will then put out calls, as Simon said earlier, to support projects in those areas, drawing on the strengths within the UK.

[136] **Rhodri Morgan:** Simon, do you want to add anything to that? Do you think that the British Government machinery is adequate to be able to designate cyber security as an industry to focus on for future expansion, if it wanted to do so, to the extent that there would simply have to be a big investment in it? How well geared up is the TSB type of machinery for doing that?

[137] **Professor Bradley:** You mentioned 2030 or 2040, and I think that it probably could make that date. It takes a long time to create a brand-new centre of excellence; it is not a short-term project. The way in which David has specified it is pragmatic and sensible. I would just add one thing that we have found is very special about Wales. When we first went to the universities, we did brown-bag sessions, which involved inviting all of the professors round for lunch that was given in a brown bag—

[138] **Rhodri Morgan:** Oh, that is what it means—a sarnie.

[139] **Professor Bradley:** Yes, and there was a show-and-tell session. We have found that the greatest payback in Wales does not come from using the blue-chip universities; it comes from using the universities that are maybe second or third, but that are more flexible and

where we can tailor the thesis or the work towards the industrial application of what we want to do. We do work with the golden triangle universities, but sometimes it is not as easy to shape the research work they are doing to be what you want. In Wales, the universities are very open to that. Cyber security is a good example, in that they admit that they do not have the world expert in penetration testing, but they have three or four people who are very good, so that, if we give them a focused piece of research work, the value that we get back will be greater than spending three or four times as much at Cambridge or Oxford.

10.20 a.m.

[140] **Rhodri Morgan:** I understand. The last question from me is on overhead recovery, which is a vexed financial issue in all university-related funding. Do you get the money back for the central contribution to university overheads? Medical charities do not give a penny, because they say that they cannot, but research councils do, and European programmes vary—I believe that some do and some do not. Is any of the TSB assistance included in overhead recovery? In light of what you said about the €15,000 cost of making a successful bid, let alone the five out of six bids that are not successful, how big an issue is overhead recovery?

[141] **Mr Golding:** At a national level, the Technology Strategy Board operates the same as research councils, so we provide 80 per cent of the full economic costing. That varies between programmes at an EU level; it ranges between 60 and 75 per cent. That is an issue for the universities that are participating in the framework programme.

[142] **Rhodri Morgan:** Simon, do you have any thoughts on that? Do the universities that you work with have a bit of a moan about this as well?

[143] **Professor Bradley:** I do not believe so. It is a case of sharing the risk and sharing the reward. The only recovery for us as an organisation is whether we make money at the end of the year. It is an investment that we are willing to make and we expect the universities to do the same.

[144] **Rhodri Morgan:** Thank you very much for your evidence—both in written form and in answering our questions this morning. As we always say, you will receive a copy of the transcript so that any misunderstandings or factual inaccuracies can be corrected. Thank you very much for your presence this morning.

[145] We will have a two minute comfort break now before we move into the next session with the Welsh Local Government Association.

*Gohiriwyd y cyfarfod rhwng 10.22 a.m. a 10.26 a.m.
The meeting adjourned between 10.22 a.m. and 10.26 a.m.*

**Ymchwiliad Craffu: Cyfranogiad Cymru mewn Rhaglenni Cyllid yr UE ar gyfer
Ymchwil, Arloesi a Dysgu Gydol Oes—Casglu Tystiolaeth
Scrutiny Inquiry: Welsh Participation in EU Funding Programmes for
Research, Innovation and Lifelong Learning—Evidence Gathering**

[146] **Rhodri Morgan:** We are now ready to resume the meeting with the fourth item in our scrutiny inquiry into how well Wales is doing, or whether Wales could do better, in relation to EU funding, especially in the non-structural, non-CAP funds, in the less well-known areas. We are pleased that the Welsh Local Government Association has agreed to give evidence this morning in the shape of Neville Davies, who is the European adviser and well known to many of us, from a very long time ago in some cases. I will ask Neville to

present the WLGA's paper, to perhaps make a few initial comments, and then we will move into the question session.

[147] Croeso cynnes i chi, Nev. A warm welcome to you, Nev.

[148] **Mr Davies:** Maybe I need to give a bit of background about myself. I am one of the advisers for the WLGA, but in my day job, I work for Carmarthenshire County Council. I am head of European policy and external affairs in the local authority, with responsibility for the West Wales European Centre, which is based at the University of Wales Trinity Saint David in Carmarthen.

[149] You will note in the report that local authorities tend to be involved in a range of areas in European matters, although I am conscious that your inquiry is focusing on non-structural and non-RDP funds. In my brief, I will highlight more of the other activities that we are involved in. On structural funds, we have, for obvious reasons, a fair bit of activity across Wales at the moment on regeneration, and there is a great amount of collaborative work going on. We are involved in delivering some of the £800 million-worth of projects in total across Wales. Many of these involve more than two local authorities and other partners, and we have arrangements in place with technical assistance from the Commission to enable us to support that activity.

[150] Similar arrangements are in place with regard to the rural development plan. We have a particular interest in the off-farm type activities within broader rural development, and the structures put in place have resulted in teams being established in 18 local authorities, to enable us to maximise the opportunities that present themselves with the rural development plan.

[151] **Rhodri Morgan:** Of the four authorities that do not have these teams, are they outside the convergence areas?

[152] **Mr Davies:** There are strict criteria in place to determine who is eligible. Some of the Valleys authorities, for example, clearly did not qualify because of their statistics. Others, such as Rhondda Cynon Taf, only had two or three wards that could qualify, and did not feel that it justified a great commitment to enable them to pull down what would be a small resource of money. The rural part of the rural development plan, as opposed to the on-farm and environmental stuff that tends to go with the programme, is only worth around £110 million over the seven-year period. Much of this comes out of community development type of work that is not generally fundable now under the structural funds—it is certainly less so.

10.30 a.m.

[153] That brings us then to the other type of activities that we tend to get involved in as local authorities. There would be different categories across different authorities in Wales. You would have some local authorities that would focus purely on the income generation that presents itself with European programmes. You would then have other authorities that would get involved in some of the lifelong learning programmes that emerge from the Commission; particularly with regard to supporting schools and the youth services within the local authorities. You would perhaps then have some local authorities that would go that extra mile to support greater activity in their regions. That would result in more financial commitment from the local authorities. My example would be what is happening in north Wales, in Denbighshire, and in particular with the European Centre for Training and Regional Co-operation and the kind of European direct facility that is based there. There are similar facilities based in Wrexham and Carmarthen.

[154] This basically means that a fair bit of capacity building and support is needed to

encourage schools and the administrators and the experts within the local authorities to engage in lifelong learning programmes. I listened earlier to part of the debate that you had around the framework programmes—it is critical that you have support networks in Wales, whether they are framework programmes or lifelong learning programmes, to enable organisations with an interest to fully participate in these initiatives. Very often, it is not just about money and finding the resources; it is about sitting down with these organisations to assist them to find partners, particularly in some of the transnational work that is happening at present. For example, under the lifelong learning programmes, we have a range of programmes, such as Leonardo, Grundtvig and Transversal. While these involve small amounts of money, I still feel that they enable us to participate in some quite interesting initiatives, such as the one based in Llandoverly, for example, called Learn with Grandma. It is only a small scheme, but it is about trying to break barriers through learning activities between young people and older people, because we feel that older people have something to give to the younger generation. It is a network that links up with Greece, Poland and France. It involves just a small amount of money, and it gets people engaged. That is just one example.

[155] **Rhodri Glyn Thomas:** Ym Myddfai y mae; nid Llanymddyfri. **Rhodri Glyn Thomas:** It is in Myddfai, rather than Llandoverly.

[156] **Mr Davies:** Ie; ym Myddfai. Yr oeddwn yn ddigon agos. **Mr Davies:** Yes, it is in Myddfai. I was close enough.

[157] **Rhodri Glyn Thomas:** Mae'n agos at Lanymddyfri. **Rhodri Glyn Thomas:** It is close to Llandoverly.

[158] **Mr Davies:** Yr un ardal ydyw. **Mr Davies:** It is the same area.

[159] **Rhodri Glyn Thomas:** Mae Myddfai yn lle pwysig iawn y dyddiau hyn. **Rhodri Glyn Thomas:** Myddfai is a very important place these days.

[160] **Mr Davies:** These types of small schemes provide a softer type of activity. For example, we have schools that are involved in the Comenius programmes. Over the last two years, I think that, in Wales, around 80 projects have been approved with Comenius support. Last year alone, it was around €600,000. These small types of schemes need to be encouraged. That is my background.

[161] **Rhodri Morgan:** I have a couple of questions to start, after which, Jeff Cuthbert wishes to come in. You have mentioned quite a lot of lifelong learning-type projects. There is a substantial patchwork quilt in most parts of Wales of involvement of different sorts of schools at the lifelong learning level. That is not an area where Wales is underperforming. If anything, we are doing as well as you would expect from the size of our population. Away from the lifelong learning and school-related programmes, such as Grundtvig, Comenius, Leonardo and so on, there are areas in which our participation still seems to be patchy in the negative sense and that local government is not fully appreciative of what it might be able to get if it put in the effort, because what you put in is what you get out. In the competitiveness and innovation framework programme, Civitas and so on, there are areas in which local government could and should get involved, but, at the moment, is not doing so enough in Wales. Do you accept that? What can be done about it?

10.35 a.m.

[162] **Mr Davies:** I do not have to tell you, Chair, that there are pressures on local government at the moment. As a result, funding priorities have to be made across the 22 local authorities. It worries me slightly that for those authorities that are putting additional

resources into supporting these types of initiatives, the funding is not sustainable in the long term. I would suggest that while it is bit of a patchwork quilt at the moment, it could be even more so in the future if resources that support greater networking-type activities are cut back. I know that you would have two or three local authorities that, as we have in Carmarthenshire, would have a permanent person in place to network. She is funded by the Europe Direct network, which is managed by the European Commission. That enables us to go that extra mile to support the local authority and local organisations. Not only can we support them, but we can promote what is available. To get parity across Wales, I would first expand and increase the number of Europe Direct centres that we have in Wales at the moment. We have one in south Wales, which also includes the Eurodesk network, which is an initiative of the British Council to support young people in particular to network. I think that we are the only one in Wales at the moment, so we cover a massive patch with very little resources, but that is only because, in our case, the local authority is prepared to put a little extra money in to enable us to do it. I suggest that we need to build the capacity and support structure in Wales that will enable organisations to take this forward.

[163] **Rhodri Morgan:** On the issue of capacity building in Wales, you have made a specific suggestion about what the Welsh Assembly Government should do by way of having a centre of European expertise that can network, sell an idea, hold hands and open the door a bit for more participation in these less well-known aspects of European funding and programmes. Can you give us more ideas about that, given that you say that the Welsh European Funding Office could be a model? Other people have said, 'Oh, I don't know, because WEFO is an administrative and audit arrangement, as much designed to stop the wrong kind of project going forward as it is to start a project and push people to participate in a project where they don't want to participate or can't see the benefit of participating'. Do you really see WEFO as a model, and, if so, how do we get over WEFO being seen as being on the stop side of a stop-start spectrum?

[164] To ask a supplementary question before you answer the first question, do you see the area of expertise that is missing as something that should definitely be within the economic development team or the education team, because local government is involved, it is in lifelong learning, involves HEFCW and FP7 will be quite university-oriented? The environment is also a big area of interest, so you could put it in the environment directorate and so on. How do you get something that is sufficiently mainstream to encapsulate all these different interests when it has to be in some Minister's docket?

10.40 a.m.

[165] **Mr Davies:** You need to come at it from the end user's perspective. From an end user's perspective, certainly from a local and regional area perspective, we can see the benefit of having a single point of contact within west Wales and north Wales. So, you would have a single point of contact that is well promoted and which makes it a lot easier for someone who is coming in either to ask for money from structural funds or the rural development plan, or who may be looking for partners elsewhere.

[166] We all know what happens in large organisations. Carmarthenshire employs 8,000 people; the last thing that we want is for people to be diverted to education, to economic development, or to different places, so we have a single point of contact, namely the Europe Direct centre in Carmarthen. So, people know where to come when they want information. We may not have all of the answers, but we know who has the answers and we ensure that we redirect them. It is not just about passing them on to another extension, but working with them on their ideas.

[167] I would suggest, Chair, that from the Assembly Government's perspective, it is quite complex at the moment. I have a great deal of respect for Assembly officials in WEFO and

the agricultural side, whom we deal with in relation to the RDP, but if I was an end user without the appropriate knowledge and an awareness of the context I would not know who to ask. Would I approach someone in WEFO? There is a lot of overlap in some of the structural funds activity and some of the rural development plan activities, but different rules and regulations apply in both cases. There is a lot of bureaucracy, and I would suggest that the rural development plan is even more bureaucratic, because you are trying to apply the common agricultural policy to rural development. It is fine to apply it to the farmers, but not to rural development in general. So, I would suggest that you need some sort of central resource that can bring all of this together,

[168] In terms of networking, it does not matter whether it is done through town twinning or education, but it would be nice to have a point of contact through which someone could approach the Assembly Government to ask how they could get support to do x, y, or z and from where they could get resources. On top of that, I suggest that you need people in the regions who can sit down with people. Many people, whether in St David's or elsewhere, will not travel to Cardiff or wherever. So, they need a regional base where they can sit down with someone and get a better understanding of what is entailed in taking a scheme forward.

[169] **Jeff Cuthbert:** I should state that Neville is an alternative member of the programme monitoring committee.

[170] In previous meetings, we have been told that local authorities in other parts of Europe are involved in the framework programmes, for example, FP7 and, presumably, FP8, but that has not been the pattern in Wales. You have outlined very well the involvement in structural funds, which I am familiar with, and the other schemes that involve schools in particular. However, do you feel that more could be done in relation to the framework programmes by local authorities? Is there capacity there, particularly in terms of supporting small and medium-sized enterprises? The point was made previously that it is very difficult for SMEs, as individual companies, to get the necessary time and resources to complete the procedure. We were told that it costs €30,000 just to report back on how things are going. So, could there be scope for local authorities to act as a co-ordinating body for SMEs in their area—I am purely looking for ideas now—to perhaps take forward the higher-level skills issues and the research and development that could aid the high-tech SMEs on their patch?

[171] **Mr Davies:** The simple answer is that yes, I do feel that there is resource there and that there has perhaps been a missed opportunity. However, the worry that I have is whether the financial back-up is there within local authorities at the moment. However, I am sure that we could work in partnership with the Assembly Government and the universities to build that capacity—I do not think that we ought to do it in isolation from anyone else. There is certainly something in working as a partnership, whether that is based in north Wales, south-west Wales or the Valleys, because we have the information—we have the policy and research data within local authorities, certainly when it comes to knowing what is needed as far as local businesses are concerned; we know the make-up. So, the answer is simply that it is not our role to do it in isolation, but to do it in partnership with other organisations. For example, we have a regional learning partnership in west Wales at the moment, supported by structural funds, which brings all the key learning providers together—it is the first one in Wales. It extends from Ceredigion down to Swansea and beyond. So, it is about that kind of set-up. We have also set up a rural observatory to collect the data, because we recognise that the local health boards, the police and other public bodies hold a whole range of data and they tend to be the same data, so we are trying to bring all of that data together. So, it would not be in isolation, but I think that there is an opportunity to do something, working in partnership.

[172] **Eleanor Burnham:** Yr wyf yn eithaf newydd i'r pwyllgor hwn, ac yr wyf wedi fy synnu gan ryw faint o'r dystiolaeth, yn **Eleanor Burnham:** I am fairly new to this committee, and I have been surprised by some of the evidence, including what you

cynnwys yr hyn yr ydych wedi ei grybwyll y bore yma. Cyn dod yn aelod o'r pwyllgor, yr oeddwn yn meddwl mai WEFO oedd yn gwneud popeth, ond yr wyf wedi cael fy argyhoeddi nad yw hynny'n hollol gywir. Sut yr ydych yn credu y dylem sicrhau, drwy ein hadroddiad, fod Llywodraeth Cynulliad Cymru yn gwneud ei gorau i weithio i wella'r sefyllfa sydd gennym ar hyn o bryd? Gwrandewais yn astud arnoch yn dweud nad oes fawr o siawns gennych o wneud y gwaith oherwydd bod awdurdodau lleol yn gorfod cwtogi ar eu gwariant. Fodd bynnag, yr eironi yw fod gymaint o arian yn dod o Ewrop, ac mae'n fy mhoeni'n fawr sut y gallwn wneud cyhoeddiad cywir i wella'r sefyllfa. Beth yn union fydddech yn ei wneud? Efallai nid oes modd i chi roi ateb heddiw. Yr wyf yn hoff o siartiau trefniadol, ac ati, felly sut y bydddech yn strwythuro rhywbeth felly i wella'r sefyllfa o ran yr hyn y mae'r Llywodraeth yn gallu ei wneud ar ein rhan?

10.50 a.m.

[173] **Mr Davies:** Y sefyllfa orau yr wyf yn gwybod amdani ar hyn o bryd yw enghraifft y ganolfan Ewropeaidd sydd gennym yng Nghaerfyrddin, sydd ar lefel wahanol, wrth gwrs. Yr hyn yr ydym wedi ei wneud yw dod ag arbenigwyr at ei gilydd sydd â chyfrifoldeb am y rhaglen cydgyfeiriant, y cynllun datblygu gwledig a rhaglenni tramor y Comisiwn Ewropeaidd. Felly, mae tîm o tua dwysin o bobl mewn un lle. Mae'n golygu bod gennym un rhif ffôn y gall pawb gysylltu â ni arno. Mae hyn yn gweithio, achos mae pawb yn yr ardal yn gwybod os ydyw unrhyw beth i'w wneud ag arian Ewropeaidd, gwaith tramor, ac yn y blaen, maent yn gallu dod atom. Dylai hynny weithio ar lefel wahanol—dylai weithio yn y Cynulliad, lle mae pawb yn gallu dod at ei gilydd. Os ydych hefyd am weld mwy o waith tramor yn dod gan ysgolion ac awdurdodau lleol, lle mae arian yn dynn ar hyn o bryd, mae eisiau edrych ar roi mwy o arian iddynt. Mae rhywfaint o arian yn dod o raglenni cymorth technegol, sydd yn help i redeg y rhaglenni. Mae'r arian yna ar gael i'r cynllun datblygu gwledig, y rhaglenni cydgyfeirio ac yn y blaen, ond nid oes unrhyw beth ychwanegol ar gael, ac eithrio'r canolfannau Ewropeaidd sy'n dod o dan y Comisiwn. Nid arian yn unig yw hwn; mae

have told us this morning. Before becoming a member of the committee, I thought that it was WEFO that did everything, but I have been persuaded that that is not entirely accurate. How do you believe that we should ensure, in our report, that the Welsh Assembly Government does it best to improve the current situation? I listened intently to what you said about the fact that you have little possibility of undertaking the work as local authorities must cut their spending. However, the irony is that so much money comes from Europe, and it concerns me greatly how we can make the right announcement to improve the situation. What exactly would you do? Perhaps you cannot give an answer today. I like organisational charts, and so on, so how would you structure something like that to improve the situation in terms of what the Government can do on our behalf?

Mr Davies: The best situation that I know of currently is the example of the European centre in Carmarthenshire, which is on a different level, of course. We have brought together experts with responsibility for convergence funding, the rural development plan and the foreign programmes of the European Commission. So, there is a team of about a dozen people in one place. It means that we have a single telephone number by which everyone can contact us. This works, because everyone in the area knows that if it is anything to do with European funding, overseas work, and so on, they can come to us. That should work at a different level—it should work in the Assembly, where everyone can come together. If you also want to see more overseas work coming from schools and local authorities, where money is currently tight, you should look at giving them more money. Some money comes from technical assistance programmes, which assists in running the programmes. That funding is available for the rural development plan, the convergence programmes and so on, but there is nothing additional available, apart from the European centres that come under the Commission. This is not just about funding; you have to have experts in place—people who understand the process and what

angen arbenigwyr—pobl sy'n deall y broses a beth mae'n ei olygu i ddechrau'r broses. Yr ydym wedi gweld sawl sefyllfa lle, wedi ichi eistedd i lawr a dweud wrth bobl beth mae'n ei olygu i symud ymlaen, os oes partner tramor ganddynt ac yn y blaen, maen nhw'n dechrau meddwl ei fod yn lawer o waith. Ydyw, mae'n golygu llawer o waith os nad ydynt wedi ei wneud o'r blaen, ond mae gennym ddigon o bobl yn yr ardal gyfan sydd â phrofiad. Cymerwch ysgolion, er enghraifft. Os oes un ysgol nad yw wedi gwneud unrhyw beth ac ysgol arall sydd wedi gwneud y gwaith, yr ydym yn dod â'r ddwy ysgol at ei gilydd, fel eu bod yn gallu gweithio ar y cyd, ac mae hynny'n bwysig. I ddychwelyd at eich cwestiwn, rhaid edrych ar sut i glymu pobl sy'n gyfrifol am wneud y gwaith hwn i mewn.

[174] **Eleanor Burnham:** Mae'n bwysig sicrhau bod pawb yn gwybod lle i fynd i gael mynediad i'r rhwydwaith ac i gael y wybodaeth a'r gefnogaeth.

[175] **Rhodri Glyn Thomas:** Ategap yr hyn mae Neville wedi'i ddweud am y ganolfan Ewropeaidd yng Nghaerfyrddin. Mae'n adnodd hynod o werthfawr, ac yr wyf yn gwneud defnydd ohoni fel aelod etholedig ac yn cyfeirio pobl at y ganolfan, sy'n beth pwysig iawn o ran y gwaith yr wyf yn ei wneud. Mae'n drueni nad oes mwy o ganolfannau tebyg yng Nghymru. Yr wyt wedi sôn am beth y gall Llywodraeth Cymru ei wneud; a fyddet yn derbyn bod rôl i Gymdeithas Llywodraeth Leol Cymru hefyd? Mae gan y gymdeithas bresenoldeb a chynrychiolaeth eithaf cyson yn Ewrop. A oes rôl i Gymdeithas Llywodraeth Leol Cymru i wneud mwy er mwyn hybu diddordeb mewn cronfeydd y tu hwnt i'r cronfeydd strwythurol a'r cynllun datblygu gwledig, lle mae'r rhan fwyaf o'r gweithgareddau yn digwydd?

[176] Sut ydym yn cymharu? A ydym yn cymharu â rhanbarthau yn Lloegr? A oes cymhariaeth felly wedi cael ei gwneud, ynteu a ydym yn cymharu â rhanbarthau yn Ewrop? Sut ydym yn perfformio, yn arbennig y tu allan i'r cronfeydd strwythurol a'r cynllun datblygu gwledig?

[177] **Mr Davies:** Fel y gwyddoch, mae

it means to initiate the process. We have seen a number of cases where, once you sit down and tell people what progressing actually entails, if they have a partner overseas and so on, they start to think that it means a great deal of work for them. Yes, it is a lot of work if you have never done it before, but we have enough people with us in the area who have experience. Take schools for example. If one school has never done anything but another has, we bring both schools together, so that they can work together, and that is important. To return to your question, we must look at how we tie people in who are responsible for doing this work.

Eleanor Burnham: It is important to ensure that everyone knows where they should go to access the network and obtain that support and information.

Rhodri Glyn Thomas: I endorse what Neville has said about the European centre in Carmarthen. It is an exceptionally valuable resource, and I make use of it as an elected member and refer people to the centre, which is very important with regard to the work that I do. It is a shame that there are not more such centres in Wales. You mentioned what the Welsh Government can do; would you accept that the Welsh Local Government Association has a role here as well? The association has a fairly constant presence and representation in Europe. Is there a role here for the WLGA to do more in order to promote interest in funds beyond the structural funds and the rural development plan, where most of the activity takes place?

How do we compare? Do we compare with regions in England? Has any comparison been made, or do we compare with European regions? How do we perform, particularly outside the structural funds and the rural development plan?

Mr Davies: As you know, we have a team of

gennym dîm o arbenigwyr o dan Gymdeithas Llywodraeth Leol Cymru, sef un person yng Nghaerdydd a dau berson ym Mrwsel. Maent yn gweithio ar y cyd gyda swyddogion sifil yn Tŷ Cymru. Mae hynny'n gweithio'n dda ar hyn o bryd. Mae'n bwysig ein bod yn derbyn gwybodaeth o Frwsel—yr ydym yn derbyn gwybodaeth gynnar. Maent hefyd yn sicrhau ein bod yn gwybod beth sy'n digwydd mewn ardaloedd eraill, ac mae rhwydwaith ym Mrwsel sy'n dod â'r ardaloedd hyn ynghyd. Mae'r rhwydwaith yn bwysig, gan mai dyna sut yr ydym yn gwybod beth sy'n digwydd mewn ardaloedd eraill yn aml.

[178] Mae'r arbenigwyr hyn yn rhoi gwybodaeth bob wythnos i'r awdurdodau ynglŷn â pholisïau newydd sy'n datblygu ac yn y blaen. Fodd bynnag, nid oes capasiti gan y tîm i wneud yr hyn yr oeddwn yn ei gynnig yn gynharach, sef eistedd lawr gyda phobl a'u helpu i ddatblygu prosiectau a gwneud yn siŵr bod pethau'n iawn ar ôl hynny. Tîm bach ydyw, ac mae'n gweithio'n fwy ar lefel polisi a lefel strategol. Eto, efallai mai'r hyn sydd angen i ni ei wneud yw edrych ar beth sy'n gweithio'n rhanbarthol ar hyn o bryd yng Nghymru. Mae awdurdodau yn dod at ei gilydd, ond yn anffodus, ffocws y rhan fwyaf o awdurdodau ar hyn o bryd, fel y dywedais ar y dechrau, yw tynnu arian i lawr o'r gronfa cydgyfeirio a'r cynllun datblygu gwledig.

[179] **Rhodri Morgan:** Yr ydym bron â rhedeg allan o amser, gan bod yn rhaid i ni orffen cyn 11 a.m.. Mae gennyf un cwestiwn olaf i chi ynglŷn â'r cynnig mawr yr ydych wedi ei wneud ynglŷn â'r dyfodol. Dyfynnaf o'ch papur:

[180] 'For the next programming period, the Welsh Assembly Government should incorporate the management of all future EU funding programmes into one division within the WAG in order to streamline and integrate the administration and management of the funds'.

[181] Ai dyna'r model yr ydych yn ei gynnig, sef trosglwyddo'r hyn sydd yng Nghaerfyrddin i lefel Cymru gyfan y tu fewn i Lywodraeth Cynulliad Cymru? A yw hynny'n golygu y byddech yn ehangu swyddogaeth WEFO i ofalu am y cynllun datblygu gwledig, FP7, a'r holl raglenni eraill, ynteu a oes problem gyda seicoleg WEFO oherwydd mai gweinyddwr ydyw?

experts under the Welsh Local Government Association, namely one person in Cardiff and two in Brussels. They work jointly with civil servants in Tŷ Cymru. That works very well at the moment. It is important that we should have information from Brussels—we do receive information promptly. They also ensure that we know what is happening in other areas, and there is a network in place in Brussels to bring these areas together. That network is important, as that is often how we know what is going on in other areas.

These experts provide information on a weekly basis to authorities regarding new policies that are developing and so on. However, the team does not have the capacity to do what I proposed earlier, which is to sit down with people to help them to develop projects and ensure that things are developing well after that. It is a small team, and it is working more on the policy and strategy level. Again, what we need to do is look at what works on a regional basis at present in Wales. Authorities do come together, but unfortunately, the main focus of authorities at present, as I said at the beginning, is to draw money down from the convergence fund and the rural development plan.

Rhodri Morgan: We are almost out of time, as we are supposed to conclude before 11 a.m.. I have one final question for you regarding the major proposal that you have made for the future. I quote from your paper:

Is that the model that you are proposing, namely transferring what is in Carmarthen onto a pan-Wales level within the Welsh Assembly Government? Does that mean that you would expand WEFO's function to look after the rural development plan, FP7, and all the other programmes, or is there a problem with the WEFO psychology, because it is an administrator? It does not sell anything, and it

Nid yw'n gwerthu, nac yn gweithio fel trefnydd neu frocer, nac yn agor drysau ar ran pobl eraill; gweinyddwr ydyw. A oes problem yn y fan honno?

does not act as a matchmaker or a broker and does not open doors for other people; it is an administrator. Is there a problem there?

[182] **Mr Davies:** Nac oes. Gallwch ehangu'r gwasanaeth mae WEFO yn ei gynnig ar hyn o bryd.

Mr Davies: No. You can expand the service that WEFO currently provides.

[183] **Rhodri Morgan:** Rhyw fath o 'WEFO plus'.

Rhodri Morgan: Some sort of 'WEFO plus'.

[184] **Mr Davies:** Ie, 'WEFO plus'. Nid oes raid mai WEFO ydyw; ar hyn o bryd mae'n cael ei alw'n WEFO. Mae arbenigwyr yno sy'n gyfrifol am bolisi, ond mae arbenigwyr yno hefyd sy'n gyfrifol am gael yr arian allan drwy'r drws.

Mr Davies: Yes, 'WEFO plus'. It does not have to be WEFO; it is called WEFO at present. There are experts there who are responsible for policy, and there are also experts there who are responsible for getting the money out of the door.

[185] **Rhodri Morgan:** Felly nid ydych yn credu bod problem o ran diwylliant a seicoleg WEFO. Atal pobl rhag gwneud pethau yw ei swyddogaeth, yn hytrach na gwerthu pethau.

Rhodri Morgan: So you do not believe that there is a problem with WEFO's culture and psychology. Its function is to prevent people from doing things, rather than selling things.

[186] **Mr Davies:** Nac ydwyf.

Mr Davies: No.

[187] **Rhodri Glyn Thomas:** A oes unrhyw beth ar gael ar bapur sy'n cymharu perfformiad Cymru, un ai â gweddill rhanbarthau'r Deyrnas Unedig, neu â rhanbarthau neu wledydd bach Ewrop? Nid wyf eisiau hynny'n awr, ond os oes rhywbeth ar gael, byddai hynny'n ddefnyddiol.

Rhodri Glyn Thomas: Does anything exist on paper that compares Wales's performance, either with the other regions of the United Kingdom, or with the regions or small nations of Europe? I do not want that now, but if something does exist, that would be useful.

[188] **Rhodri Morgan:** Iawn. Diolch am eich tystiolaeth y bore yma. Byddwn yn anfon copi o'r trawsgrifiad atoch er mwyn i chi allu cywiro unrhyw gamgymeriadau. Mae'n ddrwg gennyf ein bod wedi gorfod brysio rhywfaint ar y diwedd.

Rhodri Morgan: Fine. Thank you for your evidence this morning. We will send you a copy of the transcript so that you can correct any errors. I am sorry that we had to rush through things slightly at the end.

[189] This has been an interesting, if rather overloaded, session this morning, Members. However, I believe that we have taken many strides forward. Thank you for your presence.

*Daeth y cyfarfod i ben am 10.57 a.m.
The meeting ended at 10.57 a.m.*