



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

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

**Dydd Iau, 17 Ebrill 2008
Thursday, 17 April 2008**

Cynnwys
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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

Jeff Cuthbert	Llafur Labour
Nerys Evans	Plaid Cymru The Party of Wales
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Gareth Jones	Plaid Cymru The Party of Wales
Val Lloyd	Llafur Labour
Sandy Mewies	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)

Eraill yn bresennol
Others in attendance

Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, The Party of Wales (The Deputy First Minister and Minister for the Economy and Transport)
Nick Moon	Cyfarwyddwr Strategaeth a Chyfathrebu, Cyllid Cymru Strategy and Communications Director, Finance Wales
Cathy Presland	Pennaeth Polisi, Swyddfa Cyllid Ewropeaidd Cymru Head of Policy, Welsh European Funding Office

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Dan Collier	Dirprwy Glerc Deputy Clerk
Kathryn Jenkins	Clerc Clerk

Dechreuodd y cyfarfod am 9.00 a.m.
The meeting began at 9.00 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Sandy Mewies:** I welcome Members and officials, and anyone who might be in the public gallery—I cannot quite see up there—to the first meeting of the summer term, at the new start time of 9 a.m.. Headsets are available for sound amplification and translation; translation is on channel 1, and amplification is on channel 0. Electronic devices, like BlackBerrys and mobile phones, should be switched off, because they interfere with the sound equipment. If there is an emergency, the ushers will direct everyone to the nearest safe exit and assembly point. I have received apologies from Members of the European

Parliament, and from Chris Chapman and Nick Bourne. Those are the apologies that we have had to date; we have not had any others. There are no substitutions.

9.01 a.m.

**Menter Llywodraeth Cynulliad Cymru a Banc Buddsoddi Ewrop i Gynorthwyo
Mentrau Bach a Chanolig yng Nghymoedd y De
Welsh Assembly Government Initiative with the European Investment Bank to
Support Small and Medium-Sized Enterprises in the South Wales Valleys**

[2] **Sandy Mewies:** I welcome Ieuan Wyn Jones, the Deputy First Minister, Cathy Presland and Nick Moon. We are continuing our discussions on the European Investment Bank, and today's session will supplement information given in the meeting on 27 November. We will be talking once again about that well-known pair, JEREMIE and JESSICA, and I understand that we will see how we are aligning with the European Investment Bank. Deputy First Minister, will you start your presentation?

[3] **Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth (Ieuan Wyn Jones):** Diolch yn fawr, Sandy, am eich cyflwyniad. Mae'n braf i gael bod yn ôl yn y pwyllgor hwn—cevais gyfnod diddorol iawn o dan eich cadeiryddiaeth chi yn y Cynulliad diwethaf, ac yr oeddwn yn mwynhau fy aelodaeth yn fawr. Teimlais fod y pwyllgor yn cyfrannu'n sylweddol at ein hymwybyddiaeth o faterion Ewropeaidd.

The Deputy First Minister and Minister for the Economy and Transport (Ieuan Wyn Jones): Thank you, Sandy, for your introduction. I am pleased to be back in the committee—I had an interesting time under your chairmanship in the last Assembly, and I greatly enjoyed being a member of the committee. I felt that the committee made a huge contribution to our awareness of European matters.

[4] Fel yr ydych wedi dweud, yr ydym yma heddiw i roi cyflwyniad byr ichi. Yr ydych wedi cael ein papur ac yr wyf yn siŵr bod gennych gwestiynau. Fel yr ydych wedi nodi, mae Cathy yma hefyd o'r adran, a bydd yn gallu ateb cwestiynau am ochr Ewropeaidd y cynlluniau. Mae Nick Moon yma hefyd, oherwydd, wrth symud cynlluniau JEREMIE a JESSICA ymlaen, mae Cyllid Cymru yn gorff hynod o bwysig—mae'n allweddol, mewn gwirionedd. Un pwynt eithaf cyffredinol, yn wyneb y sefyllfa economaidd sydd ohoni, gyda'r newidiadau mawr yn sgîl y wasgfa gredyd ac ati, mae ein gwaith ar JEREMIE, yn benodol, yn bwysicach nac erioed. Un broblem y bydd busnesau bach a chanolig eu maint yn siŵr o'i chael yn ystod y cyfnod nesaf hwn yw y byddant yn methu'n glir â chael benthyg arian oddi wrth y banciau traddodiadol. Bydd cynllun JEREMIE yn hynod o bwysig, felly.

As you have said, we are here today to give you a brief presentation. You have received our paper, and I am sure that you will have questions. As you said, Cathy has joined me from the department, and she will be able to answer questions on the European side of the schemes. Nick Moon is also here, because, in progressing the JEREMIE and JESSICA schemes, Finance Wales is an exceptionally important body—it is crucial, in fact. If I may make a general point, in the face of the current economic climate, with the huge changes because of the credit crunch and so forth, our work on JEREMIE, in particular, is more important than ever. One problem that small and medium-sized enterprises will surely face in the near future is that they will not be able to borrow money from traditional banks. Therefore, the JEREMIE scheme will be exceptionally important.

[5] Y sefyllfa ddiweddaraf yw y bydd JEREMIE yn gynllun ar gyfer busnesau bach

The latest position as regards JEREMIE is that it will be a scheme for small businesses

o dan y diffiniad Ewropeaidd o Gymru gyfan. Bydd hefyd yn bartneriaeth rhwng Cyllid Cymru a Banc Buddsoddi Ewrop gydag arian Ewropeaidd yn cael ei ddefnyddio. Mae Swyddfa Cyllid Ewropeaidd Cymru wedi cadarnhau'r cynlluniau mewn egwyddor, ac mae'r mater bellach yn cael ei ystyried gan y banc ac o dan reolau cymorth gwladwriaethol yr Undeb Ewropeaidd. Yr wyf wedi cael ar ddeall bod yr adroddiadau yn gadarnhaol, er, yn naturiol, nid ydym yn gwybod yn union pryd y gellir gwneud cyhoeddiad ac a oes rhai problemau y bydd yn rhaid i ni eu datrys. Fodd bynnag, deallaf fod y trafodaethau gyda'r banc a'r comisiwn yn mynd rhagddynt yn hwylus ar hyn o bryd. Felly, dyna'r sefyllfa gyda JEREMIE.

[6] Yr unig beth arall y byddwn yn ei ddweud yw mai Cymru yw'r cyntaf i wneud cais o dan JEREMIE. Yr ydym wedi achub y blaen, felly, ar unrhyw aelod wladwriaeth arall. Teimlwn fod hwn yn gam mawr ymlaen i ni. Mae'n gam sylweddol, oherwydd, gyda chronfa werth £150 miliwn, dyma greu màs critigol pan fu'n anodd i fusnesau bach a chanolig eu maint yng Nghymru gael mynediad i'r math hwn o gefnogaeth neu fenthyciad ariannol.

[7] Mae cynllun JESSICA yn dra gwahanol. Bydd hwnnw ar gael mewn ardaloedd trefol yn benodol—ac efallai bod modd i ni drafod yr hyn a olygwn gan 'trefol' pe dymunech. Nid arian ar gyfer cwmnïau penodol mohono, ond adfywio ardaloedd penodol. Bydd yn help. Credaf eich bod wedi cael copi o'r papur a ddaeth gerbron y pwyllgor fis Tachwedd, sy'n sôn am y canllawiau. Nid ydym eto mewn sefyllfa i wneud yr un math o gyhoeddiad am gynllun JESSICA; mae hwnnw dipyn i ffwrdd, yn bennaf am nad oedd Comisiwn Ewrop wedi rhoi digon o fanylion i ni ar y dechrau er mwyn inni allu symud ymlaen â'r gwaith. Fodd bynnag, yr ydym yn falch o ddweud ein bod ar y blaen. Credaf fod cynllun o'r Almaen hefyd yn symud yn ei flaen, ond yr ydym yn sicr gyda'r cyntaf yn yr Undeb Ewropeaidd gyda rhaglen JESSICA. Gwnaed astudiaeth gwmpasu gan y banc, a bydd tendro ar gyfer yr astudiaeth honno. Gobeithiaf y gall Cathy roi mwy o fanylion ynglŷn â phryd y disgwyliwn i'r broses dendro gael ei chwblhau.

under the European definition of the whole of Wales. It will also be a partnership between Finance Wales and the European Investment Bank, with European funding going into the scheme. The Welsh European Funding Office has confirmed the schemes in principle, and the matter is now being considered further by the bank and under European Union state aid rules. I understand that the reports are positive, although, naturally, we do not know exactly when it will be possible to make an announcement, and whether there are difficulties that we will need to sort out. However, I understand that the discussions with the bank and the commission are progressing well at present. Therefore, that is the position as regards JEREMIE.

The only other thing that I would say is that Wales is making the first application under JEREMIE. We are, therefore, ahead of any other member state. We feel that this is a large step forward for us. It is a considerable step, because, with a fund worth £150 million, we are creating a critical mass when it has previously been difficult for small and medium-sized enterprises in Wales to access such financial support or loans.

The JESSICA programme is quite different. It will be available primarily in urban areas—and perhaps we could debate what we mean by 'urban', should you wish. This is not money for specific companies, but for the regeneration of specific areas. It will be of assistance. I think that you have received a copy of the paper that was given to the committee in November, which talks about the guidelines. We are not yet in a position to publish anything similar for the JESSICA scheme; that will be a little way down the line, primarily because the European Commission did not give us enough details at the beginning to enable us to progress with the work. However, we are pleased to say that we are ahead on this. I think that there is a scheme from Germany that is also moving forward, but we are definitely among the first in the European Union with regard to JESSICA. A scoping study was undertaken by the bank, and there will be a tendering process for that scoping study. I hope that Cathy can give you more details about when we expect that tendering process to be

[8] Felly, dyna'r cefndir yn fras. Gall y pwyllgor ofyn am fwy o fanylder mewn cwestiynau. Os yw'n help, gallaf hefyd roi'r wybodaeth ddiweddaraf i chi ynglŷn â'r cynlluniau cydgyfeiriant, ERDF ac ESF, pe bai hynny o help i'r pwyllgor.

[9] **Gareth Jones:** Diolch yn fawr iawn, Ddirprwy Brif Weinidog, am yr adroddiad hwnnw. Bu ichi gyfeirio at y sefyllfa economaidd a'r wasgfa gredyd ac ati. Ceir cyfeiriad ym mharagraff 10 o'r adroddiad, o dan bennawd JEREMIE, at yr angen am gronfa JEREMIE gwerth £150 miliwn i Gymru. Yr ydych yn cyfeirio at arian cyfatebol. Gan fod amser yn cerdded, i ba raddau y mae'r newid yn y gyfradd gyfnewid yn dylanwadu ar unrhyw gyfraniad a ddaw drwy'r Cynulliad? A fyddwn yn dioddef oherwydd hyn? Gwn y bu newid yng ngwerth yr ewro yn erbyn y bunt. Pa effaith mae'r newid hwnnw yn ei gael ar ein cynlluniau ni a chynlluniau'r Llywodraeth, os o gwbl?

[10] **Y Dirprwy Brif Weinidog:** Ni ddylai cynllun JEREMIE gael effaith o gwbl, oherwydd bwriad y cynllun hwnnw, os cofiaf yn iawn, yw cael benthyciad o £75 miliwn gan y banc, daw £60 miliwn gan y cronfeydd strwythurol, a £15 miliwn gan Gyllid Cymru. Ni ddylai unrhyw newid yn y gyfradd effeithio ar hynny. Oherwydd y newidiadau—hynny yw, bod gwerth y bunt yn erbyn yr ewro wedi newid—yr ydym yn amcangyfrif y bydd y gronfa strwythurol ar draws y cyfnod werth £240 miliwn yn fwy nag ydyw ar hyn o bryd. Dyna'r disgwyl. Fodd bynnag, ni wn a fydd hynny'n parhau drwy'r cyfnod, ac felly, rhaid bod yn ofalus i beidio â rhagdybio y bydd yr arian hwnnw i gyd yn dod atom ni. Pe bai pethau'n sefyll fel ag y maent ar hyn o bryd, dyna'r hyn y gellid ei ddisgwyl. Os cawn yr arian ychwanegol hwn, bydd angen arian cyfatebol ar gyfer hwnnw hefyd. Dyna pan ddaw'r problemau—wel, nid problemau. Nid wyf yn disgwyl problem, oherwydd y mae'n gyfrifoldeb ar y noddwyr i chwilio am yr arian cyfatebol hwnnw drwy ffynonellau cyhoeddus, ffynonellau llywodraeth leol a'r sector preifat hefyd. Nid ydym yn disgwyl y bydd hynny'n cael effaith andwyol ar y cynlluniau. Mewn gwirionedd, bydd gennym

completed.

Therefore, that is broadly the background. The committee may ask for more detail in its questions. If it helps, I could also give you the latest information about the convergence programmes, ERDF and ESF, if that would help the committee.

Gareth Jones: Thank you very much, Deputy First Minister, for that report. You referred to the economic situation and the credit crunch, and so on. There is a reference in paragraph 10 of the report, under the heading JEREMIE, to the need for a JEREMIE fund worth £150 million for Wales. You have referred to match funding. As time is flying, to what extent will the change in the exchange rate affect any contribution to be made through the Assembly? Will we suffer because of this? I know that there has been a change in the value of the euro against the pound. What effect will such a change have on our plans and those of the Government, if any?

The Deputy First Minister: There should be no impact at all in relation to JEREMIE, because the intention of that scheme, if I recall correctly, is to borrow £75 million from the bank, £60 million will come from structural funds, and £15 million from Finance Wales. Any change in the exchange rate should not affect that. Given those changes—that is, the change in the value of the pound as against the euro—we estimate that the structural fund will be worth £240 million more over that period than it is at present. That is what we expect. However, we do not know whether that will last throughout that period, and so we have to be careful not to assume that all that money will come to us. If things remain as they are at present, that is the type of thing that we can expect. That means that, if we get that additional money, match funding will be needed for that as well. That is when the problems will arise—well, not problems exactly. I do not expect a problem, because it is up to the sponsors to find that match funding from public sources, local government sources and the private sector as well. We do not expect that it will have a detrimental effect on the plans. In all honesty, we will have more European money to spend.

fwy o arian Ewrop i'w wario.

9.10 a.m.

[11] Cathy, do you want to add anything to that?

[12] **Ms Presland:** I think that that was a comprehensive summary, Deputy First Minister, so I have nothing further to add. We actually see it as a bonus at the moment that we have additional resources that we can spend to the benefit of Wales.

[13] **William Graham:** Thank you to the Deputy First Minister for his presentation today. My first question is a very simple one. Could you identify the percentage administration costs of operating the scheme?

[14] **The Deputy First Minister:** Pardon?

[15] **William Graham:** Could you identify the percentage costs of operating these various schemes? Have you looked into that, and have you determined a maximum level for such costs? More particularly, you referred rather obliquely to state aids considerations. In our meeting in October, the First Minister, with his usual candidness, referred to the fact that Treasury rules are not particularly helpful. Members were concerned that the Treasury would have considerable influence over whether this money would really find its way to Wales as envisaged. Have there been any concrete talks, as it were, with the Treasury and, if so, what was their outcome?

[16] **The Deputy First Minister:** I will ask Nick to give you a little information on the administration costs. My current understanding, as confirmed in my original remarks, is that the Welsh European Funding Office has already approved the scheme in principle. It therefore remains for discussions to be completed with the European Investment Bank and with state aids officials. We would expect the discussions with the bank to be concluded fairly swiftly, but the others will obviously take a little more time. Although I do not know whether Cathy or Nick can help me on this, my understanding is that there are no major obstacles. There has been a flow of correspondence, but we cannot go into the precise details. My understanding is that those obstacles that are in our way are not insurmountable, and that those discussions are proceeding fairly well.

[17] **Ms Presland:** That is absolutely right. The issue with the involvement of the Treasury would arise if the Assembly were to borrow money directly from the European Investment Bank, as we would need to offset it against our public sector borrowing requirement. In fact, Finance Wales can borrow money outside the Assembly's allocations, and so that is money that we can bring into Wales and match with our European structural funds, and we do not need to go to the Treasury to ask it to allocate it as part of our borrowing requirements.

[18] **The Deputy First Minister:** Nick, would you like to comment on the administration costs?

[19] **Mr Moon:** Yes. The administration costs of running the JEREMIE fund for Finance Wales will be absorbed within the general operational budget that Finance Wales receives from the Assembly each year. So, there is no change to what we currently receive for managing the funds that are already in place, and there is no impact at that level. At the delivery level, however, Finance Wales is running a tender for private fund managers to provide deal flow for the fund, and a key part of that tender is the price at which that service can be delivered. So, the management fee will be established as a consequence of that tender, and we will be looking for the most competitive management fee possible.

[20] **Jeff Cuthbert:** Thank you very much for your report, Deputy First Minister. It is very pleasing to hear you say that we will be the first region of Europe to make an application under the JEREMIE scheme. My questions, however, relate to the JESSICA scheme and, as you mentioned, to the issue of what we mean by ‘city’ or ‘urban’ status. I would be grateful for some clarification of the definition of ‘city areas’ or what is meant by ‘urban’ in this regard.

[21] On the area of the south Wales Valleys, can you give me more details about exactly which county boroughs we are referring to? One reason I ask that is because my own area, the Caerphilly borough, certainly includes Valleys communities, but the Caerphilly basin, which is a large part of the borough, is not generally regarded as part of the Valleys. When we talk about the south Wales Valleys, are we talking about certain county boroughs, or a more general geographic area?

[22] **The Deputy First Minister:** I cannot answer that in detail yet. Perhaps Cathy or Nick could come in on that. I would just say that we have not yet identified possible JESSICA projects. That is the situation, because we are still a bit early in the process. Some pilot areas have been identified, and I think that you are referring to the south Wales Valleys as one of them, but whereabouts in the south Wales Valleys—

[23] **Jeff Cuthbert:** Yes, what do we mean by that?

[24] **The Deputy First Minister:** We can ask whether more work has been done on that, but other areas are perhaps more geographically defined, if I may put it like that, such as Neath Port Talbot, Swansea gateway, and Môn a Menai, although the south Wales Valleys and south-east Wales are a bit more general. Does anybody want to give a bit more detail about that?

[25] **Ms Presland:** I could come in on that. We had a discussion in a similar vein the last time we came to talk about JESSICA. We will get more clarification on that once we have the scoping study. The initiative is about sustainable development in city areas—the ‘CA’ at the end of the acronym. We are a slightly more dispersed country, and so we need to look at it in the context of Wales. In our discussions with the European Commission thus far, we have raised the matter and asked whether it needs to be confined to cities or whether we can use it within a definition that might be appropriate for Wales. We do have the flexibility to use the instrument as is appropriate for Wales, and the only constraint is that the investment funds, when they are established, need to be of an appropriate size to generate a commercial return. What we need to consider is the scale of the regeneration activity and of the potential match funding that may come in to any of these JESSICA schemes. Current thinking is that they will probably operate on a regional basis and we will have a specific JESSICA scheme in a particular part of Wales. The more important thing is whether we have the critical mass of potential projects in that area rather than whether it is an area that we would say is the city of Swansea or the city of Newport. We have, and we will continue to have, a very wide definition of city or urban areas.

[26] On the south Wales Valleys, at the moment, the definition is flexible.

[27] **The Deputy First Minister:** So, the area that you are mentioning is actually included in that definition.

[28] **Ms Presland:** It would definitely be included. All the local authorities are working through the WLGA, and so are currently working alongside the Assembly Government to identify projects that may fall within a JESSICA scheme as well as potential match funding of land resources that could form part of the JESSICA scheme. At the moment, it is open-ended.

It may become more closely defined at some point, when we know what is available and what the regeneration priorities are, but, at this point, it is very much open to all partners who are interested in participating.

[29] **The Deputy First Minister:** The emphasis on the regional aspect is important. It may be helpful for Jeff and others on the committee if I were to share information as the work develops more and becomes clearer, as the scoping study gets under way, as the pilot areas are being looked at, and as we move forward. I would be happy to do that for the committee as and when.

[30] **Sandy Mewies:** From what you are saying, there does not seem to be a barrier just because of the word ‘cities’. That is the point for us, is it not? We do not want it to create a barrier, but negotiations are going on. As things proceed, particularly if there is a problem, I am sure that committee members would appreciate a note at least, so that we can think about how we will discuss the matter in future, because we will be returning to this subject. I think that we would be particularly interested in whether it goes forward smoothly—which I hope it does—and whether there are problems.

9.20 a.m.

[31] **Nerys Evans:** Mae gennyf gwpl o gwestiynau am gynllun JEREMIE. Yr wyf yn falch o glywed ei fod yn gynllun ar gyfer Cymru gyfan. Yr ydych yn sôn bod yr adroddiad yn argymhell £150 miliwn oherwydd anghenion y farchnad. Beth yw’r diffiniad o ‘anghenion y farchnad’? Yr ydych hefyd yn sôn am fethiant y farchnad o ran y cynllun. A oes potensial i ddefnyddio’r arian ar gyfer darparu band eang, gan fod methiant yn y farchnad o ran hynny?

Nerys Evans: I have a couple of questions about the JEREMIE scheme. I am glad to hear that it is an all-Wales scheme. You mentioned that the report recommends £150 million because of market needs. What is the definition of ‘market needs’? You also mention market failure in relation to the scheme. Is there potential to use the money to provide broadband, as there is market failure in that area?

[32] **Y Dirprwy Brif Weinidog:** Bwriad y benthyciad a fyddai’n dod o gynllun JEREMIE yw helpu busnesau bach a chanolig eu maint fel y’u diffinnir gan yr Undeb Ewropeaidd, sef busnesau gyda hyd at 250 o bobl yn gweithio iddynt. Yr ydym yn ymwybodol nad yw nifer o’r busnesau bach hynny yn gallu cael mynediad i fenthyciadau, oherwydd, fel arfer, nid yw’r math hwnnw o arian ar gael yng Nghymru. Felly, mae’n llenwi bwlch yn y farchnad. Bydd hefyd yn fwy o gymorth i ni yn y sefyllfa economaidd bresennol, gan fydd y banciau traddodiadol yn llai parod i roi benthyciadau. Nid wyf yn credu—gall Nick gadarnhau hyn, rhag ofn fy mod yn gwneud camsyniad—y byddai’r arian ar gael i ddatblygu band eang gan fod hynny yn rhywbeth mwy cymunedol na chwmnïau unigol yn gwneud cais am arian. Felly, nid wyf yn siŵr y byddai’r arian ar gael ar gyfer hynny. Er mwyn diweddarau’r pwyllgor ynglŷn â’r hyn sy’n digwydd gyda band eang, oherwydd bod dimensiwn Ewropeaidd i

The Deputy First Minister: The intention of the loan that would come from the JEREMIE scheme is to help small and medium-sized enterprises as defined by the European Union definition, which is those that employ up to 250 people. We are aware that a number of those small businesses are unable to access loans, because that type of funding is not usually available in Wales. So, it fills a gap in the market. It will also be of more assistance to us in the current financial situation, as the traditional banks will be less willing to give out loans. I do not believe—Nick can confirm this, in case I am mistaken—that the funding would be available to develop broadband because that is something that is more community-based than individual companies making funding applications. So, I am not sure that the funding would be available for that purpose. To update the committee on what is happening with broadband, because there is a European dimension to that, one of the things that we are currently doing is

hynny, un o'r pethau yr ydym yn ei wneud ar hyn o bryd yw edrych ar y posibilrwydd o godi'r *intervention rate*. Mae materion o ran cymorth gwladwriaethol ynghlwm wrth hynny. Mae contract gyda BT i gyflwyno band eang yng Nghymru, ac mae nifer o ardaloedd sydd â 'not spots'. Ar hyn o bryd, mae'r gyfradd mynediad yn hanner a hanner—sef 50 y cant yn cael ei wario gan BT a 50 y cant yn cael ei wario drwy arian cyhoeddus—a'r bwriad yw mynd at y Comisiwn Ewropeaidd i weld a oes modd i ni godi'r *intervention rate* hwnnw. Mae materion cymorth gwladwriaethol yn gysylltiedig â hyn, ond yr ydym yn eithaf hyderus, yn dilyn trafodaethau gydag Ofcom, fod ein hachos yn eithaf cryf, felly dyna yw'r ffordd y byddwn yn edrych ar fand eang.

looking at the possibility of raising the intervention rate. There are state aid issues related to that. There is a contract with BT to deliver broadband in Wales, and a number of areas have 'not spots'. At present, the access rate is half and half—50 per cent is spent by BT and 50 per cent is spent from public funds—and the intention is to approach the European Commission to see whether we can raise that intervention rate. There are state aid issues associated with this, but we are quite confident, following discussions with Ofcom, that we have quite a strong case, so that is how we will be looking at broadband.

[33] Am I right in that, Nick? Rather than mislead the committee, perhaps I should get confirmation from my colleagues.

[34] **Mr Moon:** I can confirm that the Deputy First Minister is correct in respect of broadband. To return to the market failure issue, it is about market failure relating to the supply of finance to businesses—that is how it is framed. That £150 million figure is the gap of financial supply in relation to viable demand in Wales, and it was derived from an independent report that the European Investment Fund undertook in Wales using a series of qualitative and quantitative research methods. It recommended the scale of the fund, specific instruments within it and areas that it should focus on, and the feeling in Finance Wales is that that is the correct level at which the fund should interact. As we have seen from the fact that our Objective 1 fund has been invested a year ahead of target, there is a lot of viable demand out there that cannot be serviced from the private market.

[35] **Val Lloyd:** Thank you for your presentation, Deputy First Minister. Staying with the JEREMIE programme, I was interested in all of the other questions, but I am trying to think of this from the point of the view of businesses themselves. What mechanisms would we put in place to ensure that SMEs are aware of this programme and can take up the opportunities it seems to offer? I know that you have given us some detail, but is there any more detail on when its implementation will begin?

[36] **The Deputy First Minister:** It is important for business to become aware of this facility, and as soon as it is announced the level of awareness will rise substantially. However, it may be useful for Nick to tell us about any marketing initiatives that will be put in place once it is up and running. It is important. In an answer to a previous question from William, Nick was able to explain that Finance Wales will not be dealing with the application process. That will be done through contractors and that is a good idea, because, clearly, Finance Wales needs to be in a position to determine on the application rather than in the position of having to help people to apply and then having to determine on the application. So, that is a good way of doing it. I am aware, through our work here, and through raising awareness, that we will make companies aware of it, and perhaps Nick can mention the marketing side. On when it will be ready, as I say, the WEFO side is complete and we expect the European Investment Bank discussions to conclude fairly soon and the state aid discussions a little later in the year.

[37] **Mr Moon:** We will take the same approach as we have with our current fund under management, which is to concentrate on two main channels for the deal flow. First, there are

the private sector deal flow channels, so those are intermediaries, accountants and so on—people who might not necessarily have an interface with the public sector in Wales, but nevertheless have a demand for capital that we can service. So, we spend a lot of time working with intermediaries to ensure that they are aware of what Finance Wales can provide for their clients.

[38] Secondly, there is the public sector channel. There, it is a matter of ensuring that we are positioned correctly within the wider public sector support framework. I was pleased to see, when the new flexible business solutions website came onstream within the last few days, that the role of Finance Wales in providing commercial capital is clearly positioned alongside other aspects of Assembly support such as the single investment fund.

[39] **The Deputy First Minister:** We should not underestimate the role of intermediaries such as local enterprise agencies and accountants and so on, because many of the approaches that we as a Government get in relation to business support come that way. The level of local knowledge should never be underestimated. I am sure that they will be made fully aware of what is on offer.

[40] **Michael German:** I have some questions and points for clarification. I will start with a request for clarification. The instrument will provide three levels of funding: equity, loan and mezzanine. Will the companies that receive support through JEREMIE be able to access a mix of those three or will it be a question of either getting a loan, equity or mezzanine?

[41] Secondly, paragraph 15 of your report, Minister, states that JESSICA is at an earlier stage. You could read that as meaning that JESSICA is first and JEREMIE is second, but the committee was told that it was the other way around in European terms. So, what is the timescale for both and when do you anticipate getting final approval for both? In European terms, which is running first and which of yours are running first? In other words, are we in sync with what is happening in Europe?

[42] My next question is really a request for clarification in relation to Jeff's question. I wanted to be sure about the areas where this will apply for JESSICA. Am I to understand that you are currently making the case to the commission for what I would call agglomeration—having a regional base—or have you already got that agreement? Is it based on population size or gross national product or whatever? What measures are you using to define the agglomeration? You must have a series of measures, if you are negotiating with the commission, therefore you presumably have some idea as to what it might or might not approve. Presumably, you also know where, in other parts of Europe, similar prospects arise and whether those areas have already been making cases that are similar to ours and whether we have some allies in this matter.

[43] My other points relate to JEREMIE and rural areas. In our study of the European Investment Bank, we were told that JEREMIE did not really cater for rural areas. Our report states that it was confirmed that the purpose of JESSICA and JEREMIE was to provide a means of using the funding available through the structural funds more effectively for developing urban areas and assisting small and medium-sized enterprises. Perhaps our report is a little unclear in that respect, but will the JEREMIE fund is, as it stands, be equally applicable to companies whether they are in rural and urban areas in Wales?

9.30 a.m.

[44] **The Deputy First Minister:** I will ask Cathy and Nick to come in on some of the more detailed questions. I will start with where we currently are. We are substantially further advanced in relation to JEREMIE, because the criteria were set by the European Commission far earlier. We were in first, as we have heard, which I think is great news for us in Wales,

and we would expect to conclude the discussions in the course of this year, hopefully well before the end of the year, because it is only the state aid issues that could hold us back a little. So, that will be concluded, as I have indicated.

[45] In relation to JESSICA, the European Commission was not able to give us the criteria early enough for us to have started it at the same time as JEREMIE, so we are further behind. As I think that we have explained, what we are currently doing is agreeing a scoping paper, which will then enable us to take it further. A tender will then be put out for that scoping paper. I am not sure of the dates for that.

[46] **Ms Presland:** It will be before the summer. We are expecting consultants to be appointed within a matter of days.

[47] **The Deputy First Minister:** So we will be able to update the committee on progress on that, because I am sure that you will be interested. I will now ask my colleagues to give some more detail, and perhaps we could start with the issue of rural companies in relation to JEREMIE, although it was not the earliest question.

[48] **Mr Moon:** The simple answer is that JEREMIE is an all-Wales fund and no area of Wales will receive less support. Our criterion is whether the business is viable and growing, not where it is based.

[49] **The Deputy First Minister:** Can we deal with some of the others?

[50] **Ms Presland:** I will take JESSICA. Our operational programmes for the structural funds form the basis of how we move forward with implementation. We indicated in our operational programmes that we were interested in pursuing the JEREMIE and the JESSICA mechanisms. So, to that extent, we already have the commission's approval to go ahead. So we are not seeking, when we establish a JESSICA fund, to go back to the commission for any detailed approval. Obviously, we will share our plans for it with the commission, and it may well have comments on those plans, but there is no specific commission decision required by, for example, the Directorate-General for Regional Policy, although we would need to clear any state aid issues with the relevant parts of the commission. That gives us the flexibility to decide on what is appropriate for us, so we would not, for example, be looking for the commission to agree our definition of an area. We would need to establish first of all that any JESSICA met the policy commitments of the Welsh Assembly Government and the aims and objectives of the operational programmes if we were to put in ERDF. It would also need to be feasible and practicable, from both an operational perspective and commercial perspective. The JESSICA would have to be able to generate the commercial return necessary for the reinvestment and the repayment of any potential loans. To that degree, I would say that nothing is really ruled in or ruled out at this stage.

[51] From a practical perspective, we need to find partners that can work together. The more partners that are involved, the more complex it may potentially become, but, if it meets a policy objective, we are working hard to encourage a range of partners to work together on schemes. So it is currently fairly open-ended.

[52] In terms of timing, we are the furthest ahead of any part of the UK, and are much further ahead than most other member states. So, in a way, we are forging our own path on JESSICA and JEREMIE, which is good news for us in Wales. However, it does mean that all the questions come to us first, and the answers may then be already available whenever member states follow.

[53] **The Deputy First Minister:** We are helping others along the line.

[54] **Ms Presland:** As the Deputy First Minister has said, we expect JEREMIE within a matter of months. For JESSICA, the European Investment Bank has been through a tender process for the consultancy scoping study, which had to go through the Official Journal. Four tenders were sent in, which I understand are being assessed this week. So, we expect a decision on that in a matter of days. The period of the scoping study is four months, so we hope to get the report back, and the Minister is keen to make a swift decision on it, as we move into the summer period.

[55] **Michael German:** I am interested in the words ‘commercial return’, which you use all the time—you have used it several times in reply to questions. Can you expand a little on what you consider to be the commercial return? Is it almost the same concept as the local authority business growth incentive scheme, where you get investment in advance of increased investment in terms of business rates coming in, because you have invested in something upfront? Are you looking for a similar concept? If that is the case, are you looking for large-scale structural-type or infrastructural projects, which would generate more investment? Could it be something to do with transportation—for example, I am thinking of the age-old problem of the Queen Street station blockage, which stops a lot of developments on the Valleys line? Could something of that nature be included in this sort of programme, something with a big, broad concept that would encourage more investment by business and so on in the future?

[56] **Mr Moon:** I will take the point on the mix of financial instruments. Finance Wales works to market the funds as a one-fund concept, and we do that because businesses are often not aware of the benefits of equity—they may have a cultural aversion to it, so they may approach us for a loan, when the revenue stream would suggest that they are more suited for equity. We work with them to try to tailor the right mix for their specific needs. In the end, there may be an element of loan and an element of equity; whatever is best for the client.

[57] **The Deputy First Minister:** You are trying to tailor it to the needs of the company, rather than trying to fit it into a loan or equity. It is a flexible approach, and that is helpful.

[58] **Ms Presland:** In terms of the commercial return for JESSICA, we anticipate that these investment funds will operate on a 50:50 basis, public and private, and they will be, as you said, of a significant scale in order to generate a return. The simple model is that the public part of that would be, for example, land, which would be put into the fund, the European regional development fund would be part of the public contribution, and the private contribution would be in cash or loans that might come over the period of the fund. The cash part of the development fund would be used to regenerate the physical parts of the fund, and commercial return would come either from an increase in the value, with a fully developed site obviously being worth more than a piece of brownfield land, and from any revenue that was paid back into the fund. So, developments could either be sold off or rented out in order to return some capital or revenue flows into the fund. That is then reinvested into the fund.

[59] If the private partner has taken a loan, that loan will need to be repaid, and the fund as a whole will need to manage itself. So a management charge will be charged to the fund. The public investment would need to be returned; it is a condition of ERDF funding that it would have to be recycled. So, the amount of the commercial return would need to be sufficient to meet all of those demands. However, we would expect that it might well be at a lower rate of return than a private investor might look for from a single investment, so we have the facility to take a slightly lower rate of return on this than a private investor might look for. The other advantage is that, over the development fund as a whole, there could be a mix of potential projects, so that some of them would generate a greater return than others and that, overall, we would be able to get a comprehensive, balanced regeneration fund.

9.40 a.m.

[60] We would certainly expect large parts of the basic infrastructure that would not necessarily generate a return per se, as part of the overall portfolio, to set the scene for further investments that would be repaid into the fund. So, we see significant advantages from the legacy effect—the recycling of structural funds money—over a further generation, but also in taking a balanced portfolio approach so that some projects would go forward with lower rates of return and that they would be able to proceed in a way that would not be possible if they were single projects.

[61] **The Deputy First Minister:** One thing that Cathy mentioned that is important to remember is that the expectation is that, once we have set them up, they will outlive the length of the ERDF period, which ends in 2013. The recycling part of it is a key advantage to us, because once the flow of ERDF funding comes to an end, this fund will still be there. It will not be at the same level, because some funding will have to be repaid by Finance Wales to the investment bank. However, a certain percentage of the money will be available in future years. Therefore, we are creating a fund not just for this period, but for the future as well.

[62] **Sandy Mewies:** Thank you. Mike, are you happy with that?

[63] **Michael German:** Yes. I should have asked the question on ERDF at the same time as I raised the issue of Queen Street, because it is not in the convergence area.

[64] **The Deputy First Minister:** It is not convergence. As it is in the competitiveness area, it would be more difficult.

[65] **Michael German:** The question that comes out of that is whether the ERDF element is a flexible element if you took a bigger package. Let us say, for example, to help Jeff, that we took everything at the top end of the Rhymney railway line and included it in a package, so that the ERDF element was higher up the Valleys—at the top end of the railway line rather than at the bottom end—are you allowed to have that sort of mix of potential?

[66] **Ms Presland:** That is interesting, and we have asked ourselves that very same question. The theoretical answer is that we can do that. One thing that we want the EIB to look at is which geographical areas make sense from a regeneration perspective.

[67] **The Deputy First Minister:** Whether they are in convergence or not.

[68] **Ms Presland:** Or competitiveness. So, if we take the south-east Wales example—although it may equally apply to north Wales—it is theoretically possible that JESSICA could span the convergence and the competitiveness area. Any money that we put in from either programme needs to be absolutely restricted to that area or to provide benefits within that area. So, moneys would need to be ring-fenced within JESSICA geographically, but they would also need to be ring-fenced within JESSICA in terms of the eligible expenditure. So, we would expect a regeneration investment fund to undertake a wider range of activities than we could do with only the ERDF—housing, and retail, for example, which are obviously important in regeneration terms, but they are areas in which we would not traditionally be able to spend ERDF. It could be part of a wider package, but the ERDF would be ring-fenced.

[69] **Sandy Mewies:** Thank you. We have a little time, but, Minister, it is entirely up to you; I know that you have a busy schedule. The discussion that we have had this morning has been valuable.

[70] **The Deputy First Minister:** I thought that it might be useful for you to have an update on our position, if you felt that that would be helpful to the committee. The current

position—and I stress that the information that I have is from 3 April—is that we now have 724 projects, which have not been fully worked up; they are ideas that have been posted on the WEFO website. Of those, 194 have been firmed up as expressions of interest, of which, 85 are live applications, and we have already had 10 approvals, with many others in the pipeline. So, those 10 projects that have received a formal funding decision represent a total investment of £300 million, with a structural funds contribution of £136 million.

[71] The information that I have had from WEFO indicates that many other applications are now very close to approval. We expect that, in the course of the next few weeks, the flow of money out will be quite substantial. It is obvious now that there was some concern at one stage, which is quite understandable, about when the first application was going to be approved. The applications are coming through and it is pleasing to note that the 85 current applications represent a flow across the programmes. I think that that will show a good mix of approvals later in the year.

[72] **Sandy Mewies:** That is good news and I think that that was very useful; thank you very much. Does anyone have a short question that they would like to ask or are you happy to accept that information?

[73] **The Deputy First Minister:** I am very happy to update the committee as these things happen.

[74] **Sandy Mewies:** We would be very interested in that. Thank you. That was a most useful presentation and it was nice to see you all again—it was just like old times.

[75] Before I move on, I must mention it, although I know that Kathryn Jenkins has already explained her new role here. Some of you will know that Chris Reading has moved on temporarily to the Broadcasting Committee and Kathryn and Dan are here instead. Dan is going to clerk one meeting as part of the staff development process and I think that it will be very useful.

[76] Before we move on to the next item on the agenda, which is to look at the forward programme, I must say that while listening to that presentation I wondered where we all are with the level of knowledge—some people have a great deal of knowledge about what funding is available for what areas, but I think that it is quite confusing, if you do not have a vast background in this field. Would it be useful if I were to ask the Members' research service to provide a fairly simple briefing on what funds are available from Europe, for which geographical areas and for what purposes they can be used? When I say a simple paper, I mean a simple paper. My personal preference is a simple paper that does not contain web links, which actually gives the information. I do not know how Members feel about that. I hope that I am not insulting your intelligence, but I would find it useful. Are you happy with that?

[77] **Val Lloyd:** You are not insulting my intelligence; I am really pleased that you brought the issue up.

[78] **Sandy Mewies:** It seems to me that it is sometimes quite confusing.

9.48 a.m.

Y Flaenraglen Waith Forward Work Programme

[79] **Sandy Mewies:** We have already identified a number of key areas of interest, including the common agricultural policy, the Lisbon strategy, regional policy and the budget

review. We have a good briefing paper on various items. This is all about what you, as Members, would like to discuss in future and what your priorities would be.

[80] **Nerys Evans:** Yr wyf yn awyddus i edrych ar sybsidiaredd, yn enwedig os yw Senedd yr Alban yn edrych arno ac yn datblygu protocol. Nid wyf yn credu y byddem am fod ar ei hôl hi, yn enwedig os oes protocol yn cael ei ddatblygu rhwng Senedd yr Alban a San Steffan. Credaf ei bod yn hanfodol ein bod yn edrych ar y pwnc hwn. Yr wyf hefyd am nodi nad yw amserlen yn hanfodol. Nid oes angen datblygu protocol cyn i gytundeb Lisbon fynd drwyddo, yn ôl y papur sydd gennym o'n blaenau, felly nid yw'r amserlen yn hanfodol. Fodd bynnag, mae hynny'n rhywbeth yr hoffwn pe bai'r pwyllgor yn edrych arno.

Nerys Evans: I would be eager to look at the issue of subsidiarity, particularly if the Scottish Parliament is looking at it and developing a protocol. I do not think that we would want to be left behind, especially if there is to be a protocol between the Scottish Parliament and Westminster. I think that it is crucial that we also look at this issue. I would also like to note that a timetable is not critical. There is no need to develop a protocol before the Lisbon treaty goes through, according to this paper, so the timetable is not critical. However, that is something that I would like the committee to look at.

[81] **Sandy Mewies:** We have had some discussions with Members of the Scottish Parliament about what is happening. You are absolutely right and I think that it is crucial that we are as up to date on subsidiarity as they are, and perhaps the Northern Ireland Assembly will be. Your role will be very important on the Committee of the Regions. It is something that we have done before. How to tackle subsidiarity is something that not only us, but member states, struggle with. For me, that would be extremely important. Is everybody agreed on that? I see that you are. Are there any other suggestions? What about the CAP health check?

9.50 a.m.

[82] **Nerys Evans:** Gwneir llawer o waith gan y Llywodraeth, a chredaf y byddai'n fuddiol inni gael y Gweinidog, Elin Jones, yma i drafod yr hyn y mae'r Llywodraeth yn ei wneud ar y mater hwn. Mae rôl bwysig ganddi i'w chwarae, onid oes?

Nerys Evans: The Government is doing a lot of work, and I think that it would be worth while inviting the Minister, Elin Jones, here to discuss what the Government is doing about this matter. It has an important role to play, does it not?

[83] **Sandy Mewies:** New legislative proposals are coming out in May. Perhaps Elin could come in June or July.

[84] **Michael German:** May I just make a general overall comment, Chair?

[85] **Sandy Mewies:** Yes.

[86] **Michael German:** This is a summer term inquiry, which is this term. We have how many meetings during the course of this term?

[87] **Sandy Mewies:** Another three.

[88] **Michael German:** To be honest with you, on the subsidiarity and proportionality matter, to do the job properly, three full meetings—

[89] **Sandy Mewies:** Might be enough.

[90] **Michael German:** Well, it is such an immense topic. How do you deal with the

proposals being made, and what should our mechanism be? It is fraught with difficulty. The Scottish Parliament has said that it cannot possibly keep up with what is going on. We have only three meetings and it strikes me that, if we are to do the job properly, we ought to spend some time on it. There will need to be a report at the end of it, presumably. To get the report agreed, there goes your third meeting.

[91] **Sandy Mewies:** You are absolutely right, Mike, but you may recall that I prefaced my remarks by saying that we would seek Members' ideas and views on how we will prioritise them. If everybody is saying that subsidiarity is the priority, that is fine. However, other Members must have an opportunity as it may be that not everyone agrees with that. That is what I am trying to establish. If subsidiarity is the priority item, we can go ahead with it, and it would take us most of this term. In fact, we could continue it into next term, if we wanted to. What I want from Members is their ideas for the forward work programme, and how we should prioritise them.

[92] **Jeff Cuthbert:** On the Lisbon strategy, it is pleasing to hear the announcement about the projects now coming through, and I have privileged information, in a sense, as the chair of the programme monitoring committee. It is important for this committee to maintain a good hands-on approach to how projects in general—and I do not mean specific projects, which are a matter for WEFO—contribute towards the strategy. Significant portions of the structural funds have to be spent in ways that support that strategy, and we need to keep a watching brief on that. I think that this is one of the best-placed committees to do so, although others will also do it, such as the Enterprise and Learning Committee. We need to keep an overview of it, however. I am not saying that this has to be the subject of this or that meeting, but, generally, it has to be built in to our programme as a fairly regular feature.

[93] **Sandy Mewies:** We have the First Minister coming in, so we can ask him about it. One thing that this committee has always been able to do is adapt; people will recall that we have always been quite adaptable. I want to come back to what is happening with JEREMIE and JESSICA. We will always have the opportunity at every meeting, I hope, to raise these points, because there will be issues that we have to revisit, and things move so quickly. That is probably an exaggeration in Europe, is it not? [*Laughter.*] Sometimes things do shift, and we need to monitor them. The feeling that I am getting is that, for the rest of the summer term, you would like to scrutinise subsidiarity and produce a report on it. Is that correct? However, I do feel that we will want to deal with the CAP health check, too, when we can. I hope that we can leave space on our agendas, on occasion, to refer back to what is going on as and when necessary. Does that encompass what people want now? Mike, are you happy with that?

[94] **Michael German:** Yes. Looking at the suggested items for inquiry on the particular issues of subsidiarity and proportionality, we see that the Scottish Parliament is asking about the effectiveness of its role in the transposition process and for examples of good practice that may exist in other European regions. If we replace 'Scottish Parliament' with 'National Assembly', we see that there is a fair chunk of work to do on the back of that. If we took that as one of our overarching ambitions, that would be huge in itself.

[95] My second point relates to Andrew Duff's comments about how essential the formal agreement is between the Edinburgh and Westminster Parliaments on this process. We also need to consider that. As areas of inquiry, there are a substantial number of interests here, not least Westminster's, and so that would probably take us beyond the summer recess. However, to do it in any detail, we will need a range of witnesses and experienced people, so I am happy with that.

[96] **Sandy Mewies:** I have personally had some contact with people in the Scottish Parliament, and I know that they are keen for us to be involved in what is happening with

subsidiarity. So, we can always come back to it. We cannot ignore the budget review, but there are things—

[97] **Michael German:** I accept entirely your point that there are current issues that need to be addressed, and you have scheduled a review of those on the agenda, which I accept. I should also say that we should not exclude the Northern Ireland Assembly, because it has the same issues.

[98] **Sandy Mewies:** That is the point that I was making. The Northern Ireland Assembly is not quite as advanced in some areas, but things are moving on there. As Chair, I am always prepared to be flexible in what we discuss, and I feel it would be foolish to exclude things that could be of value to us. If everyone is happy, we will go ahead with that. We will have to look at the CAP health check at some stage, and we will have to include Northern Ireland, because it is important for the devolved administrations to speak as one on what is happening, and to have a consistent policy.

[99] If you are happy with that, we will move on to the next item.

9.57 a.m.

Pwyllgor y Rhanbarthau: Adroddiad ar Lafar The Committee of the Regions: Oral Report

[100] **Sandy Mewies:** Chris Chapman is not here, and may even be in Brussels, but Nerys returned fresh yesterday and will give us an oral report.

[101] **Nerys Evans:** Yr wyf am ddechrau drwy roi rhywfaint o gefndir am Bwyllgor y Rhanbarthau, oherwydd gall fod yn dipyn o dir peryglus os nad ydych yn gyfarwydd â'r ffordd. Mae pedwar aelod i gynrychioli Cymru—un aelod llawn ac un aelod wrth gefn o Gymdeithas Llywodraeth Leol Cymru ac un aelod llawn ac un aelod wrth gefn o'r Cynulliad. Y drefn gyda chynrychiolwyr y Deyrnas Unedig yw bod yr aelodau wrth gefn yn cymryd rhan lawn yn un o'r pwyllgorau, neu'r comisiynau, fel y'u gelwir. Mae chwe chomisiwn ym Mhwyllgor y Rhanbarthau: materion cyfansoddiadol, cydlynedd tiriogaethol, datblygu cynaliadwy, yr economi a pholisi cyhoeddus, addysg, diwylliant ac ymchwil, a materion allanol a chydweithio.

Nerys Evans: I will start by giving some background information on the Committee of the Regions, because it can be a bit of a minefield if you do not know your way around it. There are four members who represent Wales—one full member and one alternate from the Welsh Local Government Association, and one full member and an alternate from the Assembly. The way it works for United Kingdom representatives is that the alternate members play a full part in one of the committees, or commissions, as they are called. There are six commissions in the Committee of the Regions: constitutional affairs, territorial cohesion, sustainable development, economic and public policy, education, culture and research, and external affairs and co-operation.

[102] Gan fod chwe chomisiwn a dim ond pedwar aelod yn cynrychioli Cymru, mae bylchau o ran hynny. Yr wyf i a Chris Chapman wedi newid comisiynau. Bûm yn mynychu'r comisiwn materion cyfansoddiadol, bydd Chris ar gomisiwn yr economi a pholisi cyhoeddus, a bydd dau gynrychiolydd Cymdeithas Llywodraeth Leol Cymru ar y comisiwn cydlynedd tiriogaethol a'r comisiwn addysg, diwylliant ac ymchwil.

Given that there are six commissions and only four members representing Wales, there are gaps. Chris Chapman and I have swapped commissions. I have been attending the constitutional affairs commission, Chris will sit on the economic and public policy commission, and the two WLGA representatives will sit on the territorial cohesion commission and the education, culture and research commission. A plenary

Cynhelir cyfarfod llawn hefyd, a Chris sy'n arwain yno.

meeting is also held, at which Chris takes the lead.

[103] Dim ond yn ystod yr wythnosau diwethaf y cymeradwywyd fy enwebiad i a Chris Chapman, felly dim ond ddoe y cymerais ran yn fy nghomisiwn cyntaf. Fodd bynnag, cawsom gyfle i fynd i Felffast ym mis Rhagfyr i gyfarfod ar y cyd o gynrychiolwyr y Deyrnas Unedig a Gweriniaeth Iwerddon. Yr oedd yn dipyn o agoriad llygad. Yr hyn a ddaeth yn glir o'r cyfarfod oedd nad oedd neb yn gwybod beth oedd cynrychiolwyr eraill y Deyrnas Unedig yn ei wneud, a felly hefyd gydag Iwerddon. Gwneir llawer o waith da, ond nid oedd hynny'n cael ei gyfathrebu'n ddigon da—fel mewn sawl maes gwleidyddiaeth—i aelodau eraill Pwyllgor y Rhanbarthau nac ychwaith i etholwyr.

Chris Chapman's and my nominations were approved only during the past few weeks, so I took part in my first commission meeting just yesterday. However, we had the opportunity to go to Belfast in December to a joint meeting of United Kingdom and Republic of Ireland representatives. That was a bit of an eye-opener. What became clear from the meeting was that people did not realise what the other representatives of the United Kingdom were doing, and the same goes for Ireland. A lot of good work was being done, but it was not communicated clearly enough—as in many areas of politics—neither to other members of the Committee of the Regions nor to the electorate.

[104] Swmp gwaith Pwyllgor y Rhanbarthau yw creu a datblygu barnau, ac mae hynny'n ddibynnol ar y grŵp pleidiol y mae pawb yn perthyn iddo a'r broses o fewn y comisiynau gwahanol. Beth yw barn? Mae Pwyllgor y Rhanbarthau yn paratoi a dadlau barn sy'n seiliedig fel arfer ar gynlluniau ar gyfer polisiâu newydd gan Gomisiwn Ewrop neu Senedd Ewrop, er mwyn hysbysu Ewrop o effaith y cynlluniau neu'r polisiâu newydd ar lywodraeth lleol a llywodraethau rhanbarthol.

The majority of the work of the Committee of the Regions is to create and develop opinions, and that depends on the party group to which you belong and the process within the various commissions. What is an opinion? The Committee of the Regions prepares and debates an opinion that is usually based on proposals for new policies from the European Commission or European Parliament, to inform Europe of the impact of the new schemes or policies on local government and on regional governments.

10.00 a.m.

[105] Cynhaliwyd cyfarfod cyntaf y comisiwn materion cyfansoddiadol ym Mrwsel ddoe—a'i deit llawn yw'r Comisiwn dros Faterion Cyfansoddiadol, Llywodraethu yn Ewrop, a'r Ardal Rhyddid, Diogelwch a Chyfiawnder. Yr oedd yn gyfarfod hynod ddiddorol gydag agenda ddiddorol. Trafodwyd tri barn gennym, gan gynnwys un ar ddatblygu polisi Ewropeaidd o ran mewnfudo llafur, ac un ar symud tuag at bolisi cyffredin o ran mewnfudo yn Ewrop. Gallwch weld o strategaeth bolisi flynyddol y comisiwn, a gyhoeddwyd ym mis Chwefror, mai dyna'r flaenoriaeth y flwyddyn nesaf.

The first meeting of the commission dealing with constitutional affairs was held in Brussels yesterday—and its full title is the Commission for Constitutional Affairs, European Governance and the Area of Freedom, Security and Justice. It was a most interesting meeting with an interesting agenda. We discussed three opinions, including one on developing a European policy on labour immigration, and another on moving towards a common migration policy in Europe. You can see from the commission's annual policy strategy, which was published in February, that that is the priority for next year.

[106] Codwyd ambell ddadl ddiddorol ynghylch y derminoleg y dylid ei defnyddio ar draws Ewrop. A ddylid cyfeirio at hynny

A couple of interesting points were raised about the terminology that should be used across Europe. Should that be referred to as

fel 'mewnfudo anghyfreithlon' neu 'mewnfudo anghyffredin', o ystyried goblygiadau ieithyddol y termau hynny?

'illegal immigration' or 'irregular immigration', given that the terms have linguistic repercussions?

[107] Cafwyd dadl fywiog hefyd ynghylch a ddylai'r comisiwn a Phwyllgor y Rhanbarthau hyrwyddo mewnfudo cymwysedig yn ogystal â mewnfudo pobl heb gymwyseddau. Yr oeddwn yn falch o weld cytuno'r cynnig i gydnabod cyfraniad pob math o fewnfudo i wledydd Ewrop.

There was also a lively debate on whether the commission and the Committee of the Regions should promote qualified migration in addition to migration by those without qualifications. I was pleased to see the motion recognising the contribution of all migrants to European countries carried.

[108] Cawsom drafodaeth am y cynlluniau i gyflwyno carden las i'w gwneud yn fwy deniadol i symud o fewn Ewrop. Mae cysyniad newydd, sef *circular migration*, sy'n ymwneud â gweithdrefnau symud pobl o wledydd y tu fas i Ewrop o fewn Ewrop. Yr oedd y drafodaeth yn seiliedig ar y ffaith nad yw'r gymuned am weld pobl gyda sgiliau da yn gadael gwledydd sy'n datblygu er mwyn symud i Ewrop. Clywsom fod y comisiwn yn edrych ar bosibilrwydd caniatáu mewnfudo dros dro i Ewrop, fel bod pobl sydd â sgiliau yn dod i mewn i Ewrop o wledydd sy'n datblygu ac, ar ôl cyfnod, yn gorfod mynd yn ôl i'w gwledydd. Byddai hynny'n rhyw fath o gymorth anuniongyrchol i'r gwledydd hynny, gan fod pobl yn gallu defnyddio eu profiad yn Ewrop i ddatblygu eu sgiliau ac wedyn yn dychwelyd at eu gwledydd gwreiddiol i ddefnyddio'r sgiliau hynny. Mae'r comisiwn yn edrych ar hyn o bryd am fannau peilot i ddatblygu'r syniad.

We also had a discussion on Europe's plans to introduce a blue card to make it more attractive to move within Europe. There is a new concept of circular migration, which relates to the procedures for moving people from countries outside Europe within Europe. The discussion was based on the fact that the community does not want to see people with good skills leaving developing countries in order to move to Europe. We heard that the commission is looking at the possibility of permitting temporary immigration to Europe, so that people with skills come to Europe from developing countries and, after a set time, must return to their home nation. That would be a kind of indirect assistance to these nations, as people would be able to use their experience in Europe to develop their skills, and they could then return to their country of origin and put them to good use. The commission is currently looking for pilot areas in which to develop this idea.

[109] Daeth y farn olaf y bu inni ei thrafod gan un o gynrychiolwyr y Deyrnas Unedig, Democrat Rhyddfrydol o Lundain. Yr oedd yn sôn am rôl llywodraethau rhanbarthol a lleol wrth frwydro yn erbyn terfysgaeth. Bu inni glywed gan arbenigwyr o Lundain, Madrid a Pharis am y gwaith o gydlynu polisi ar draws Ewrop. Yr oedd dadl am ryddid a chyfyngiadau ar hawliau dynol. Daeth yn amlwg fod gan lywodraethau lleol a rhanbarthol rôl hanfodol i'w chwarae wrth osod y pedwar piler o ddelio â therfysgaeth, sef atal, diogelu, erlyn ac ymateb. Daeth i'r amlwg fod gan lywodraethau lleol a rhanbarthol rôl hanfodol o ran atal, gan fod pobl yn defnyddio gwasanaethau lleol ac yn gweithio yn y maes hwnnw. Felly, mae gan y llywodraethau lleol a rhanbarthol rôl yn y maes hwnnw.

The last opinion that we discussed was that of one of the United Kingdom's representatives, a Liberal Democrat from London. It talked of the role of local and regional governments in the fight against terrorism. We heard from experts from London, Madrid and Paris on the work of co-ordinating policy across Europe. There was a debate on freedom and limitations on human rights. It became apparent that local and regional governments have a crucial role to play in putting in place the four pillars of dealing with terrorism, namely prevention, protection, prosecution and response. It became clear that local and regional governments have a crucial role in prevention work, given that people use local services and work in that field. Therefore, local and regional governments have a role to play in this regard.

[110] Daeth i'r amlwg hefyd nad oedd lle ar gyfer datblygu deddfwriaeth ar draws Ewrop yn y maes hwn, ond y byddai'n briodol rhannu arferion da. Mae Pwyllgor y Rhanbarthau yn arf bwysig o ran hynny.

It also became evident that there was no room to develop legislation across Europe in this sphere, but that there would be merit in sharing good practice. The Committee of the Regions is an important tool in that regard.

[111] Ni roddwyd llawer o bwyslais ar ffiniau gwledydd a mewnfudo anghyfreithlon. Tynnodd rhywun sylw at y ffaith nad oedd y terfysgwyr yn Llundain yn fewnfwyr anghyfreithlon, a derbyniwyd fod angen i lywodraethau rhanbarthol a lleol sylweddoli eu rôl. Mae llawer o'r drafodaeth yn digwydd ar lefel yr aelod wladwriaethau, ond rhaid cydnabod rôl llywodraethau rhanbarthol a lleol.

Not much emphasis was placed on national boundaries and illegal immigration. Someone pointed out that the terrorists responsible for the London bombings were not illegal immigrants, and it was accepted that local and regional governments must realise their role. Much of the discussion occurs at the member state level, but we need to recognise the role of local and regional governments.

[112] Mae'r gwaith ar y barnau yn dal i fynd rhagddo. Cawsom dystiolaeth gan Senedd Ewrop, Cyngor Ewrop a'r comisiwn. Gallaf adrodd yn ôl am gyfarfod y comisiwn yr wyf yn aelod ohono yn unig. Mae cynrychiolwyr y WLGA yn aelodau o ddau gomisiwn arall. Rhaid iddynt adrodd yn ôl o dan brosesau'r WLGA, felly tybed a fyddai modd iddynt adrodd yn ôl i ni hefyd. Efallai y gallem gael copi o'u hadroddiad ysgrifenedig, fel y gallem gael adroddiad ar gyfarfodydd pedwar o'r chwe chomisiwn yn hytrach na'r ddau y mae cynrychiolwyr y Cynulliad yn aelodau ohonynt.

The work on the opinions is still under way. We received evidence from the European Parliament, the Council of Europe and the commission. I can report back only on the meeting of the commission of which I am a member. The WLGA representatives sit on two other commissions. They have to report back under WLGA processes, so I wonder whether we could ask them to report back to us, too. Perhaps we could have a copy of their written reports, so that we have a report on the meetings of four of the six commissions, instead of just the two that the Assembly representatives sit on.

[113] **Sandy Mewies:** Written reports would be more appropriate—

[114] **Nerys Evans:** Yn amlwg, maent yn eu paratoi.

Nerys Evans: They obviously prepare these reports.

[115] **Sandy Mewies:** It would depend on their wanting to do it, of course.

[116] **Nerys Evans:** Ni fyddai ond yn fater o roi copi i ni o'r hyn y maent yn ei adrodd yn ôl i'w hawdurdodau lleol neu'r WLGA, fel ein bod yn cael darlun ehangach. Ar hyn o bryd, teimlaf ein bod yn cael ein cynrychioli mewn dwy ardal, yn hytrach na chwech.

Nerys Evans: It would just be a matter of their giving us a copy of what they have reported to their local authorities or the WLGA, so that we have a fuller picture. At present, I feel that we are being represented in two areas, rather than in six.

[117] **Sandy Mewies:** That is right, Nerys, and I am sure that the clerk will look at arranging that. Are there any questions for Nerys on that very interesting report? I see that there are no questions. I know that some Members wanted to move on, because there is another engagement this morning, so you might make it.

[118] There is a paper to note, which is the minutes of the previous meeting. Are you all happy with that? I see that you are.

[119] Thank you for your attendance.

Daeth y cyfarfod i ben am 10.05 a.m.
The meeting ended at 10.05 a.m.