



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

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

**Dydd Llun, 23 Mawrth 2009
Monday, 23 March 2009**

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
Sandy Mewies	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Peter Berkowitz	Pennaeth, Uned: Syniadaeth, astudiaethau rhagolygol, asesu effaith Head of Unit: Conception, forward studies, impact assessment
Jörgen Gren	Aelod o Gabinet Danuta Hübner, Comisiynydd Polisi Rhanbarthol Member of Cabinet of Danuta Hübner, Commissioner for Regional Policy
Danuta Hübner	Comisiynydd dros Bolisi Rhanbarthol Commissioner for Regional Policy
Andy Klom	Swyddfa Comisiwn Ewrop yng Nghymru European Commission Office in Wales
Guy Flament	Swyddog Desg dros Gymru, Cyfarwyddiaeth Gyffredinol Polisi Rhanbarthol Desk Officer for Wales, Directorate-General for Regional Policy
Rachel Lancry	Dadansoddydd Polisi, Cyfarwyddiaeth Gyffredinol Polisi Rhanbarthol Policy Analyst, Directorate-General for Regional Policy

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

Lara Date	Clerc Clerk
Gwyn Griffiths	Cynghorydd Cyfreithiol Legal Adviser
Gregg Jones	Gwasanaeth Ymchwil yr Aelodau Members' Research Services
Annette Millett	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 2.29 p.m.
The meeting began at 2.29 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Sandy Mewies:** Good afternoon. I welcome colleagues, officials, and anyone who may visit the public gallery. I also welcome Lynn Tullis and Lucy Scharbert, clerks of the Scottish Parliament's European and External Relations Committee, who are visiting Cardiff today for meetings with our officials, and are observing today's meeting. Headsets are available for translation, on channel 1, and amplification of sound, on channel 0. However, no translation will be provided for the videoconference, as you are all aware. I ask everyone to ensure that they have turned off mobile phones and any other electronic devices, as they interfere with the broadcast. In the event of an emergency, an alarm will sound, and we should all follow the ushers to the nearest safe exit and assembly point. I have received apologies only from Nick Bourne, and we have not been notified of any substitution.

2.30 p.m.

Ymchwiliad Craffu: Dyfodol y Polisi Cydlyniad Scrutiny Inquiry: Future of Cohesion Policy

[2] **Sandy Mewies:** We now move on to item 2, and our videoconference. This is part of our scrutiny inquiry into the future of cohesion policy. I welcome commissioner Danuta Hübner, who is the European commissioner for regional policy. It is nice to see you again.

[3] **Ms Hübner:** Good afternoon.

[4] **Sandy Mewies:** I also welcome Jörgen Gren, a member of Commissioner Hübner's cabinet; Rachel Lancry, a policy analyst with the Directorate-General for Regional Policy; Guy Flament, the desk officer for Wales; and Peter Berkowitz, head of unit for conception, forward studies and impact assessment. You can see the members of the committee here, and we also have with us the head of the European Commission Office in Wales, Andy Klom. We look forward to hearing your introduction to this inquiry, commissioner.

[5] **Ms Hübner:** Thank you, Sandy, and good afternoon, everyone. We are extremely pleased that you have organised this meeting, because the timing is excellent. We are just completing our work on the orientation paper, and we have also recently completed the consultation for our Green Paper on territorial cohesion. Under the Czech presidency, we are getting ready for some discussion in the council at the end of April on the orientation paper for future cohesion policy. We also want to hear from you, and not only your comments, but also your questions and concerns. Your views are important to us, so thank you for organising this meeting.

[6] I will briefly go through the process. We are currently working on several documents that are important for future policy. We have organised an independent group chaired by Fabrizio Barca, which will complete its work in the next couple of weeks, and we will present it at the end of April. It includes important contributions from experts and professors from several European universities, and will be an independent review of where European cohesion policy could go in the future.

[7] Within the European Commission and Directorate-General for Regional Policy, we are also completing the orientation paper, which is the first coherent approach to future policy. I will present that paper to the informal council on 23 or 24 April in the Czech Republic. I will also present a detailed analysis of our consultations on territorial cohesion, which will be published in a report towards the end of June. We have also done a major

analysis, as you probably know, of the challenges that European regions will face around 2020. We call it 'Regions 2020'. It is a prospective analysis of the likely regional impact of major challenges such as globalisation, climate change, energy challenges, and demographic trends. We also encourage all regions and member states to continue their work on the analysis of those challenges. We see that the impact of those challenges will be asymmetric in Europe, and it is also true for Wales in general. The west Wales and the Valleys area shows a relatively high vulnerability to some of those challenges, so I encourage you to continue what we have started with our reports, to see in more detail how to prepare yourselves to respond to those challenges, to avoid problems, and to better use the available opportunities.

[8] On the substance of where we are today, we already see an emerging consensus on future cohesion policy. I can say quite safely today that the dominating view is that we need a cohesion policy for the whole of Europe, for all of the European regions and territories. We need a policy that will build on mobilising territorial potential to meet the challenges that I have just mentioned, one that will allow us to exploit fully the development capacity of all European territories. We clearly see a consensus emerging on territorial cohesion. Balance in the territorial development of the European Union is an integral part of European integration. Poorer regions will waste their opportunity if they do not use the development potential, and that waste cannot be afforded by European citizens.

[9] We also see a consensus emerging on the need to address the objective of efficiency while pursuing the objective of equity in policy. There is an expectation that future policy will be focused on clear objectives that are important from the perspective of European interests. We also see a consensus emerging on the need to involve the regional and local actors more to achieve European priorities. As you can probably imagine, there is an overwhelming consensus on the need to move further towards the simplification of policy for the delivery mechanism. It needs to be made easier, simpler and more friendly to those who benefit from the policy. These are the major issues on which we think most of our stakeholders—all those who discuss future policy with us—are coming to a common or shared approach.

[10] However, we are still at the stage of listening and discussing. In the next month, all the presentations that I mentioned at the beginning will allow us to consolidate views on future policy in such a way that, perhaps after the summer, we may be ready with the proposals for the cohesion policy. I say 'may' because it is not clear today when the commission will present its views on all the policy agendas for the future. We will also feel as though we have listened to many stakeholders, namely to all those with experience and who hold views and wish to participate in the discussion.

[11] I wish to finish my short introduction by thanking you for your contribution and for the excellent idea of having this discussion at this stage with us in Brussels. So, thanks, for the time being.

2.40 p.m.

[12] **Sandy Mewies:** Thank you very much indeed. I now ask Members to ask their questions now and to introduce themselves as they do.

[13] **Jeff Cuthbert:** Good afternoon, commissioner. My name is Jeff Cuthbert. I am the Assembly Member for the Caerphilly constituency, just north of Cardiff. I also happen to be the chair of the programme monitoring committee for the European structural funds in Wales, so I wear two hats in that sense. I want to ask you, first of all, about the current economic and financial situation because, across Europe, and certainly here in Wales, that is probably the single biggest issue that we face. Do you think that there is a danger of protectionist-type policies emerging across Europe? Will the debate on the value of the cohesion policy help to reduce the push towards protectionist policies from some member states?

[14] May I also ask you about the future of the Lisbon strategy? It is very much at the heart of structural funds, particularly convergence and competitiveness funding. Do you see that the Lisbon strategy will continue to play a big role in future, although it may be in a modified form as a result of experience? Do you think that the main theme of growth of centres of excellence at professional development and training will remain at the core of the cohesion funds, even though the emphasis may be switched to greener jobs or greener types of industries as a result of global warming and the concerns around that, and employment strategies may be focused on those types of occupations?

[15] Finally, JESSICA—joint European support for sustainable investment in city areas—and JEREMIE—joint European resources for micro to medium enterprises—are moving away from the grant approach to funding, towards a revolving loan type of situation. Do you think that that will be a growing theme with more and more value attached to that type of work in the European Investment Bank?

[16] **Ms Hübner:** You have touched on all the most important and, at the same time, the most difficult challenges that we all face in Europe. If I understood you correctly, I fully share your feeling that there is a danger on the horizon of protectionism. I believe that the longer the crisis lasts, the greater the threat of protectionism because it will be very difficult for politicians to convince people, with a bad economic situation continuing, that they do not have to protect their own backyards and industries. The risk is huge and I think that we need strong mobilisation across the European Union of all those who can act against these protectionist instincts. In a time of crisis, that mobilisation is absolutely essential. During the summit, and during the previous special summit, the commission and all member states agreed that protectionism is a danger that Europe should fight against. We should mobilise all European policies to get out of the crisis as soon as possible, to avoid the danger of a prolonged crisis having a negative impact on protectionist trends.

[17] As you probably know, in the European recovery plan, we have also proposed a stronger role for European cohesion policy to facilitate the recovery of the European economy and to accelerate our exit from the crisis. We are still in the process of completing the legislative procedure for major changes to our regulations. I hope that the European Parliament will vote in the next 10 days to complete the legislative procedure. We have simplified the policy.

[18] We have also proposed changes to the regulations to facilitate small and medium-sized companies' access to investment funding. We have introduced some new instruments to the policy to facilitate co-operation with the European investment fund and to allow the further development of the JESSICA and JEREMIE instruments. In addition, we have extended the 2000-06 eligibility period to June of this year, to ensure that every euro allocated to member states has been invested. We also propose to pay additional advance payments to all regions and member states for operational programmes to front-load, as much as possible, our funding from the end of the period until 2009-10. I hope that, with all these changes, the cohesion policy will be able to contribute to the European economic recovery.

[19] We strongly believe that this crisis should not mean that we can forget about our major objectives. We agreed that we want to go towards innovation and a knowledge-based society, and towards the use of information and communications technology to generate better conditions for the development of entrepreneurship. I personally believe—I think that we are all on the same line here in the commission—that, in a time of crisis, you must stick to those objectives and priorities, so that you leave the crisis in a stronger and more competitive state, which is what we need today. We must invest in the type of priorities that we agreed to two or three years ago.

[20] On your question on the Lisbon strategy, we should definitely continue this type of involvement with and investment in the cohesion policy, as that will allow us to use the opportunities that climate change presents, by greening technology, production and investment and by using this cohesion policy investment to make the European economy more energy efficient. The new role that we have introduced allows the regional fund to be invested in energy efficiency and renewable energy use in the context of housing, and this allows for the investment of €8 billion in the EU. This is making the European economy more energy efficient, which means that it is also more competitive.

[21] On your question about JESSICA and JEREMIE, in our drive to open the policy to new forms of financing, to have those revolving funds and to combine the grants with loans, I can say that we were smart enough to start doing that some years ago. We now see that this is extremely useful during this credit crunch, when there is shortage of funding for small and medium-sized companies. We have JEREMIE facilities starting to move in an increasing number of regions and member states, and we have also introduced—which you might not yet know—special support for microfunding, called JASMINE, which comes under the European investment fund. So, I think that we have opened a new avenue, and I am sure that we will keep that open and develop it. I am pleased to know that, in your operational programme, you have taken this challenge of JEREMIE and JESSICA very seriously. While everybody is saying that this very special situation, the crisis, also requires special instruments, it is important to remember that we agreed, some years ago, good priorities for this time of crisis. The challenge is not to diverge from this road to knowledge, innovation and competitiveness.

2.50 p.m.

[22] **Michael German:** Good afternoon, commissioner, and thank you for the opportunity to speak to you again. I am a Liberal Democrat Assembly Member. I am grateful for your comments about the emerging consensus on territorial cohesion. To expand on that, I wish to ask you a little more about your views on what place-based development means. In terms of territorial co-operation between the three strands, do you envisage that they will continue across borders, trans-nationally and inter-regionally? It is the cross-border and inter-regional areas where I think we could do with a little more understanding of what your current position is. There is some suggestion that groups of member states and regions could come together because of their geographical location in the European landscape, and have a part to play in bidding for future funding. Has that emerged? Is there a sense of parts of Europe being able to determine for themselves where they best fit as a network of regions or member states?

[23] As a separate and completely different question, relating to the interests of Wales in 2013, do you feel that the argument for having a step-down approach, from having received the highest level of European funding to a second stage, often called transitional funding, is an approach that you currently favour? Or do you feel that, if you do not meet the criteria, you should behave like everyone else? That is the argument that the UK Government is making, but it is not necessarily in line with Wales's interests. If we reach 75 per cent of GDP, or whatever the criteria is at the time, would it be in our interest to have some step down from the levels of European support that we currently receive?

[24] **Ms Hübner:** Thank you. I will start with your comments on territorial co-operation. You probably know that the territorial co-operation objective has been extremely strongly supported in our consultations on the future policy, and also in our consultations on the territorial cohesion Green Paper. There is a clear demand that, in the future, we put more emphasis—which would also most likely imply more funding—towards this objective of having more inter-regional co-operation across national borders.

[25] You will also probably know that we have embarked on work on a strategy for the Baltic sea area, where there has been clear demand from the regions and the member states to

elaborate on a common approach to the solutions to problems that are shared around the Baltic sea. We will complete this work in June, when the commission—DG Regio is responsible for this—will present a strategy to the Swedish presidency. It is a complete action-oriented strategy that will be adopted by the council. We have already heard from other European territories that regions around the Danube river would also wish to act together on problems and to find shared solutions for Danube area-related problems. So, we see it as thinking in terms of places that show common challenges that require common solutions and co-operation.

[26] We see that this approach or idea is developing across the European Union, which shows that there will be a need to have more networking and thinking in terms of functional areas that share problems that cannot be solved without shared or commonly agreed solutions. So, I would say that, in the next edition of the policy, we will put more emphasis on the forms of co-operation between individual territories and between the regions. However, we also see that there are still many obstacles to co-operation, especially across borders, which is the type of co-operation that often suffers from an imperfect single market. We see barriers to common public services across borders. So, there are also lessons for the internal market function from the efforts for more cross-border co-operation.

[27] On your question about what we call transitional arrangements or transitional funding, this is an issue that is increasingly being raised by regions and member states that are in this situation. It is also difficult for us to justify why one objective is 75 per cent and another objective is 75.1 per cent. We see clearly that we need to profile the shift from higher support to lower support with the increase of GDP per capita. The profile of the shift must be organised in such a way that it does not also lead to negative consequences for the region affected. Basically, we share the assessment that is in your report; this kind of lever approach, with less funding as you move towards the 100 per cent mark, seems reasonable. We are also discussing this issue. I cannot say that we have a final proposal, but, if I understand it correctly, our approach to the situation is the same as yours. So, on this, we share your concern but also your approach or idea.

[28] **Michael German:** Thank you for your answer on transitional funding, which is very helpful. May I follow up the first part of your answer? Would it be useful for us to pursue the same sorts of strategies on working together as they have done in the Danube area and in the Baltic states? Would that sort of co-operation find a stronger voice with the European Commission, with its emphasis on territorial cohesion?

[29] **Ms Hübner:** The Baltic sea work is complete, while we are beginning to work in the Danube area, so we will see how this will function over the next six months or year. We have noticed the extremely strong commitment not only of the member states and regional authorities around the Danube, but also of all the other stakeholder organisations. We had tens of meetings with people who were strongly committed and were waiting for the solutions from us to tackle common problems. We have also seen that there is a strong commitment from the institutions and organisations that are active in the region to participate in the projects and to lead the projects.

3.00 p.m.

[30] Therefore, I was really pleased by the extremely strong interest and commitment to a concrete action-orientated strategy. At this stage, it seems that if something comes from the bottom as an idea and if people and the regions get together and identify common problems, we can also be quite efficient in proposing an action plan and a list of concrete projects. Therefore, I hope that we will also be able to implement this strategy in the way it is elaborated. I trust that, if we succeed, this is probably the way to go. It is slightly a case of functional geography or flexible geography where people or territories identify a common

problem. In a functional area they look for common solution. It might be the case that we are also opening a new approach to the policy, but it is probably still too early to judge. You will remember that we have those 13 zones for trans-national co-operation, which are purely geography related because we have the north-west, north-east, and central areas. They are not functional criteria and they are not strong. In the case of the Baltic sea, it was the type of problems that were identified there that led them to this co-operation. It might also be a lesson for us, thinking about the trans-national co-operation in the future post 2013 policy, to look at the zones that currently exist and consider trans-national co-operation based on functional areas. I do not know which way we will finally go. I can say that we look at it in the commission with the intention of also drawing conclusions for the future territorial co-operation within the cohesion policy to make it more efficient and more result orientated, and to bring real changes to our European economy, society and social life through this different type of approach.

[31] **Michael German:** Thank you, Commissioner. That is very helpful. I noticed that, in your introductory remarks, you said that if these procedures, experiments and ideas work, more of the block of funding would go towards territorial co-operation than has been the case in the current round of programmes. I do not know whether I am inspiring your speech for you but perhaps you could tell us whether I have got it wrong.

[32] **Ms Hübner:** The commission has decided to discuss the future policy, not touching upon the funding issue, because we believe that, first, we really should see what we need in Europe, what our priorities are, and what we must do to make our life better in the future. Then, we hope that there will be a reasonable solution with regard to the budget. At the end of the day, how much we will have after 2013 will depend on the member states, including your own member state, which has never been very generous about the European budget. In light of the crisis, perhaps we would rather work towards a bigger budget than a smaller budget.

[33] We also have to take into account today that this policy for after 2013 will have to cope with much bigger unemployment in Europe—there is no doubt about that. We will have to cope with the challenges related to sustainable development, energy, the climate, and the general greening of the European economy. This will also have an impact on our priorities and on our policy. We take all of that into account today and we strongly believe that the cohesion policy, because of its nature, is really the best policy to use the opportunities which the climate change and the energy challenge offer. In building the innovation society—a knowledge-based society—through the contribution of cohesion policy, I am sure that we can do it faster if we do it on the ground where the partners are willing to work together. So, this policy could be badly needed when we get out of the crisis and are building the competitive European economy. That is my feeling. We are getting ready for this.

[34] **Michael German:** Thank you very much.

[35] **Rhodri Glyn Thomas:** Good afternoon, Commissioner, my name is Rhodri Glyn Thomas. I am a Plaid Cymru Member for Carmarthen East and Dinefwr, which is a constituency in south-west Wales and is partly rural and partly what would now be termed 'post-industrial'.

[36] I would like to ask you a question about the regional policy after 2013. Do you foresee any radical changes to that in terms of structure, priorities, coverage, or funding profile, or is it a matter of continuity?

[37] **Ms Hübner:** As I said at the beginning, we are still in the process of reflection, but we are also gradually coming to some conclusions. Through listening to all of the institutions, regions, member states and the constituencies, we have some consensus on major issues. You asked me about the coverage; the first thing that I would like to say is that the negative voices

that we hear are very limited. Nevertheless, you can still find one or two member states that would like to renationalise this policy, but I hope that this will never happen in the European Union with such a strong need to have such a policy that is mobilising the local growth potential. You can still find the voices here and there that suggest that we should limit this policy to the poorest regions, which usually implies the new member states. However, I think that these are the marginal voices that we hear from time to time. The dominating stream is that there should be full coverage of the entire European Union territory, because we also see that, in the richer regions, there are development restructuring problems. There is a rationale of public intervention in the European framework that also allows for co-operation and the sharing of good practice. So, my understanding of the mood of the situation and the consequences of the crisis is that we will have a policy covering the entire European territory—including all of the regions—with stronger focus in terms of the financial support on those who are poor. No-one is questioning this. Nevertheless, we do not want a divided Europe with part of Europe being included in this regional policy and part of Europe that is outside this policy. As we have one single market, we should also have one structural policy.

[38] In terms of the priorities for the policy, our feeling is that we should make another effort to have the policy quite strongly focused. We made this effort for 2007-13 and sometimes we failed, because all of the member states were adding priorities, as was the European Parliament. Nevertheless, for 2007-13 we managed to maintain the focus on the Lisbon objectives and, especially in the poorer regions, on the transport infrastructure in general or this type of investment, which is also needed for basic competitiveness. So, my feeling is that, for the future, we will continue to be focused on the Lisbon and Gothenburg objectives, which include sustainable development as a strong priority for the policy. So, at this stage, I can say that we will try to do everything to focus policy and the focus will be on the Lisbon and Gothenburg objectives and on the specific priorities of the poorest regions whose accessibility problem has not yet been solved.

3.10 p.m.

[39] On the general structure, again, I would say that it is probably too early to judge, but we cannot avoid the need to continue with diversification between the poorest and richest regions with new solutions regarding the transitional situations that I have already mentioned. We want to continue the investment, which we started three months ago, in the simplification of the policy. I believe that this should be one of the major changes to the policy after 2013. We were extremely pleased by the very positive response of the Parliament and member states back in December when we proposed the simplification in the context of the crisis. Support has been overwhelming. The group that we established, consisting of experts from member states and the commission's services, is working on simplification. Its work continues and we will present the next tranche of simplification of the rules at the end of May. That may be the end for this period of 2007-13, but the group will continue to work on further ideas to simplify the delivery system after 2013.

[40] We hear from people, with regard to the future, that they would like stronger participation in the design and implementation of the policy of local actors—local as opposed to regional because we have done a lot to make the regional level grow and I hope that regionalisation will continue and that we will have more region-based programmes in the future. However, we also hear a lot from the city level, from local authorities, that they are left on the side and are not factored into the decision-making process on policy and the implementation process of the policy. That is particularly true of the urban dimension; we will most likely be able to make the urban dimension more visible and more present in the implementation of the policy.

[41] **Rhodri Glyn Thomas:** Thank you very much for that response. We can take from your answer that you do not believe that the UK Government has much support for its

argument for the renationalisation of structural funds, but I wish to ask you about rural development and where you think that sits within policy framework. Do you see that being retained within the CAP or being reincorporated within structural funds? What are the advantages or disadvantages of one or the other?

[42] **Ms Hübner:** That is a politically difficult question because we are not at commission level. We have not yet presented all of our ideas and the commission has no official position on this, so what I say now is more my private view than the commission's position. We hear from many stakeholders in the policy and from the European Parliament. Tomorrow, there will be a report in the Parliament, and the Parliament will highlight this link between the regional and rural development policy. We see that the approach that we have taken, more or less decided seven years ago to separate the rural development fund from the regional fund. That is also presenting a lot of problems. There is the potential for duplication and overlapping, so there is an additional cost with regard to co-ordinating in order to avoid such situations but also, more importantly, with regard to the possibility of using the synergies between the general regional policy and that of rural development. We have made an effort on the commission side to clearly demarcate and delineate the territory for the rural fund and that for the regional fund. Nevertheless, we still have a situation whereby, in the same regions, you have the two development strategies functioning, and, in some member states where a solution has been found internally to co-ordinate well and to use the synergies between the two types of funding and policy, that works very well. In other member states, it does not work as well as one would like. So, there is no doubt that if we maintain the separation, we will need to invest more in using the synergies between the two funding policies. My personal view is that we should treat the regional development policy as a coherent and comprehensive policy and as a process for making decisions on a given region's strategy, in one place with one fund. However, as I said, this has not been decided by anyone in the commission or in the member states. My feeling is that, if views are divided and there are some who are afraid of merging the two funds, it is because they think that that would lead to a smaller amount of funding. They are in favour of having two funds, as they hope that that will mean more funding.

[43] In terms of rationale and economy, I think that we should try to have one regional policy for the territory outside the agricultural sector, as we are talking about two types of funding for it. So, that is my view. I do not know where we will go. I am afraid that we will continue the existing separation for various reasons, including political reasons. That is my bitter comment.

[44] **Michael German:** I have a supplementary question on the current budget problems and the economic crisis that we are all facing. Is there any danger that the pulling forward of funding and spending money will have an impact on the next round of budget when we come to 2013? Is there any likelihood of our still pulling money forward to spend it early by the time that we get to 2013, or do you anticipate that the discussion with the member states on what the level of the budgets should be will be a completely separate discussion that will be held at the most appropriate time, once you have discussed the policies? Although the priorities might be the same—and you have described the four priorities as unemployment, sustainable development, the energy challenge, and a knowledge-based society—and might still be the major problems to be solved, is there any danger that the European Commission's current economic recovery programme would have an impact on spending in the next round?

3.20 p.m.

[45] **Ms Hübner:** I do not think so, because my reading of how we have traditionally behaved in the seven-year period—it will be nine years if you include N+2—is that there has been low spending in the early years of the new policy—we are still spending the 2000 to 2006 budget, so the budget is more or less maintained. However, that is mostly due to the

2000 to 2006 reimbursements, plus the advances, which we have increased. By the end of the year, we will have around €30 billion in advances from the funding for 2007 to 2013. It was quite a large amount of funding, and it is the contribution towards the crisis. Over time, the profile is such that the real reimbursement is growing, so we will, probably towards the end of the period, maintain the profile as it was when the seven-year budget was planned. I do not think that we will notice this frontloading dramatically reducing spending at the end of the period in a way that could influence the discussion on the budget for the ensuing years, because the basis of the discussion will not just be the level of the annual budget for one or two years, but the amount from the wider financial perspective, which will be invested, it is hoped, not at a low level at the beginning of the period, but at a slightly higher level. So, we will have a more even spending profile. The amount will be set, and I do not see there being that kind of negative impact on future discussions.

[46] **Sandy Mewies:** A quick question from Rhodri Glyn Thomas.

[47] **Rhodri Glyn Thomas:** I just want to ask about the Regions 2020 report, and the key challenges—or what are foreseen as the key challenges—within the report, such as globalisation, climate change, energy and demographic change. Do you think that that, potentially, means that there will be reprioritisation in relation to policy and even funding?

[48] **Ms Hübner:** We have in fact identified those major challenges, such as the competitive pressures of the global economy, the ageing of the population, the need to reduce the European economy's dependence on energy, and also climate change and a climate package. We have identified those challenges—not today; they have been with us for quite some time—and we have been working on the climate package, which also takes into account the energy economy. We have already put those priorities into the cohesion policy. We will be investing around €9 billion in renewable energy and in energy efficiency, based on the initially negotiated programmes. Through the changes in regulations, we will now allow for an additional €8 billion to be invested in energy efficiency and the use of renewable energy in the context of housing.

[49] We are already coping with those challenges, and investing quite heavily, I would say, in some of those areas. In relation to climate change and globalisation, we are investing directly and indirectly in green industries and new technologies. We are not going to start a completely new process after 2013, but we will probably have to strengthen those priorities and strengthen investment in those priorities, so in the future we will most likely see an increasing share of investment being made in those areas. We cannot judge today how much that will be, but this will stay with us for quite some time. There will also be support, for example, for small and medium-sized companies, to make them shift towards greener production processes or green technologies, and there will be investment in the generation of what we call green-collar jobs.

[50] So, I think that we will face in the years to come—hopefully, because Europe needs adjustment of this type—this shift in the type of investment in companies and in public infrastructure, which would make Europe less energy intensive, or more energy efficient, and more competitive in the global markets. The competition with regard to green jobs comes not only from the US, but is also likely to come from many of the Asian economies. In Japan, the competition will also be growing. It is not only we in Europe who are thinking about becoming greener in response to this crisis; Barack Obama also said that he wants to generate 3 million green jobs. So, the world is moving in this direction. The challenge for us in Europe is not to miss this train and to perhaps do more quickly what others are doing. So, I see these as our priorities for the future.

[51] Having said that, I am from Poland and I know that there are still a lot of roads to be built to ensure accessibility to some of the remote regions. There will still be pressure from

some of the Greek islands to help with ferries between the islands. So, there will also be that investment that is decisive for the competitiveness and attractiveness of the regions, but has nothing to do with knowledge or innovation. However, the knowledge-based economy is the only way for us to go in the future. Wales is perfectly placed for this. I remember from my visit your investment in your industrial parks and your museums with interactive facilities and so on. I hope that we will all make it through the crisis. It is quite a political challenge to have the right balance between the support for the jobs that we would like to maintain and the support for the jobs that we would like to emerge and grow in our economies, because there are also protectionist pressures, with which we started our discussion. As I said, the longer this crisis lasts, the more pressure there will be, so we have to get out of this crisis as fast as possible.

[52] **Sandy Mewies:** Thank you, Commissioner. I thank you and your colleagues for giving us a very stimulating start to our first evidence session in the inquiry. We will be coming back to this, particularly after the stimulation of a wider debate when your orientation paper is published in April. We hope that the adoption of the committee's report will be timed to coincide with the appointment of the new commissioner for regional policy, when he or she takes up that office. Thank you very much, once again, for a very stimulating start to this debate. I think that we will be hearing the phrase 'green-collar jobs' again and again. We thank you and your colleagues.

[53] **Ms Hübner:** Thank you very much indeed. I wish you all the best.

[54] **Sandy Mewies:** Okay, ladies and gentlemen, we will move on. I think that you are now all aware that, for the scrutiny inquiry into patients' rights and cross-border healthcare, we were to have heard today from Carol Lamymman-Jones, the director of the Board of Community Health Councils in Wales. However, she unfortunately cannot be with us as she was not too well this morning.

[55] There are papers to note. The first is the note on the committee's visit to Brussels and the second paper is the minutes of the previous meeting. Are we all happy with those?

[56] **Michael German:** I would like to raise a small point, bearing in mind what we have just heard, Chair.

[57] **Sandy Mewies:** Which paper are you referring to?

[58] **Michael German:** I am looking at the note that we had on our meetings in Brussels. Unfortunately, Gregg has just gone, but in paragraph 3, when Dirk Ahner talked to us, he also said what was happening in the Baltic regions. Bearing in mind what we have just heard, could we ask Gregg, or someone who was there, to amplify what was said about that area, because we might like to return to that in the study later?

3.30 p.m.

[59] **Sandy Mewies:** I have no problem with that. With that, I believe that we have concluded our business for today. Thank you for your attendance. We will meet again after Easter. Congratulations to Lyndon Evans, our committee support, who has become a new father, although he is not looking tired at all. *[Laughter.]*

*Daeth y cyfarfod i ben am 3.30 p.m.
The meeting ended at 3.30 p.m.*

