



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

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

**Dydd Mawrth, 18 Mai 2010
Tuesday, 18 May 2010**

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

Nick Bourne	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Rhodri Morgan	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Simon Brooks	Is-Lywydd, Banc Buddsoddi Ewrop Vice President, European Investment Bank
Jeff Cuthbert	Aelod Cynulliad, Llafur (Cadeirydd, Pwyllgor Monitro Rhaglenni Cymru Gyfan ar gyfer Cronfeydd Strwythurol Ewropeaidd) Assembly Member, Labour (Chair, All-Wales Programme Monitoring Committee for the European Structural Funds)
Carol Greenstock	Aelod, Pwyllgor Monitro Rhaglenni Cymru Gyfan ar gyfer Cronfeydd Strwythurol Ewropeaidd Member, All-Wales Programme Monitoring Committee for the European Structural Funds
Christopher Hurst	Cyfarwyddwr, Trefniadaeth ac Ynni, Banc Buddsoddi Ewrop Director Transport & Energy, European Investment Bank
Siôn Jones	Aelod, Pwyllgor Monitro Rhaglenni Cymru Gyfan ar gyfer Cronfeydd Strwythurol Ewropeaidd Member, All-Wales Programme Monitoring Committee for the European Structural Funds
Andy Klom	Pennaeth Swyddfa'r Comisiwn Ewropeaidd yng Nghymru Head of the European Commission Office in Wales
Adam McDonagh	Pennaeth Cyfathrebu, Swyddfa Llundain, Banc Buddsoddi Ewrop Head of Communications, European Investment Bank London Office
Robert Schofield	Pennaeth, i-2-i a Materion Corfforaethol, Banc Buddsoddi Ewrop Head of i-2-i and Corporate Affairs, European Investment Bank

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

Lara Date	Clerc Clerk
Sarita Marshall	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9 a.m.
The meeting began at 9 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Rhodri Morgan:** Croeso cynnes i bob Aelod, swyddog, a phawb yn oriel y cyhoedd—er na welaf neb yno.

Rhodri Morgan: A warm welcome to all Members, officials and everyone in the public gallery—although I cannot see anyone up there.

[2] Headsets are available to hear the simultaneous translation of proceedings, which is on channel 1, and, for those who are somewhat hard of hearing, the amplified audio is available on channel 0. Please switch off all your mobile phones and any other electronic devices, as they interfere with the sound equipment. In the event of an emergency, an alarm will sound, and the ushers will direct everyone to the nearest safe exit and assembly point.

[3] I am not aware of any apologies, but I believe that Nick has to leave early, at 10.10 a.m..

[4] **Nick Bourne:** That is correct.

[5] **Rhodri Morgan:** Fine. I invite Members to make any relevant declarations of interest under Standing Order No. 31.6. I see that there are none, so we will move straight on.

9.01 a.m.

Ymchwiliad Craffu: Dyfodol y Polisi Cydlyniant—Casglu Tystiolaeth Scrutiny Inquiry: Future of Cohesion Policy—Evidence Gathering

[6] **Rhodri Morgan:** This second item has been allocated half an hour of our proceedings. We will be looking at paper 1, EUR(3)-08-10. This is the seventh evidence-taking session in the second phase of evidence gathering for our inquiry into the future of cohesion policy. We intend to produce a second interim report before the summer recess.

[7] The first set of evidence relates to the programme monitoring committee. We will be asking PMC members about their paper on current structural funds programmes, their views on the Europe 2020 strategy, as well as their view on the likelihood of what happens after the end of 2013, in the next financial perspective period.

[8] Jeff Cuthbert, the Assembly Member for Caerphilly, is a member of the Committee on European and External Affairs, but this morning he is a witness to the committee, as he has been on previous occasions. He has therefore moved down the table—to be on the dark side of the moon—to be a witness in his capacity as chair of the programme monitoring committee. [*Laughter.*] He is accompanied by Siôn Jones, a member of the all-Wales programme monitoring committee, who is also a divisional director of London Economics. He is also joined by Carol Greenstock, who is the grants manager for National Trust Wales, and is also a member of the PMC.

[9] Thank you for your paper. I invite Jeff to make some brief introductory remarks, with possible supplementation from Carol and Siôn. We will then move on to questions and answers.

[10] **Jeff Cuthbert:** I will say a few more words about my two colleagues. Siôn is an economist, who, as you said, works as a divisional director for the consultancy firm, London Economics. He specialises in public policy and regulation. His background is as an economic adviser at HM Treasury and as a senior economic consultant with NERA Economic

Consulting, and as senior manager with the Commission for Communications Regulation in Dublin. He has sector experience and expertise in transport, the environment, utilities and information communications technology.

[11] Carol is a grants manager at the National Trust. She was previously a member of the Objective 1 PMC, and the rural thematic advisory group. She has knowledge and experience of the environmental and voluntary sectors, and has a strong interest in rural issues.

[12] I will make some brief introductory points on the PMC's view on the future of cohesion policy. First, the PMC is not a forum for political discussion, so it does not discuss whether extending cohesion policy to Wales, in one form or another, would be a good thing, although individual members of the PMC will have their views on that. Indeed, it would be fair to see that all members think that it would be a good thing, but we do not engage in political debate as such.

[13] Each member has views on the direction that they feel the future of cohesion policy should take and the priorities that Wales should pursue. In due course, the PMC will discuss these and, hopefully, a consensus will be reached to make recommendations to the Welsh Assembly Government. To do that, we first need a clearer understanding of the framework and context of any new programme that is to be developed. That is unlikely to happen before the publication of the EU budget review, which, we understand, is due this summer. Based on discussions on the current programme, there is a strong emphasis on the sustainability of investments, and the PMC is very supportive of innovative financial engineering instruments such as JEREMIE, joint European resources for micro to medium enterprises, and JESSICA, joint European support for sustainable investment in city areas. However, I should stress at this stage that the PMC has no role in the approval or management of individual projects; that remains a matter for the Welsh European Funding Office. Although we are of course interested in JEREMIE and JESSICA, they are individual projects like any other, and so we have no role in their implementation.

[14] There is a focus on measuring and achieving the impacts of the programmes, and moving towards a more results-orientated monitoring process. Early lessons could include the fact that there is a long lead-in time from when the programme is approved and projects starting on the ground. Much of this is probably unavoidable because of regulatory requirements, but we are interested to see whether there is more that we can do to make sure that, in future, programmes hit the ground running.

[15] **Rhodri Morgan:** Let us leap straight into the questions. Can you give us the PMC's view of the difference between the structure of the PMC and overall structural spending programmes in the 2000-07 financial perspective and those currently? A common description is that they were very 'bottom-up' in the first round or the first seven years: there were huge numbers of projects coming in, it was very much project-led, it was easy come, easy go, and it was up to everyone in the west Wales and the Valleys area to come up with projects and then for the PMC and WEFO to try to make sense of it—although it was less so in the second half of that round. The new financial period, from 2007 to 2013, is very much strategy-led, not project-led, and is much more top-down than bottom-up. Is it seen in that way, and is that seen as being a successful shift?

[16] **Jeff Cuthbert:** I think that that is a fair summary. I will ask Carol, and Siôn, if he wishes, to come in on this. Carol certainly will, because of her role on the Objective 1 PMC, so she has been involved in this for some time.

[17] **Ms Greenstock:** I agree in part, but not altogether. The Objective 1 programme has had some very good results. There was a large number of projects, and we could say that they were not as strategy-led as the current programme is. However, because also I sit on the side

of the fence of applying for funding, I know that you had to align everything that you did with strategies. So, I cannot say that the programme did not have a strategic overview. In some ways, it was lighter of foot, because there were smaller projects. You could make the argument that, if there are smaller projects, you make fewer big mistakes. Equally, you could say that a scattergun approach is not always helpful. Somewhere between the two is the right answer, but neither is completely correct, in my opinion. Both have good points, but both have downsides as well.

[18] I have a small point to make, which I mentioned to Jeff earlier, namely that we should be undertaking at this point a results assessment of the Objective 1 programme. That would help us to assess the way in which we should be moving into the 2010 agenda. I was one of the people who worked on the national strategic reference framework, as well as chairing the rural assets strategy programme. So, that is hugely important.

[19] **Rhodri Morgan:** Siôn, as an economist, do you have anything to add to that?

[20] **Mr Jones:** I was not involved in the Objective 1 programme, so I am not familiar with what happened there. However, I agree with Carol's last point about the need to evaluate now what happened over the course of the programme that ended in 2006, to help us to understand what may happen after 2013. The reason that first programme was important was because it is still too early to be able to say very much about the impact of the current programme, but now is a good time to be looking back at the previous programme to understand what happened.

9.10 a.m.

[21] **Jeff Cuthbert:** I think that we would accept that a characteristic of the Objective 1 programme was the number of projects, some of which were duplicated in areas that were pretty close, geographically. We wanted to avoid that. The new approach of a more strategic base is the right one, but one criticism that is then levelled at it is that it has taken longer to get things off the ground to start spending money. That is true to a degree, but, once we have started—and we have started now—the results will show themselves. It has been reported to us that an evaluation advisory group has now been set up as well as a delivery and compliance group to ensure that the very best lessons are learned for the future.

[22] **Rhodri Morgan:** I have two quick questions before I throw the discussion open.

[23] **Michael German:** Could I come in on that? I know that, with Objective 3, the committee that I chaired at the time drafted a lessons-learned document, which was handed over to your PMC, Jeff. Was there a similar document on Objective 1 and, if so, what were the principal lessons learned from those two documents that you carried forward?

[24] **Jeff Cuthbert:** We did not have such a document because Objective 1 has not yet finished its work; technically, it still exists. That will be concluded later this year. Formal evaluations will then be handed over. However, that work was not done to the same extent. As you know, it is now an all-Wales programme monitoring committee, which embraces convergence and competitiveness programmes.

[25] **Michael German:** There were some very general lessons to be learned about how you manage all these things. The biggest criticism was that no lessons had been passed on or learned from the previous round. Given what you have said about an early start, do you not think that you should have considered those right at the beginning so that you were learning the lessons from the last one straight away and upfront?

[26] **Jeff Cuthbert:** Yes, certainly.

[27] **Mr Jones:** There was a mid-term evaluation of the Objective 1 programme, which took place around 2003-04. As I understand it, that was largely an evaluation of processes, because it was still too early to understand the impact of Objective 1.

[28] **Rhodri Morgan:** That was done by Gareth Williams.

[29] **Mr Jones:** Yes. The process of going for a more strategic approach was one outcome from that review.

[30] **Rhodri Morgan:** Okay. Did you want to come in on that, Carol?

[31] **Ms Greenstock:** Yes, briefly. I completely support what you say on that, but because Objective 1 is still running, it has not yet been signed off. That is why I made the earlier point that it would be enormously important to look at the results of that. Lessons learned would be helpful—and I was also on the committees on Objectives 5b, 3 and 2, so I have been in this game a long time—but unfortunately we never take the lessons that we learn in one programme and move them to the next. We always try to reinvent the wheel, which is a pity.

[32] **Rhodri Morgan:** I will ask my last two questions together, so you can share them out between you before I bring in Rhodri Glyn. The first is on lessons learned, not so much from previous programmes in Wales, but from other successful or unsuccessful recipient regions that have received structural funds, either within the UK, such as Cornwall, Merseyside or south Yorkshire, or in other parts of the EU, where it is thought that structural funds have made a dramatic difference, either negatively or positively.

[33] Secondly, what capacity do WEFO and the PMC have to try to adapt structural funds expenditure so that they go into defensive mode, given the financial crisis that we are experiencing now, when you do not have demand-boom conditions, but demand-shrinkage conditions? Can you adapt and change halfway through, or is that just impossible?

[34] **Jeff Cuthbert:** On your first point on learning from other regions, we do not do that as such, but representatives of the Commission attend all PMCs, and it is part of their job to advise us on how things are developing in other regions, where they consider that to be appropriate to our work. We do not have the ability or sufficient resources to consider in any depth how structural funds are being used in other regions of Europe, although I accept that it would be a good thing if we had more information, because it might enable us to avoid poor practice, where that is identified, and to take on good practice, and vice versa on that point.

[35] On your second question, when the economic crisis bit, we were able to approve WEFO renegotiating with the Commission things like the intervention rates, when we worked in line with the economic summits to try to ensure that we were all singing from the same hymn sheet. So, we were able to react with some flexibility in that regard, but we think that our overall approach, because of its close link to the Lisbon strategy, is the right one.

[36] **Rhodri Morgan:** Siôn or Carol, do you want to add anything to that?

[37] **Mr Jones:** On your first question, may I add a general point about lessons learned, not necessarily from the structural funds expenditure, but more widely from research about what drives economic growth? It is fair to say that it is difficult to get a clear handle on what drives growth, because so many different things do, but it is also fair to say that one of the things that are key is education, and perhaps to a lesser extent training. Education is not within the remit of structural funds, or certainly not school-age education.

[38] **Rhodri Glyn Thomas:** Ar y pwynt **Rhodri Glyn Thomas:** On that last point

olaf ynglŷn ag addysg a hyfforddiant, er nad yw addysg yn rhan o gyllid strwythurol, y mae datblygu sgiliau, yn arbennig yng nghyd-destun sefydliadau addysg uwch. Yn ein cyfarfod diwethaf, yr oedd is-ganghellor Prifysgol Abertawe, Richard Davies, yn bur feirniadol o'r rhaglen cydlyniant ac yn teimlo nad oedd yn gwneud defnydd digonol o sefydliadau addysg uwch er mwyn datblygu sgiliau o'r safon uchaf. Beth yw eich barn am dystiolaeth Richard Davies? A ydych yn meddwl bod rhywfaint o wirionedd yn yr hyn a ddywedodd? Sut y gellid sicrhau bod defnydd gwell o sefydliadau addysg uwch o fewn y rhaglen?

regarding education and training, although education is not included in the structural funds, the development of skills is, particularly in the context of higher education institutions. At our last meeting, the vice-chancellor of Swansea University, Richard Davies, was quite critical of the cohesion programme and felt that it did not make adequate use of higher education institutions to develop high-level skills. What is your opinion of Richard Davies's evidence? Do you think that there is some truth in what he said? How can we ensure that there is better use of higher education institutions within the programme?

[39] **Jeff Cuthbert:** I would not dare to criticise Professor Davies, because he is a member of the PMC and speaks with some authority at PMC meetings. He is right; on the development of higher level skills, greater use can be made of HE in Wales. I am absolutely sure that that is right. However, you will recall that, in his evidence, he pointed to the difficulties of there being not enough large firms, particularly in relation to science, technology, engineering and mathematics subjects, so that this could be developed in a coherent way. The difficulty for the PMC is that we have no role in the development and approval of the projects. So, that is very much an issue for HE, in partnership with suitable other organisations, to come forward with projects that will tackle those issues. I am sure that such projects would be greeted warmly by WEFO and we would be pleased to see them. However, it would be fair to say that we can do better on higher level skills and HE undoubtedly has a crucial role to play in that.

[40] **Ms Greenstock:** This is something that I feel passionately about and, in some ways, it refers back to the Chair's last question. I have done European exchanges as a part of my role in my organisation and I was impressed when we went to Germany, to a place called Schloss Raesfeld, where they specialise in artisan-type skills. There are two issues. One is in terms of the projects that the National Trust has delivered in Wales. There was great difficulty in getting all the skills that we needed in Wales to deliver those projects. That was great, because we had an opportunity to upskill people in Wales, so we need to look at that. In terms of the 2020 agenda, one of the main points that may well come through, if we do get to cohesion, is that skills training will become one of the underpinning issues, as well as carbon reduction.

9.20 a.m.

[41] So, skills training is hugely important and I totally support it, but we may need to look wider than just at higher education. That is perhaps something that could come in strategically. I take Richard's point that there is not a sufficient number of large organisations, but we should look at cross-cutting projects, if there is another programme with skills training of some level and degree. It is a hugely important subject.

[42] **Nick Bourne:** I have a couple of questions. One is in relation to the reclassification of Finance Wales as a private sector organisation. Are there any implications for the way in which you work or for some of the projects that Finance Wales is involved in? The second question is to all three of you, but particularly to Jeff. I had not realised until I read this paper just how many people there were on the programme monitoring committee. I can see that there is a massive amount of expertise there, and all of us have probably been involved with committees, but it does seem like a very large committee. So, how do you operate the

committee meetings, because it just seems supersized?

[43] **Jeff Cuthbert:** Finance Wales—and it is probably best that I am blunt about this—is not a matter for the PMC; it is a matter for the managing agency, which is the Welsh Assembly Government, in consultation with the Commission. We have an interest in how it develops, but it is not a matter for any formal debate at the PMC.

[44] **Nick Bourne:** Does it not affect how you operate?

[45] **Jeff Cuthbert:** No, and that is the same with the decision on whether or not we get full cohesion or transition funding: the PMC will accept the outcome and work with it. With regard to the future of cohesion policy, we are working on the assumption that Wales will get some money and considering how it would best be spent, rather than saying, ‘We’ve got some money—what are we going to do with it?’. So, we are working on that basis. However, I cannot say any more than that with regard to Finance Wales.

[46] On the operation of the PMC, yes, it is a large body, and I am pleased to say that, most of the time, we are quorate—people take their responsibilities very seriously and turn up. However, it is meant to represent the key sectors in Wales—higher education, the private sector, local government and the voluntary sector—and it includes people with the right background and knowledge who have been appointed through the public appointments process. So, it is not at all top-heavy with regard to its operation and it allows for further sub-committees to be developed and for there to be representatives on the evaluation and the implementation committees that I referred to earlier. So, it does work quite well. It meets roughly on a quarterly basis and receives very full reports from senior officials at WEFO.

[47] At the other end, I then, as chair, link in with the ad hoc ministerial group, which is chaired by the First Minister, so that there is good feedback, in both directions, about issues that concern the PMC. I then report back to the PMC on the views of budget-holding Ministers with regard to the concerns that have been expressed by the PMC. So, yes, it is a large committee, but there is certainly a lot of expertise on it.

[48] **Rhodri Morgan:** Is one of the reasons why you have to have a larger committee than may appear to be functionally efficient that, as indicated by its name, the west Wales and the Valleys region is less homogeneous than the Objective 1 convergence regions that we are used to? For example, Merseyside is Merseyside, South Yorkshire is a very tight, coherent coal and steel urbanised area, and Cornwall is a rural, tourism-dominated county. West Wales and the Valleys is a bit like having South Yorkshire glued onto Cornwall, and, therefore, it is extremely non-homogeneous. Do you find that balancing the interests of rural north and west Wales with that of the industrial Valleys, from Cwmbran through to the Gwendraeth valley, is very difficult with regard to trying to get the Valleys areas and rural Wales to take advantage of what is available, as well as Swansea, which is different to both because it has a big university and an urban environment and so on? Do you find that that is a difficult balancing act?

[49] **Jeff Cuthbert:** No, not really. I am quite sure that Carol, who represents rural interests in particular, will have something to say on this, while Siôn deals more with Wales as a whole. You are quite right that this is an all-Wales PMC and it embraces convergence and competitiveness—

[50] **Rhodri Morgan:** The point that I was making concerned the differences within even the convergence area.

[51] **Jeff Cuthbert:** Although it is called ‘west Wales and the Valleys’, a very big bit of north Wales—the coastal strip—is involved as well. So, perhaps the name is a little

misleading, but there we are, that is what it is called. So, we do not have a difficulty, and because it has brought all of the old Objective programmes together under one programme, it does gel together quite well, which is no doubt down to the skill of the Chair. [*Laughter.*]

[52] **Rhodri Morgan:** It is due to the skill of the Chair in taking skills from one committee to work on his committee, shall we say?

[53] **Jeff Cuthbert:** That is right. I do not find that there is any conflict and we certainly ensure that the views of all of those interests are thoroughly aired at the meetings, which are quite long, running to three to four hours, as a rule. Carol, perhaps you would like to say something.

[54] **Ms Greenstock:** It goes back to the beginning of your opening statement, Chair. As this is a very top-down, strategically driven programme, although you will have very different needs and areas, if those all relate to a strategic overview, you are going to translate those correctly for those areas. As it is strategically driven, and because there are bigger pots of money that can be drawn down in different areas under this programme, you see that those different areas are responding to the needs within the strategic frameworks. So, I think it works quite well.

[55] **Rhodri Morgan:** Siôn: homogeneity or non-homogeneity? What are the advantages and disadvantages? How does it compare to the programme in Cornwall, South Yorkshire and Merseyside?

[56] **Mr Jones:** I think that it works very well. There is very little conflict at PMC meetings between members. There is a great deal of serious debate about the issues. We are well chaired, and we are also well supported by WEFO. When the whole process started and I saw the number of people on the committee, I was concerned about the numbers and I could not really see how it was going to work, but it does.

[57] **Rhodri Morgan:** May I just rephrase the question then? Richard Davies gave an exceptionally well researched piece of evidence, but you could apply the Mandy Rice-Davies rules to it, that is, clearly, a person representing higher education is going to say that we should put more emphasis on higher education. No doubt, if you had chosen to come here, Carol, you would be saying that what the PMC and WEFO should be doing is prioritising the availability of rural crafts in order to restore more castles and to attract more tourists to National Trust properties. Every single member of the PMC could probably make a case for their interest to be given more priority. However, somehow, you have to resolve which is going to give you the biggest pay-off.

[58] **Jeff Cuthbert:** You are quite right, Chair. You mentioned Professor Davies and I have before me my own notes on the last PMC meeting and he does, quite rightly, advance the case for higher education, which is what he represents, but he also said that he urged the PMC to consider the long-term impact of the funds and the structural change that they would make to the Welsh economy—which, after all, is their purpose—and said that the sustainability of the investment is crucial. He also said that how the spending on the ground meshed with our overarching strategic vision was crucial. So, just to use Richard as an example, although he has a specific remit in terms of higher education, we try to ensure that the broader view comes across.

[59] **Mr Jones:** I wish to add that I am not sure how much influence the PMC really has on the sectoral priorities because they are set out in the operational programmes with a budget for each sector. So, in a sense, we are not really influencing those; they are already set in stone.

[60] **Ms Greenstock:** I would also like to say that we are both appointed through the public appointments process, so, although I work for the National Trust, when I am sitting on the PMC, I am looking at the greater good of Wales. For me, that is about investment in rural areas. However, it is very amicable, and we work for the greater good of Wales; that is what is important.

[61] **Rhodri Morgan:** Are there any further questions?

[62] **Michael German:** I just want to ask about sustainability—

[63] **Rhodri Morgan:** Sorry, Mike. I think that Rhodri Glyn put his hand up first.

[64] **Michael German:** Sorry, I did not see him.

[65] **Rhodri Glyn Thomas:** I think that I was about to ask the same question, so you might as well ask it.

[66] **Michael German:** Sorry, but it is very difficult to see when we are all sitting in a line.

[67] In your paper, you discussed sustainability in terms of the JEREMIE and JESSICA programmes. How do you see them as being sustainable for the future? Perhaps you could also bring us up to date on where JESSICA is at the moment.

9.30 a.m.

[68] **Jeff Cuthbert:** I cannot really bring you up to date on where JESSICA is, except to say that it has been implemented and that £34 million in spending has been identified. As I said at the beginning, it is an individual project. While we are kept informed in general terms, we do not get the specific details. I would be happy to ask WEFO to send a note to you on where it is at the moment, as it would have far more information than I have. You also asked a general question about sustainability.

[69] **Michael German:** Yes, about sustainability beyond 2013 for these two areas.

[70] **Jeff Cuthbert:** That very much is the purpose of the evaluation advisory group and the delivery and compliance group, which have been set up. Their purpose is to ensure that projects are sustainable come the end of this current round of funding. Even if the worst-case scenario came about, that there was no further funding, we want to ensure that the lessons are learned so that either the projects will come to a logical end come the N+2 target at the end of 2015, or they will have become sustainable. Each project is required to evaluate its own performance and report back to WEFO on how issues such as the exit strategy and/or longer term sustainability are being monitored and where it feels it is at. Those are very much matters for individual projects, but overall, through those two committees, the advisory groups that I have referred to, we will receive regular reports. They have just been set up. Siôn sits on the evaluation group and so he might wish to add something on that.

[71] **Mr Jones:** As a PMC, we have pushed WEFO to think about the long-term sustainability of individual projects in the process of allocating funding, and we have also asked it to evaluate the extent of sustainability when it evaluates projects. The PMC does not get involved in the process in relation to individual projects, so we do not see the detail on the individual projects. Therefore it is hard, at this stage, for us to be clear about that.

[72] **Rhodri Morgan:** Okay. Rhodri Glyn has the last question.

[73] **Rhodri Glyn Thomas:** Ar y pwynt hwnnw, yr wyf yn derbyn na fyddai'r pwyllgor monitro yn edrych ar gynaliadwyedd o ran prosiectau unigol, ond a oes gwersi wedi'u dysgu oddi wrth gyfnod Amcan 1? Cafwyd beirniadaeth, o ran Amcan 1, nad oedd rhai o'r cynlluniau yn gynaliadwy, a'u bod yn bodoli dros y cyfnod ac yna'n diflannu i bob pwrpas. A oes gwersi cyffredinol wedi'u dysgu er mwyn sicrhau bod yr ail gyfnod hwn yn fwy cynaliadwy o ran y prosiectau?

Rhodri Glyn Thomas: On that point, I accept that the PMC would not look at sustainability in terms of individual projects, but have lessons been learned from the Objective 1 period? There was criticism, with Objective 1, that some of the schemes were not sustainable, and that they existed for that period and then disappeared to all intents and purposes. Have general lessons been learned in order to ensure that this second tranche is more sustainable in terms of the projects?

[74] **Jeff Cuthbert:** I think that the answer to that question is 'yes'. It raised a few eyebrows, but quite a number of those involved in former Objective 1 projects complained that they did not realise that it was coming to an end, although I am paraphrasing slightly. That surprised us all. It could well be a criticism of WEFO and others, perhaps, that it was not always on the agenda of every meeting, with someone asking, 'What is the exit strategy? You know that it is coming to an end, don't you? If you don't, it is; so what are we going to do? Are we going to draw it to a logical end? Or can it be taken over by some other organisation and run in a different way?' Those lessons have been learned. I think that I made the point at the beginning that exit strategies and longer term sustainability are now a key part of the monitoring process.

[75] **Rhodri Morgan:** Okay. Thank you very much for the evidence. Siôn and Carol can go, but I am afraid that Jeff cannot. We will take a short break.

*Gohiriwyd y cyfarfod rhwng 9.34 a.m. a 9.36 a.m.
The meeting adjourned between 9.34 a.m. and 9.36 a.m.*

Ymchwiliad Craffu: Dyfodol y Polisi Cydlyniant—Casglu Tystiolaeth Scrutiny Inquiry: Future of Cohesion Policy—Evidence Gathering

[76] **Rhodri Morgan:** We will resume our formal session. I welcome two people who are here in body and spirit. They are Simon Brooks, the UK vice president of the European Investment Bank, and Adam McDonagh, the head of communications at the European Investment Bank's London office. I also welcome two who are here in spirit but not in body, namely Christopher Hurst, the director of transport and energy at the European Investment Bank, and Robert Schofield, the head of i-2-i and corporate affairs at the European Investment Bank.

[77] **Mr Schofield:** I am sorry for the code. Essentially, it means lending to banks and to research-intensive corporates.

[78] **Rhodri Morgan:** That is i-2-i. Very good.

[79] We will continue with the inquiry into the future of cohesion policy, with a view to publishing a second interim report by the summer recess. So, your evidence this morning is extremely important. First, I invite Simon and Adam, who are here, or Christopher and Robert, who are over there, on the other side of the volcanic ash cloud, to make whatever opening statements you would like to make before we ask the questions. Shall I start with you, Simon?

[80] **Mr Brooks:** We are delighted to be here to help you and the committee with your

work. We have sent you a memorandum, which I do not propose to go through in detail. I would just like to make one or two small points. First, in relation to structure, to put a few matters beyond doubt, the European Investment Bank is owned by the member states. It is distinct from the European Commission in that sense. European Commission representatives sit on our board of directors, but we are a separate organisation. My colleagues and I are neither British civil servants—although there is a preponderance today of British voices—nor are we members of the European Commission. I just wanted to put that entirely beyond doubt.

[81] **Rhodri Morgan:** However, the EIB is an institution of the European Community, is it not?

[82] **Mr Brooks:** There are no lawyers present. Strictly speaking, we are a body—a European body. We were created by the Treaty of Rome. So, we have a treaty basis, and we are part of the European family of institutions and bodies, but we are not, as it were, an arm of the European Commission.

[83] **Rhodri Morgan:** A love-child of the European family.

[84] **Mr Brooks:** Those are your words. [*Laughter.*]

[85] Another important point to make is that we are a bank and we operate on banking principles. We are able to borrow at very good rates on the international capital markets. We receive no subsidies from the member states or from the EU budget; all of our business is involved in borrowing from the capital markets and lending to projects that meet our objectives. It means, of course, that we expect to be paid back—that is the essence of it.

9.40 a.m.

[86] **Rhodri Morgan:** Unlike the rating of others, we can mention that your AAA rating is not under threat.

[87] **Mr Brooks:** You can certainly mention that fact, and it is that AAA rating that allows us to pass on a good advantage to the projects that we think best meet the priorities that our governors have set us.

[88] **Rhodri Morgan:** We will start with a few questions from me. One is on the broad flow of EIB lending into Wales. You have made the point, or, indeed, complaint, on many occasions that, for whatever reason, there is not a strong history of EIB lending in Wales, in that Wales has 5 per cent of the UK's population, or just a shade under, but only 2 per cent of EIB lending comes to Wales. What lies behind that broadly, and what could you do to put it right insofar as you can see that you could double EIB lending in Wales and it would still probably be slightly below Wales's 'population share'?

[89] **Mr Brooks:** It is right to say that, over the past four or five years, we have lent £0.5 billion into Wales. Some of this lending has been for infrastructure-type projects, to do with Welsh Water, for example, and some lending has been for the electricity grid, which is part of the UK system and so perhaps might not be perceived in Wales as lending to Wales. We have also lent to the JEREMIE scheme, which my colleague, Robert Schofield, masterminded. We have done some urban renewal in Wales through the large scale voluntary transfer project in Torfaen. We have also been involved in lending to Wales through the Welsh component of other activities that we are not able to identify. So, we have had a programme of lending to banks in Britain to benefit small and medium-sized enterprises in Britain, and no doubt some of that has flowed into Wales; I am sure that that is the case. We have also lent to the Housing Finance Corporation Limited, which lends to social landlords throughout the United Kingdom, and I am sure that some of that has flowed into Wales under its Welsh operation.

[90] Nonetheless, it is right to say that our lending to Wales has not been as strong as it could have been. To some extent, in comparison with the rest of the United Kingdom, we have seen an absence of public-private partnership type of projects in Wales, which have been very important elsewhere. Some of the larger energy infrastructure projects are taking place in other parts of the UK, although there are some in Wales, including some work that we are doing on a UK—that is, a Welsh-Irish—inter-connector project.

[91] So, we depend on a good flow of projects coming forward to us so that we can make a selection. There is no sense in Luxembourg that we are not eager to lend to Wales—we are just as eager to do so as to anywhere else—but we are bit stumped about understanding why we do not get such a good flow from Wales, over and above the comments that I made earlier.

[92] **Rhodri Morgan:** There is one more question from me and then I will throw it open. Although it was a bit delayed in getting off the ground, the JEREMIE scheme is regarded as a classic model of how to do a good scheme for stimulating investment in small and medium-sized enterprises. There are two points on that. One is how do you evaluate that now that the JEREMIE scheme via Finance Wales is being spread into north-east England and Yorkshire and Humberside, but, as far as we understand, is administered by Finance Wales in Cardiff? Is that correct? Secondly, what is the potential impact of the reclassification of that as being on the balance sheet, even including your lending for investment to Finance Wales? Does that imperil the whole JEREMIE structure almost before it got going because of its reclassification as being entirely on the balance sheet rather than off the balance sheet?

[93] **Mr Brooks:** In a moment, I will ask Robert Schofield to talk in more detail about the JEREMIE Wales scheme. As regards the beginning of your question, it is certainly right that, in the UK, the JEREMIE scheme that we have operated with Finance Wales has been a path-breaker. A particular element of that is that the EIB has been able to lend into the JEREMIE scheme, thereby gearing it up. I certainly think that the work of Finance Wales inspired other regions in the UK, and we have been quite successful in spreading this product around the UK. As you say, Finance Wales has been involved in some of the other schemes—

[94] **Rhodri Morgan:** It has been involved as a specialist agency.

[95] **Mr Brooks:** It has been involved as an agency that has been brought in by others. Let me ask Robert to discuss that in a moment. On your question about the rules of the game as regards being on or off the balance sheet, that is not something that I can help you with, because I am afraid that it is an internal matter for the UK. From our point of view, we need to have a borrower who can pay back and who recognises that there is an advantage in borrowing from us. If the rules of the game in the UK are such that the perception of our borrowers change, so that they no longer think that it is a good deal, that is a matter of regret for us, but it is not ultimately something that we can do anything about. That is for you and your UK colleagues.

[96] Could I ask Robert to expand on JEREMIE Wales?

[97] **Rhodri Morgan:** Yes; Robert Schofield, do you want to come in on this?

[98] **Mr Schofield:** Yes; I will pick up the two points that you raised. On the first question, as to whether there is any implication for us in Finance Wales acting as a fund manager elsewhere in the UK, I can give you reassurance on that. Any bidder in the competition to appoint a fund manager has to persuade the regional development agency, typically under the letter of the contract, that it has the capacity to work in that particular region. Finance Wales has certainly done that in two of the competitions that it has entered. Of course, as far as we are concerned, in terms of the implications in Wales, for every

competition that Finance Wales wins somewhere else, we need to be reassured that it has the capacity to work in that region, but also that it retains the capacity to work successfully in Wales. I suspect that that is also your interest. We have had a number of discussions with Finance Wales as to how it will manage the increasing challenge of working both in Wales and outside. In fact, I was talking to Nick Moon at Finance Wales yesterday on this topic, and he assured me that, for the English regional development agencies, it has capacity, either existing or new, that it can put in place. As for the Welsh work itself, the results of the early investments by Finance Wales demonstrate clearly that it retains sufficient skill and capacity in Wales.

[99] **Rhodri Morgan:** Rhodri Glyn Thomas is next, then Nick Bourne and Jeff Cuthbert.

[100] **Rhodri Glyn Thomas:** In your response to the Chair's original question you gave the impression of a certain amount of frustration about the lack of take-up in Wales in terms of the opportunities for funding from the European Investment Bank. I remember meeting representatives of the EIB in about 2003 with my colleague Adam Price; when we came back from that meeting we tried to highlight the opportunities, but there was a total lack of understanding in Wales about how to receive funding from the European Investment Bank. In terms of cohesion policy, the Welsh Assembly Government has emphasised the need to try to establish research and development facilities in the poorer areas of Wales, and has also talked about the need to ensure that the 2020 agenda is addressed. In terms of carbon reduction and renewables, is there a role for the European Investment Bank in funding projects in Wales?

9.50 a.m.

[101] **Mr Brooks:** All those areas that you mention fall squarely within the European Investment Bank's priority areas. Therefore, there is potential for us to assist in financing such projects. It is not so much the nature of a potential project, but the financial structure behind it, and whether a suitable borrower can be identified who is willing to accept the responsibility for taking the project through, and who has the financial means to manage the loan and pay us back. Again, it could be useful to ask Robert, who has worked on several projects—some of which have gone through, and some of which have not—for his general impressions on finding suitable borrowers in Wales, if that is all right, Chair.

[102] **Rhodri Morgan:** Okay. Do you wish to come in on that, Robert?

[103] **Mr Schofield:** Yes. On research and development centres, we talked extensively with the Welsh Development Agency, while it existed, about whether we could support a technopolis in Wales. There was a structure in place, with corporate entities that were able to borrow, and funding sources that were, essentially, able to repay. We will always need those two elements for any project that we can finance. The first question of who may borrow frequently comes up with public sector involvement. The WDA had proposed to solve the issue by having special-purpose vehicles covering each technology centre, but with essential public sector funds paying for the top lease arrangement, allowing us to be repaid. That was quite an innovative way of looking at a proposal. In a way, it is similar to the JEREMIE structure, but in a completely different sector, ensuring that a public sector entity—which is what Finance Wales considered itself to be, certainly when we started the conversation—is able to borrow at the normal banking terms.

[104] **Nick Bourne:** My question covers the same territory as the initial question from the Chair, and, subsequently, from Rhodri Glyn. The most important thing for us regarding the EIB—and I too have been over and have had discussions with you about this issue—is the take-up, and the fact that it is only 2 per cent when it should be 5 per cent. It could, hopefully, be more; there is no reason why it should not be 10 per cent. Given that there does not seem to be any conceptual hostility, or any ideological reason not to do this, and given that we are

in a deep recession, it seems that we should be concentrating on the possibilities. If it is not a question of hostility—I am sure that it is not—it must be a lack of knowledge about the process.

[105] Therefore, is there anything that debars a team of people from the Welsh Assembly Government—and possibly from Welsh local government, and some public and private institutions—from spending some time with you, going through the possibilities, looking at some of the structures, and seeing whether they can make use of the possibilities and whether some of the structures need to be changed? I suspect that the lack of knowledge of the possibilities, as well as some difficulties with some of the structures, could be ironed out. However, rather than doing that on an ad hoc basis, would it not make sense, if it is permissible, to have a team of people coming out to spend some time with you, going through this? I do not know how long would be necessary—two weeks perhaps. We could then use some of these opportunities, because it is a crying shame not to do so. We have been here for so long, and we keep bemoaning the fact that it is only 2 per cent, and it remains only 2 per cent, so what can we do?

[106] **Mr Brooks:** There is plenty of scope for improving the flow of information. My colleague Adam McDonagh in the London office would be the first port of call in such an event. He has put a lot of work into improving the flow of communication. I would like to take this opportunity to make two important points, which I believe everyone should consider. The first point is scale. It is not economic for us to lend to projects that are too small, because all the financial advantage that we bring from borrowing on the capital markets is dissipated in administrative expenses. They have to be of a reasonable size.

[107] The other issue that is worth considering is that, in comparison with other European countries, the UK does not have many of what I would call ‘sub-sovereign borrowers’.

[108] **Rhodri Morgan:** What is a sub-sovereign borrower?

[109] **Mr Brooks:** Taking Spain as an example, the regions of Spain borrow in their own name. The same is true in most European countries. This feature of borrowing is almost entirely absent in the UK. We have relations with some major English cities, but that is very rare. That is partly to do with the way in which, in the UK, the prudential borrowing regime operates, but it is also partly a matter of scale, and of having a borrower able to generate projects of the right scale or a suite of projects that fall into this category.

[110] **Rhodri Morgan:** So, you would like to be dealing with Transport for London, say, but not a small Welsh local authority with 60,000 people in it.

[111] **Mr Brooks:** It is not about what we would like to do; when we are dealing with small units the question is how we can form combinations that will bring them up to a scale at which both parties can gain. It is not that we prefer to work in London; it is easier for us and for our borrowers to work on a larger scale. This is an issue.

[112] **Rhodri Morgan:** Adam, do you want to add anything to that?

[113] **Mr McDonagh:** No, except to say that, if anyone wishes to come to talk to us, by all means make contact with me. I can make arrangements to make sure that you meet the right people, and we will give you enough time to explore all the issues that you wish to raise.

[114] **Rhodri Morgan:** That includes ‘groupage’, as it were, or trying to get small or medium-sized public authorities that have some sort of borrowing capacity to group together to satisfy the EIB’s requirements regarding scale, in order to make it worthwhile.

[115] **Mr Brooks:** That would be worth thinking about. I can give you an example of a big and successful project that we undertook elsewhere in the UK. The well-known Manchester waste project is a joint effort by 17 Mancunian waste authorities, and it was that joint effort that enabled them to achieve the right scale.

[116] **Rhodri Morgan:** There are an awful lot of joint projects on waste management cooking in Wales, but whether they will proceed is in the lap of the gods.

[117] **Jeff Cuthbert:** I have two questions, and you may already have answered the first in part. It is on research and development. It is accepted in Wales that we suffer from not having enough research and development operations based here. Questions were asked in the previous session about how we link that in to higher-level skills in particular, which are extremely pertinent for research and development. The question on that point is what is the EIB's role in supporting research and development, particularly with regard to higher-level skills? For example, you talked about capacity, and I accept that you do not want to deal with lots of small organisations, but would you be prepared to work with the higher education sector as individual universities or as a combination of universities? Would you have any concerns about the criteria of potential projects that may be developed, or is that not a matter for you but for the project proposers? Do you look at how research and development, in this case, might contribute to the development of higher-level skills?

[118] My second point is on a separate matter. With regard to what we are trying to do in Wales compared with other regions of the EU, do you provide advice, given the good and bad lessons that might have been learnt through your activities in other parts of the EU, so that we do not, inadvertently, fall into the same trap? Do you have an advisory role in looking at good practice across Europe?

[119] **Mr Brooks:** In a moment, if I may, I will ask Mr Hurst to expand on how we treat the educational skills side of our lending. We are active in this area; we do not just do hard infrastructure. We have moved on from that. We are certainly active in supporting research and development in companies as well as the education sectors of member states, through their infrastructural developments and by going behind that to promote skills. I will ask Mr Hurst to expand on the nature of what we can do in this area.

10.00 a.m.

[120] **Mr Hurst:** Good morning. We are quite active in funding research and development projects across Europe. In the tertiary education sector, most of our activity so far has been related to buildings; there have been building programmes in universities and various places in Europe where we have been active in refurbishing and developing new research facilities at universities. We are also active in funding research and development activities in the private sector. In each case, we make an assessment of the research and development that is being undertaken, whether it has a logic to it, and whether we believe that it will lead to something. So, a careful assessment is made of what is proposed to see whether it would merit support. On the detail of what we have done in the UK, I will pass to Robert, because he would be more informed about that.

[121] **Mr Schofield:** In the UK, we have had a programme of lending to the largest universities for the last eight to 10 years. We have lent direct to those universities, primarily for building research infrastructure. That definition has been writ quite large, but it has nonetheless tended to support science-based infrastructure in the universities.

[122] We have also had extensive talks with a number of UK universities in all parts of Great Britain on how we can support smaller projects, and we have talked to the major UK banks, for example, about whether we can provide a funding line to a bank that can be used to

support the smaller projects in universities. That is now being put in place. So, we hope that we are covering all of the ground. We would be only too happy for some of that funding to be directed at a Welsh university, too.

[123] **Rhodri Morgan:** If a Welsh university were borrowing from the European Investment Bank rather than from Lloyds TSB or from Barclays, are we talking about a quarter per cent, half a per cent or a 1 per cent interest rate difference? What would be the likely difference between what they would get if, for example, the Institute of Life Science in Swansea, costing £52 million, had been part-funded by borrowing from the EIB rather than from—I do not know who the institute’s bankers are? What sort of interest rate differential advantage would there be by going down the EIB route?

[124] **Mr Schofield:** I do not want to sound evasive, but it really does depend on when you ask the question. When we started looking at lending to universities, the difference between our rate and a commercial bank’s rate was declining, and up to around 2008, we would have been, at most, a quarter per cent cheaper than a commercial bank. Our terms and conditions might also have varied, but if you asked about the price, that would have been the difference.

[125] However, up to the end of last year and possibly even to the beginning of this year, we were up to 1 per cent per annum cheaper than commercial banks, because we were able to weather the storm of the financial crisis and some of the commercial banks were clearly not able to weather the storm in quite the same way.

[126] As of today, we are still significantly cheaper than commercial banks. I do not know, in Swansea’s case, how much cheaper, but one would expect us to be able to provide a more competitive rate.

[127] **Rhodri Morgan:** Thank you; Mike German is next.

[128] **Michael German:** In your answer to Rhodri’s first question on the amount of EIB work that has been done in Wales, you noted the absence of public-private partnership-type projects. Could you say whether that imbalance occurs throughout the UK? In other words, are we out of step with the rest of the UK in that respect? What, typically, would be your role in a PPP-type project? Where does that place us in terms of what Rhodri called being ‘on the books’, namely the relationship with the borrowing regime of the UK Government, and how far our work fits in the public sector borrowing requirement?

[129] **Mr Brooks:** The impression is that PPP lending is more developed in the UK than elsewhere in Europe, and we have seen fewer such projects in Wales than we have seen in England. I am not in a position to give you hard facts, but I think that that is true.

[130] **Michael German:** Do those hard facts exist?

[131] **Mr Brooks:** We could probably compile them; I do not think that we have done so. I do not think that anyone would be surprised by what I have just said.

[132] As for our role in PPP, it varies a bit. We are always a lender, of course. We have worked to two models in England. One is for the large, stand-alone PPP projects, where we have been a financier in the same way as other lenders and, as Robert was discussing in the case of universities, in that process, we seek to bring a financial advantage to the project. The other model that we have successfully operated is the Building Schools for the Future programme in England, in which we provide advantageous finance to a group of small, homogeneous PPPs that we otherwise could not reach. Both models have been reasonably successful in England. So, in the PPP system, we play the role of the financier through our EPEC division, which is an advisory—

[133] **Rhodri Morgan:** What is it called?

[134] **Mr Brooks:** It is called EPEC. Can someone remind me what it stands for? It probably sounds better in French. It is a European centre for spreading expertise on PPP, and it is based in Luxembourg.

[135] **Mr McDonagh:** It is the European PPP Expertise Centre.

[136] **Mr Brooks:** It is a centre of expertise for helping to disseminate best practice and what has been learnt from PPPs in other areas. The UK is itself a centre of expertise in this. As regards the implications of discussions with the centre about whether it scores something as public sector borrowing or not, typically, it does not. That has been one of the perceived advantages of this method. From the point of view of the project, the choice of the procurement method—because PPP is a procurement method—should be based on the value of the project. Gaming the public sector borrowing rules may not be the best way of ensuring the right choice for a project. As to how those rules impact on particular projects, or what the rules are, that is, again, a matter for—

[137] **Rhodri Morgan:** However, they are all on the balance sheet in year 1, following the recommendation of the International Accounting Standards Board—or the Office of National Statistics, now that it is independent—saying, ‘We don’t care what the Government says; this is going on the balance sheet, all of it, in year 1’. Am I right?

[138] **Mr Brooks:** Some of them are. On the balance sheet, they are not necessarily in the definition that Eurostat uses to measure the public sector deficits, so there is a further level of complication.

[139] **Rhodri Morgan:** That raises the other question that Jeff Cuthbert asked about best practice across Europe. Do you want to repeat that question, Jeff?

[140] **Jeff Cuthbert:** Yes, the discussion was beginning to drift into it. Do you identify best practice across Europe and then feed that into regions such as Wales, so that we do not make mistakes that have perhaps been made elsewhere and we learn from each other?

10.10 a.m.

[141] **Mr Brooks:** When we are dealing with a particular project, there is quite a lot of informal spreading of best practice, if I can put it that way, through the discussion between our project team and the potential borrower. That happens all the time. With regard to the structural funds, there is a Commission-sponsored programme called JASPERS—joint assistance to support projects in European regions—which is concerned with the good preparation of structural funds projects from the new member states. So, given that the more established member states are not eligible for JASPERS, which I think is quite a useful programme, I am afraid that it is not one that Wales can go for.

[142] We have some other programmes, not least ELENA—short for European local energy assistance—which is concerned with improving the energy performance of projects and which we have, in some cases, associated with lending to municipalities or with the JESSICA programme to try to improve the climate action performance of those projects. Perhaps Mr Hurst could expand on ELENA.

[143] **Rhodri Morgan:** Christopher Hurst, do you have any more details on ELENA?

[144] **Mr Hurst:** Can you hear me? The picture has gone, but perhaps you can still hear

me.

[145] **Rhodri Morgan:** Yes, we can hear you. Please carry on.

[146] **Mr Hurst:** I will speak on the assumption that you can hear me.

[147] ELENA is a programme where we use money that we have from the European Commission to support the development of projects for energy efficiency in a municipal area. So, grant money is allocated to municipalities, under a set programme to develop projects to improve energy efficiency. That could include direct activities by the municipality, but it could also be used for the activities of so-called ESCos, the energy supply companies, which are private companies that bring in energy efficiency activities under performance-type contracts.

[148] Given that I cannot hear anything from you, I had better stop now. I suggest that you look at the bank's website, where there is a link to ELENA and a list of contacts by which we can give you more detail.

[149] **Rhodri Morgan:** Although he cannot hear me say it, I thank Mr Hurst for his response.

[150] We are coming to the end of this session, and we have certainly lost the video link to Luxembourg. Let us throw this issue back to Welsh universities, such as Cardiff, Swansea and so on, and say to them, 'Okay, you're spending £50 million on this or £30 million on that'—such as on the extension to the Institute of Life Science, Cardiff University's gateway project or the £50 million being spent in Aberystwyth on what used to be the plant breeding station. Let us say to them, 'Have you given serious consideration to the fact that you could have an interest rate that is 1 per cent less if you were to borrow significant sums from the European Investment Bank to help fund that, rather than going to Lloyds, Barclays or RBS?'. Is it a good idea for us to try to stimulate them to think about that, or would their response be that it may be 1 per cent cheaper but that it is subject to far more onerous terms and conditions?

[151] **Mr Brooks:** It would be worth stimulating some discussion in Wales on this.

[152] **Rhodri Morgan:** Is £30 million to £50 million the sort of sum that you would normally expect to lend, or is it only worth lending over £100 million?

[153] **Mr Brooks:** It depends on the complexity. The simpler and more straightforward it is, the smaller we can go. I would not want to go much below £50 million, but I would encourage—

[154] **Rhodri Morgan:** There are very few Welsh university projects that are above £50 million.

[155] **Mr Brooks:** If they are very straightforward, we might be able to go a little lower, but if there is also a possibility of forming some sort of aggregation, which could be through the universities themselves coming together, perhaps with some role for the Welsh Assembly Government in helping the aggregate work. That could help. The other way it might be possible is by developing something with a bank, in which the bank can stand between us and the individual universities to pass—

[156] **Rhodri Morgan:** They all use different banks, I think. I can imagine all sorts of problems. Anyway, those are the typical practical problems that you probably always face.

[157] **Mr Brooks:** Indeed. If there is a will there is often a way, so I would encourage

universities to get in touch with us.

[158] **Rhodri Morgan:** Okay. As there are no further questions, I thank you for your evidence. In the usual way, we will send you a copy of the transcript for you to check for accuracy.

[159] **Mr Brooks:** Thank you, Chair. I am glad we could help with the meeting.

[160] **Rhodri Morgan:** When you see your colleagues, please thank them and apologise for the problem with the video link. I presume that it was booked until 10.10 a.m. and, at 10.10 a.m., the guillotine came down. *C'est la vie*, as they say.

[161] **Jeff Cuthbert:** I think that the volcano might have done it.

[162] **Rhodri Morgan:** Who knows?

10.16 a.m.

Cynnig Trefniadol Procedural Motion

[163] **Rhodri Morgan:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[164] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.16 a.m.
The public part of the meeting ended at 10.16 a.m.*