

**National Assembly for Wales**  
European and External Affairs Committee

Interim Report of Inquiry into the Future of  
Cohesion Policy

December 2009



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## European & External Affairs Committee

The Committee may consider and report on any matters relevant to the exercise by the First Minister, Welsh Ministers, the Counsel General or the Assembly of any of their functions relating to the European Union or external affairs.

### Powers

The Committee was established on 26 June 2007. Its powers are set out in the National Assembly for Wales' Standing Orders, particularly SO 18.1. These are available at [www.assemblywales.org](http://www.assemblywales.org)

### Committee membership

<i>Committee Member</i>	<i>Party</i>	<i>Constituency or Region</i>
Sandy Mewies (Chair)	Labour	Delyn
Nick Bourne	Welsh Conservative Party	Mid and West Wales
Jeff Cuthbert	Labour	Caerphilly
Mike German	Welsh Liberal Democrats	South Wales East
Rhodri Glyn Thomas	Plaid Cymru	Carmarthen East and Dinefwr

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## Chair's foreword

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This is the third report of inquiry by the European and External Affairs Committee in the third Assembly. Under cohesion policy, Wales is currently eligible to claim around £2 billion of EU funding for the period 2007-2013. It is by no means certain that after 2013 Wales will continue to receive the EU funding which has been so instrumental in supporting the economy and people of Wales. How Wales will make the transition from the current funding situation is a critical issue. In a European Union of 27 Member States, the Committee wants to play an active part in the European debate about the future of EU funding post 2013.

This interim report sets out the Committee's findings to date - our inquiry will continue as the policy debate develops in 2010 and beyond. Future cohesion policy will be influenced by a number of factors, including negotiations over the future EU budget and the impact of the recent economic and financial crisis. By reporting our findings now, we aim to ensure that Wales takes its rightful place as a key player in the development of future policy, and that the voices of Welsh stakeholders are heard.

The Committee has set out seven key conclusions and made seven recommendations - six of them to the Welsh Government and one directed towards the European Commission.

We have taken evidence from the European Commission, the Welsh Government, Welsh stakeholders, and witnesses involved in a range of formal and informal European networks. I am grateful to all those who have shared their views and opinions with us so far, and the Committee will continue to seek all ways possible to actively engage in this issue. We encourage the Welsh Government and Welsh stakeholders to work together proactively to represent Welsh views on the European stage. It is our intention that this report will be taken account of not only in Wales, but by the UK Government as it leads on negotiations in Brussels, by the European Institutions, and amongst all those engaged in this important policy debate in other EU Member States and regions.

Sandy Mewies AM  
Committee Chair

## **The Committee's Recommendations**

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The Committee's key conclusions and recommendations to the Welsh Government are listed below, in the order that they appear in this report. Please refer to the relevant pages of the report to see the supporting evidence.

### **Key conclusions**

**Key Conclusion 1:** The Committee underlines the value of networking at European level with “like-minded” regions (including other parts of the UK such as Cornwall), through informal and formal EU networks, and expresses its support to the Welsh stakeholders who are already doing this. **(Page 13)**

**Key conclusion 2 :** The Committee strongly supports maintaining an EU-wide approach to cohesion policy post 2013 and rejects the arguments for re-nationalisation of part (or all) of cohesion policy as not in the best interests of Wales or the European Union. **(Page 16)**

**Key conclusion 3:** The Committee considers there to be a clear consensus that Territorial Co-operation should be maintained in the future cohesion policy, and is interested to see how the concept of macro regions develops following the Baltic Sea and Danube Basin initiatives, and whether this provides opportunities for a future model involving Wales. **(Page 21)**

**Key conclusion 4:** The Committee considers that the eligibility criteria used to determine funding is an issue that merits further investigation, in particular the question of how to take account of the impact of the financial and economic crisis on Europe's regions in determining future maps for eligibility, particularly if the latest available regional Gross Domestic Product (GDP) data is for the period 2007, 2008 and 2009. **(Page 21)**

**Key conclusion 5:** The Committee considers there is merit in expanding the scale of the credit and loan finance instruments in the post-2013 period, as a way of creating ‘legacy funding’ for future regional development activities. **(Page 21)**

**Key conclusion 6:** The Committee reiterates its support for both ERDF and ESF to be maintained as tools within the EU cohesion policy, as the combination of both funds enables regional and local authorities to support a broad range of actions and interventions on the ground. **(Page 22)**

**Key conclusion 7:** The Committee supports the broad consensus expressed over the future priorities of EU cohesion policy post 2013, which should address the current and future challenges facing Europe's regions, and strike a balance between responding to the immediate challenges in the post-financial crisis, whilst setting a strategic framework for the medium to longer term. **(Page 22)**

## **Recommendations**

**Recommendation 1:** The Committee invites the Welsh Government to confirm its stated position in the cohesion policy debate in the UK and in particular in Brussels, and to respond as a matter of urgency to the call from Welsh stakeholders for it to take a leading role in facilitating and co-ordinating this process within Wales and Brussels. **(Page 12)**

**Recommendation 2:** The Committee calls on the European Commission in its proposals for the successor to the Lisbon Strategy, to use the existing governance structures of the regional programmes in the EU cohesion policy to address the "governance deficit" of the current Lisbon Strategy. **(Page 17)**

**Recommendation 3:** The Welsh Government to provide clarification as to the nature of the UK Government's commitment on transitional funding for Wales within cohesion policy post 2013. **(Page 18)**

**Recommendation 4:** The Committee is persuaded of the merits of a "sliding scale mechanism" as a permanent feature of the future cohesion policy, and asks the Welsh Government to take an active role in exploring how the different ideas being discussed in Brussels, such as a Transitional Regions Objective (suggested by Sachsen-Anhalt) or a

series of economic development “gears” (suggested by Graham Meadows), could be taken forward in a way that would be of benefit to Wales and the European Union as a whole. **(Page 19)**

**Recommendation 5:** The Welsh Government to provide clarification of what actions are envisaged to ensure the timely development of exit strategies within the 2007-2013 Structural Funds programmes in Wales. **(Page 24)**

**Recommendation 6:** The Welsh Government to provide clarification on how mainstreaming of EQUAL has been put into place in the Welsh Structural Funds programmes, including the use that has been made of transnational actions within the Convergence and Competitiveness programmes to date. **(Page 24)**

**Recommendation 7:** The European Commission’s Simplification Task Force provides a potential vehicle for Welsh stakeholders to communicate suggestions on improvements to administration and implementation of the current programmes. The Welsh Government to provide clarification on how it is engaging with the work of this task force in Brussels. **(Page 25)**

### **Action for the Committee**

The Committee will write to the First Minister to highlight the concerns raised by the Wales Council for Voluntary Action, and request that the Wales European Funding Office take up this issue for the current programming period, and that it is taken into account in Welsh Government discussions over future cohesion policy. **(Page 23)**

# 1. Background

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1. At its meeting on 20 January 2009 the Committee agreed to carry out an inquiry into the future of cohesion policy post 2013 and the potential implications for Wales.
2. For the 2007-2013 period Wales is eligible to receive approximately £2 billion of European funding under the Structural Funds programmes. The vast majority of this (over 90%) goes to the West Wales & Valleys Convergence programme and the rest to the Regional Competitiveness and Employment programme covering East Wales. Wales is also eligible for European Regional Development Funding (ERDF) under a number of Territorial Co-operation programmes, with targeted 'geographical' areas, including the Ireland-Wales Cross Border programme. Finally, Wales is eligible to participate in the range of 'inter-regional' co-operation programmes available to organisations across the EU, including INTERREG 4C and URBACT II.
3. The European Commission has begun the process of preparing for the new cohesion policy, which would take effect from 2014 onwards, and would be likely to run from 2014-2020 if the current practice of seven year funding periods is maintained.
4. During 2007 and 2008, the European Commission carried out consultations and commissioned studies to provide an evidence base for developing proposals for the new policy. It is expected to present its Fifth Cohesion Report in the autumn of 2010, which will coincide with publication of the draft regulations/legislative proposals for the new policy. These proposals will then go through the EU-decision making process, with potential adoption in 2012. These preparations will take place within the wider debate on the future EU Budget for 2014-2020, and the share of that budget that should go to cohesion policy.
5. The terms of reference for the Committee's inquiry were:
  - To understand and seek to influence the emerging debate over the future of EU Cohesion Policy post 2013
  - To make recommendations to the Welsh Assembly Government on the negotiating position in this debate likely to achieve the maximum benefit for the people of Wales

To share these recommendations with the EU Institutions, in particular the European Commission, EU networks and other key stakeholders in Brussels and Wales

6. The Committee decided to focus in particular on the following questions and issues:

What is Commissioner Hübner's vision for the future direction of the policy? To what extent will the future policy follow the architecture of the current period, namely Convergence, Competitiveness & Employment and Co-operation Objectives? Does she envisage a radical departure?

How does the Commissioner think the new policy would address the four key challenges: globalisation, demographic change, climate change and energy? Does she envisage new priorities within the existing overarching Objectives?

Where does Territorial Cohesion fit into the debate? Does the Commissioner envisage this cutting across the whole policy, or being focused on the Co-operation objective?

Does the Commissioner envisage an increased importance being given to financial instruments such as JESSICA and JEREMIE in the new cohesion policy, and an enhanced role for the European Investment Bank, in the place of the traditional grant based approach to funding?

What are the merits of the Welsh Assembly Government's line of calling for Transitional and Transnational funding?

What exactly does the Welsh Assembly Government understand by "Transitional" funding, and do they have indicative figures for how much they would hope to secure as part of this deal?

How committed is the UK Government to defending this position in the negotiations on the new policy? How does the "transnational" element fit with the UK Government's preference for a "renationalised" cohesion policy with the exception of the poorest regions in central and eastern Europe?

Where should rural development sit within the Policy framework? Should it be reincorporated into the Structural

Funds or should it remain separate, as part of the Common Agricultural Policy? Is there another approach?

What other views are emerging in Brussels? From EU networks, regions, and Member States? How do these views compare to those of the Welsh Assembly Government and the UK Government? Are there any aspects to these emerging views that would look interesting from a Welsh perspective?

7. The inquiry began on 23 March with evidence from the then Commissioner for Regional Policy Danuta Hübner<sup>1</sup>, and since then the Committee has held a total of fifteen evidence sessions.

8. Given that the debate over the future cohesion policy will run from 2010 through to 2012, the Committee has agreed to treat this inquiry in the same way as the Committee's inquiry on patients' rights to cross border healthcare, namely by adopting an interim report and revisiting the dossier at a later stage, during 2010 and 2011.

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<sup>1</sup> Danuta Hübner resigned from her position as Commissioner in April 2009 in order to stand for the European Parliament (EP) elections. She was elected in June as an MEP for Poland, and in July was chosen to be Chair of the Regional Affairs Committee in the EP.

## **2. Evidence to the inquiry**

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9. Details of evidence sessions to date are listed at the end of this report. Included in this are two sessions on the Lisbon Strategy at the Committee's meeting on 29 September 2009, which were of direct relevance to this inquiry, given the close linkages between cohesion policy and the Lisbon Strategy.

10. The following witnesses listed in the original scoping have not yet given evidence:

- Welsh Members of the European Parliament (MEPs)
- DG Agriculture and Rural Development
- Academics (European and Welsh level)
- Committee of the Regions COTER Commission
- European Parliament Regional Affairs Committee

11. It is expected that the Committee will take further evidence from these and other witnesses at a later stage of the inquiry.

### 3. Emerging key issues

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#### 3.1 Timing: discussions in Brussels; a strong Welsh voice

12. The Committee considers it critical that Wales takes an active role in the debate over the future of cohesion policy during 2010-2012. In particular 2010 will be a key year for the Welsh voice to be heard in Brussels, as the European Commission will prepare its position on the future of the policy, which will be linked to wider debates on the EU Budget, and the overall priorities of the Barroso presidency, including any successor to the Lisbon and Gothenburg Strategies, and the debate over the future of the Common Agricultural Policy and funding for rural development.

13. The Committee welcomes the calls of Welsh stakeholders for a “team Wales” approach in Brussels in the debate over the future of cohesion policy, to ensure that there is a strong and clear voice for Wales in these discussions.

14. This has been a consistent message throughout the evidence sessions, with the Welsh Local Government Association, Higher Education Wales and the Wales Council for Voluntary Action all expressing their support for a co-ordinated approach, led by the Welsh Government in Wales and in Brussels.

**Recommendation 1: The Committee invites the Welsh Government to confirm its stated position in the cohesion policy debate in the UK and in particular in Brussels, and to respond as a matter of urgency to the call from Welsh stakeholders for it to take a leading role in facilitating and co-ordinating this process within Wales and Brussels.**

15. The Committee received evidence of the work and the value of informal networks of EU regions such as ROTOPI<sup>2</sup>, established by the South West UK Brussels Office, the Transitional Regions Network established by Saxony Anhalt for the Committee of the Regions Open Days 2009, as well as formal networks such as the CPMR, the European Anti Poverty Network and BUSINESSEUROPE.

16. The Committee also emphasises the importance (in promoting Welsh interests in Brussels in the discussions on the future of EU

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<sup>2</sup> ROTOPI stands for Round Table of Practitioners in Implementation

cohesion policy) of close working with the European Parliament (EP), including the Welsh MEPs and the relevant EP Committees; European Commission officials; as well as the Committee of the Regions, including the Welsh representatives on this body.

**Key conclusion 1: The Committee underlines the value of networking at European level with “like-minded” regions (including other parts of the UK such as Cornwall), through informal and formal EU networks, and expresses its support to the Welsh stakeholders who are already doing this.**

### **3.2 Impact of the financial and economic crisis**

17. Whilst it is impossible to accurately predict the pace and direction of change in economic and financial circumstances, the Committee recognises the importance of the current financial and economic crisis in terms of influencing the policy debate in Brussels over the future of EU cohesion policy.

18. The Committee has been actively scrutinising measures taken to tackle the situation in Wales through the European Economic Recovery Plan.

19. A number of witnesses to the inquiry spoke about the value of the regional programmes in enabling action to be taken quickly on the ground in response to the economic crisis.

20. In his evidence, the former Director General of DG Regional Policy, Graham Meadows said:

“Due to the way in which the present programmes are to be carried out, it is quite clearly a benefit for Wales to have the programmes already ongoing and the money in the programmes to be promised, as it were, so that it is not taken away. It means that, if Wales can mobilise all of its best efforts and its considerable expertise in the matter, the Welsh Assembly Government and the National Assembly will be disposing of an instrument that could be quite important in helping Welsh citizens and businesses to overcome the recession.”<sup>3</sup>

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<sup>3</sup> Paragraph 12, Transcript 12 May 2009

21. Two initiatives, PROACT and REACT, both of which are co-financed through the European Social Fund (ESF) regional programmes in Wales, were highlighted as examples of good practice of responses to the crisis.

22. Thomas Bender, Acting Director in DG Employment, Social Affairs and Equal Opportunities, in his oral evidence to the Committee spoke in particular about the added value of the European Social Fund, highlighting the “flexible” use that was made of ESF as part of the response to the economic crisis.

23. Finally, a number of witnesses emphasised the need to frame the short-term actions taken in response to the economic downturn within the context of a medium to long term strategic approach to regional development. Commissioner Hübner said:

“...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.”<sup>4</sup>

### **3.3 Rationale for a future EU policy; rejection of re-nationalisation**

24. The Committee notes a broad consensus amongst witnesses of the added value of an EU-wide cohesion policy available (potentially) to all EU regions, and rejection of re-nationalisation of the policy. Structural Funds play a critical role in delivering the Lisbon Strategy on the ground, as well as supporting regeneration of poorer communities across Europe, in a way which goes beyond local, regional and national initiatives.

25. Former EU Regional Policy Commissioner, Professor Danuta Hübner giving evidence to the Committee on 23 March 2009:

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<sup>4</sup> Paragraph 19, Transcript 23 March 2009

“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.”<sup>5</sup>

26. The Committee has been presented with evidence from a number of witnesses of the clear benefits at the regional level of EU cohesion policy.

27. These benefits include enhanced governance, direct dialogue between local and regional authorities and the European Commission, engagement of all stakeholders through the partnership principle, secure and stable seven-year funding, an agreed strategic framework (from European, down to national and regional levels) focused on medium to long-term objectives, flexibility in responding to short-term crises, and the possibilities for networking and sharing of good practice with other EU regions.

28. Higher Education Wales highlighted the synergies between Structural Funds and other mainstream EU funding such as the Framework Research Programmes. They emphasised in particular the capacity building role of Structural Funds, and the encouragement it gives to multi-disciplinary and inter-institutional working.

29. On the question of re-nationalisation of cohesion policy, Danuta Hübner and Graham Meadows spoke about a limited level of support for this approach in Brussels:

“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.”<sup>6</sup>

30. In his evidence Graham Meadows said that clarification should be sought from the UK Government, in the context of re-nationalisation of the future policy, on what would be offered to Wales by the UK Government in place of an EU level policy:

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<sup>5</sup> Paragraph 8, Transcript 23 March 2009

<sup>6</sup> Paragraph 37, Transcript 23 March 2009

“...the big question, for which Wales would want the most precise answer possible, is: if you want to get rid of European Union cohesion policy or a part of it and present a mixture of European Union policy and national policy, what will the national policy be? In order for me—when I say ‘me’, I mean you—to decide whether or not re-nationalisation is a good thing, I need to know what the policy that we will be asked to implement, or will be able to implement, will be. You sometimes get an answer to that question, but if you keep pressing on the answer, you find that it tends to decompose slightly before you get to the bits that you really want to find out about.”<sup>7</sup>

31. This question was put to UK Government officials from the Department for Business Innovation and Skills, who said they could not give an answer to this question and that this should be put to the UK Government Treasury Department. However, they accepted that the question had been acknowledged by the UK Government:

“Not being Treasury officials, we cannot say, ‘This is what would be provided’. We can only say that the issue is acknowledged and that any arrangements that were in place would have to take into account the settlement that you have at European level.”<sup>8</sup>

32. The official went on to describe the ‘Treasury guarantee’ put in place under the previous round of negotiations (2004-2005), as being ‘specific’ and ‘tied to those negotiations’:

“In the previous round, when we also put forward this proposal for reform, we made a form of what was then called the Treasury guarantee to what funding would replace it if EU funding were to be removed entirely. That was very specific. That was tied to those negotiations, and any commitment would be tied to the eventual financial settlement - it has to take account of the financial position that the UK itself is in.”<sup>9</sup>

**Key conclusion 2 : The Committee strongly supports maintaining an EU-wide approach to cohesion policy post 2013 and rejects the arguments for re-nationalisation of part (or all) of cohesion policy as not in the best interests of Wales or the European Union.**

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<sup>7</sup> Paragraph 44, Transcript 12 May 2009

<sup>8</sup> Paragraph 135, Transcript 3 November 2009

<sup>9</sup> Paragraph 135, Transcript 3 November 2009

### **3.4 Governance and the Lisbon Strategy**

33. EU cohesion policy has an established multi-level governance structure, based on the partnership principle, and the Committee notes that witnesses to the inquiry praised the inclusive way in which the Structural Funds programmes have operated in Wales and the UK.

34. The Committee received evidence that a persistent criticism of the Lisbon Strategy has been its failure to recognise the key role of local and regional authorities in implementing and communicating the strategy on the ground. Christine Chapman AM, the Assembly's full member on the Committee of the Regions, in her draft report on the future of the Lisbon Strategy has proposed making use of the governance structures in cohesion policy, to address the governance deficit.

35. The European Anti-Poverty Network and Wales Council for Voluntary Action both talked about the importance of the partnership principle in regional programmes, as a way of engaging all key stakeholders including the third sector, with Wales and the UK given praise for the way in which it implements this approach in practice.

**Recommendation 2: The Committee calls on the European Commission in its proposals for the successor to the Lisbon Strategy, to use the existing governance structures of the regional programmes in the EU cohesion policy to address the “governance deficit” of the current Lisbon Strategy.**

### **3.5 Transitional funding for Wales**

36. The Committee notes that the Welsh Government says it has secured a shift in policy by the UK Government on transitional status for Wales post 2013, which would be tapered funding reducing over the duration of the programming period.

37. The First Minister in his oral evidence to Committee said, in relation to the issue of transitional funding being available to Wales post 2013:

“We have shifted the UK Government policy from being that when this phase of cohesion policy is over on 31 December 2013 there should be no further European involvement in any part of the United Kingdom ... [W]e have already persuaded the UK Government to shift that policy in a way that minimises the

disadvantage to Wales, so that, on the assumption that west Wales and the Valleys would cease to qualify under the 75 per cent rule, there would be transition funding. So, that is a key change that we already have got.”<sup>10</sup>

38. The written evidence from the UK Government Department for Business Innovation and Skills (BIS) refers to the need for Structural Funds to be ‘phased out’ from richer member states, but does not make explicit reference to ‘transitional funding’:

“...the priority should be that standard ‘competitiveness and employment’ funding is no longer available to richer Member States.”<sup>11</sup>

39. When asked by the Committee what the UK Government’s position was on transitional funding, officials said:

“What we have said in our paper is that standard competitiveness and employment funding should be phased out. Given that our policy is to phase out the funding in the richer Member States, we have always made it clear that that has implications for funding streams, and transitional arrangements would have to be considered. Wales has a convergence area at the moment, but, under the current system, it would have expected to move into some form of transition.”<sup>12</sup>

40. When asked in follow up whether the UK Government had formed a view at this stage on any particular model of transitional funding which it may favour, the official said:

“Not at this stage, no.”<sup>13</sup>

**Recommendation 3: The Welsh Government to provide clarification as to the nature of the UK Government’s commitment to transitional funding for Wales within cohesion policy post 2013.**

### **3.6 Future architecture**

41. The Committee agrees that the future cohesion policy should give priority to the poorest regions of Europe, however, it also supports a

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<sup>10</sup> Paragraph 43, Transcript 30 June 2009

<sup>11</sup> Paragraph 7, Written Evidence, EUR(3)-13-09(p.5) 3 November 2009

<sup>12</sup> Paragraph 116, Transcript 3 November 2009

<sup>13</sup> Paragraph 153, Transcript 3 November 2009

'balanced territorial approach' to cohesion policy, whereby all EU regions receive some degree of support depending on need.

42. The Committee has noted the ideas presented by witnesses for refining the architecture of the cohesion policy post 2013, to avoid what Graham Meadows described as the "brutal impact" of moving above the 75% average GDP, which is the situation that Wales is likely to face in the post-2013 period.

43. Saxony Anhalt presented ideas for a permanent Transitional Regions Objective, potentially for a category of regions with GDP falling between 75% and 90% of the EU average. Graham Meadows suggested introducing a range of different "gears" to support economic development, with potentially three or four new and permanent categories of region using EU average GDP as the determining factor:

"...my suggestion would be a permanent system so that Wales or any other region that is growing in income, would transit through different systems. It would move through the systems and you would always have the security that you could plan your economic future; you would know where you were going to stand."<sup>14</sup>

44. The Committee recognises that there is a debate to be had over the most appropriate mechanism for addressing this, and looks forward to an active engagement of Welsh stakeholders in this process.

**Recommendation 4: The Committee is persuaded of the merits of a "sliding scale mechanism" as a permanent feature of the future cohesion policy, and asks the Welsh Government to take an active role in exploring how the different ideas being discussed in Brussels, such as a Transitional Regions Objective (suggested by Sachsen-Anhalt) or a series of economic development "gears" (suggested by Graham Meadows), could be taken forward in a way that would be of benefit to Wales and the European Union as a whole.**

45. There was also some discussion around the merits of including support for innovative actions within the Structural Funds programmes, in particular where this encourages co-operation between different EU regions.

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<sup>14</sup> Paragraph 23, Transcript 12 May 2009

46. The Committee would like to see this approach continue in the future cohesion policy, and looks forward to a discussion about how best to achieve this, be it through an EU-wide Community Initiative or through transnational co-operation actions within the mainstream regional programmes.

### **3.7 Territorial Co-operation**

47. There was a strong consensus from witnesses over the merits of maintaining a Territorial Co-operation Objective in the future. Former Regional Policy Commissioner Danuta Hübner said there was a “clear demand” that the Commission should:

“...put more emphasis... towards this objective of having more inter-regional co-operation across national borders.”<sup>15</sup>

48. This view was supported by UK Government officials, who referred to clear added value in the INTERREG programmes.

49. On the question of macro regions (such as the Baltic Sea Strategy and Danube Basin), there was a cautionary welcome to this concept from a number of witnesses.

50. The CPMR pointed to a danger that Territorial Co-operation, through a macro-region approach, could potentially pose a threat to Objective 2 (Competitiveness Objective). They also raised concerns about macro regions being used for ‘geographical earmarking’ of funds in the future, and the lack of a strong regional voice in the process of developing macro regions. However, they also emphasised that some challenges cannot be easily addressed at the regional level or the European level and that macro regions could potentially fill this gap:

“...the experience we have with our geographical commissions, particularly, is very interesting. Some problems cannot be solved at the global European level, nor at the single level of each region. This type of macro region is very good for some things, like the protection of each sea of Europe, the organisation of transport, fisheries and so on.”<sup>16</sup>

51. UK Government officials raised concerns that macro regions could be used as the basis for:

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<sup>15</sup> Paragraph 24, Transcript 23 March 2009

<sup>16</sup> Paragraph 35, Transcript 3 November 2009

“...a sort of artificial carving up of the European Union into various zones. In terms of income disparities, the benchmark should very much still be at a European level. In terms of other macro regional strategies, the principal point that will guide us is what the added value of doing this at a European level would be.”<sup>17</sup>

**Key conclusion 3: The Committee considers there to be a clear consensus that Territorial Co-operation should be maintained in the future cohesion policy, and is interested to see how the concept of macro regions develops following the Baltic Sea and Danube Basin initiatives, and whether this provides opportunities for a future model involving Wales.**

### **3.8 GDP reference periods and other criteria**

52. There was some discussion over the traditional use of a three-year Gross Domestic Product (GDP) reference period to determine regions that will qualify for the different categories of support.

**Key conclusion 4: The Committee considers that the eligibility criteria used to determine funding is an issue that merits further investigation, in particular the question of how to take account of the impact of the financial and economic crisis on Europe’s regions in determining future maps for eligibility, particularly if the latest available regional Gross Domestic Product (GDP) data is for the period 2007, 2008 and 2009.**

53. There is a broader question, which the Committee has only touched upon in this inquiry, concerning the use of other criteria to determine eligibility – such as unemployment, poverty levels, social exclusion indicators etc. – which may also be considered further in the next phase of Committee’s inquiry.

The Committee notes that there is a generally positive view of the added value of the new credit and loan finance instruments (such as JEREMIE and JESSICA) introduced under the current programmes.

**Key conclusion 5: The Committee considers there is merit in expanding the scale of the credit and loan finance instruments in**

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<sup>17</sup> Paragraph 125, Transcript 3 November 2009

**the post-2013 period, as a way of creating ‘legacy funding’ for future regional development activities.**

### **3.9 ERDF and ESF as part of EU Cohesion Policy**

54. The Committee notes the value of both European Regional Development Fund (ERDF) and European Social Fund (ESF) as key elements in the EU cohesion policy, through enabling a range of different actions to be supported in regional programmes.

55. There have been calls, for example from the WLGA in their evidence, for the creation of single funding instruments to simplify implementation on the ground. Although the Committee has sympathy with these views, in reality it is unlikely that such changes can be adopted easily in Brussels, given various Treaty commitments underpinning the existence of the different funding instruments.

**Key conclusion 6: The Committee reiterates its support for both ERDF and ESF to be maintained as tools within the EU cohesion policy, as the combination of both funds enables regional and local authorities to support a broad range of actions and interventions on the ground.**

### **3.10 Priorities for the future policy**

56. There is evidence of a high degree of consensus in terms of the challenges and issues that need to be addressed, including: climate change; moving towards a more sustainable economy with particular emphasis on the green economy; importance of education, lifelong learning, and investing in higher level skills; retraining of workers, tackling unemployment – including short-term and structural unemployment, with particular focus on young people; investing in knowledge, innovation and competitiveness of businesses; and addressing the broader challenge of demographic change. These could be broadly grouped into priorities around sustainability, competitiveness and human capital.

**Key conclusion 7: The Committee supports the broad consensus expressed over the future priorities of EU cohesion policy post 2013, which should address the current and future challenges facing Europe’s regions, and strike a balance between responding to the immediate challenges in the post-financial crisis, whilst setting a strategic framework for the medium to longer term.**

57. The Committee looks forward to further discussions on how territorial cohesion will be included in the future policy, and seeks reassurances that rural areas will be given appropriate attention in preparing the future policy, as well as taking into account the interests of the more populated urban parts of Europe.

58. The Committee will wish to take account of parallel discussions on the future of Common Agricultural Policy and funding for rural development in the next phase of its inquiry.

### **3.11 Social inclusion**

59. The Committee explored the role of cohesion policy in promoting social inclusion with witnesses including the European Anti-Poverty Network (EAPN) and the Wales Council for Voluntary Action (WCVA). The third sector in Wales is a big employer with a crucial role to play, and the Committee notes concerns about how future cohesion policy might impact on its work. The emphasis that is placed on social inclusion in developing future cohesion policy will be critical, for example the extent to which the third sector will be actively involved in designing policy with 'poverty-proofing' indicators built in, to ensure that the most excluded groups are reached.

60. The Committee notes specific concerns raised by the WCVA regarding use of procurement in place of global grant schemes for the 2007-2013 regional programmes in Wales.

**Action for the Committee: The Committee will write to the First Minister to highlight the concerns raised by the Wales Council for Voluntary Action, and request that the Wales European Funding Office take up this issue for the current programming period, and that it is taken into account in Welsh Government discussions over future cohesion policy.**

61. The WCVA raised the issue of how successful EU-funded projects and initiatives can be appropriately mainstreamed into statutory UK-level funding by 2013 to make them sustainable. The Committee considers this to be a critical issue across the board, for local authorities, the education sector, as well as the third sector within Wales.

**Recommendation 5: The Welsh Government to provide clarification of what actions are envisaged to ensure the timely development of exit strategies within the 2007-2013 Structural Funds programmes.**

62. The Committee notes a divergence of views between the European Commission's DG Employment, Social Affairs and Equal Opportunities and the European Anti-Poverty Network regarding the EQUAL Community Initiative.<sup>18</sup>

63. DG Employment in oral evidence said they had "abandoned" the EQUAL initiative because:

"...it was seen as a very cumbersome initiative that had, in comparison to the amounts that we could invest, quite high administrative costs both on the commission side and on the member-state side. It definitely had a lot of advantages and we tried to bring over the advantages into the current mainstream programmes of the ESF."<sup>19</sup>

64. The European Anti Poverty Network took a different view:

"This is the first time that I have heard this argument presented and, indeed, the Commission's own evaluations of EQUAL speak glowingly of its achievement, its value and its low cost. So, this is an argument that I have not heard before. We have not heard that EQUAL was a costly or expensive programme, and this would strike me as retrospective justification for inaction."<sup>20</sup>

65. EAPN also spoke critically of the lack of action across the EU in mainstreaming EQUAL in the new regional programmes for 2007-2013.

**Recommendation 6: The Welsh Government to provide clarification on how mainstreaming of EQUAL has been put into place in the Welsh Structural Funds programmes, including the use that has been made of transnational actions within the Convergence and Competitiveness programmes to date.**

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<sup>18</sup> EQUAL was a community initiative in the 2000-2006 Structural Funds programme that aimed to promote new ways of combating all forms of discrimination and inequalities in relation to the labour market.

<sup>19</sup> Paragraph 45, Transcript 13 October 2009

<sup>20</sup> Paragraph 127, Transcript 13 October 2009

### 3.12 Simplification agenda

66. Improving the efficiency and effectiveness of resources should underpin the preparation of the future policy, and to this end the Committee supports calls for better defined targets and indicators, monitoring and evaluation for the future.

67. EAPN spoke critically of the monitoring and evaluation within Structural Funds, particularly in terms of the social inclusion agenda:

“One of the main weaknesses of the structural funds at the moment is the poor system of monitoring, evaluation and indicators”<sup>21</sup>

68. EAPN cited the lack of involvement of NGOs in monitoring committees and the process for establishing evaluations as key reasons for this, although they emphasised that Wales and Britain had a good track record for involving the third sector in the management and delivery of Structural Funds programmes.

69. Commissioner Hübner spoke about the work of the Simplification Task Force established in Brussels with participation of Member States experts and Commission officials, underlining the important work of this group in impacting on the design of delivery structures for the policy post 2013.

**Recommendation 7: The European Commission’s Simplification Task Force provides a potential vehicle for Welsh stakeholders to communicate suggestions on improvements to administration and implementation of the current programmes. The Welsh Government to provide clarification on how it is engaging with the work of this task force in Brussels.**

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<sup>21</sup> Paragraph 129, Transcript 13 October 2009

## Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-eur-home.htm>

23 March 2009

Danuta Hübner	Commissioner for Regional Policy
Peter Berkowitz	DG Regional Policy
Guy Flament	DG Regional Policy
Rachel Lancry	DG Regional Policy

12 May 2009

Graham Meadows	Former Director General of Regional Policy
Cllr Andrew Mitchell	Cornwall Council
Eleni Marianou	Director of the South West UK Brussels Office
Emily Henderson	Assistant Policy Officer (Europe), Cornwall Office

16 June 2009

Thomas Wobben	Brussels Representative, Saxony-Anhalt
Steve Thomas	Chief Executive, Welsh Local Government Association (WLGA)
Simon Pascoe	Head of WLGA European Office, Brussels
Neville Davies	WLGA European Adviser and Head of European Policy and External Funding, Carmarthenshire County Council

30 June 2009

Patrick Brière                      Chairman of BUSINESSEUROPE's Regional Policy Working Group

Rhodri Morgan AM                  First Minister

Philip Bird                              Head of EU Policy Secretariat, European and External Affairs Division

Robert Parry                            Deputy Head of EU Policy Secretariat

Dafydd Munro                         Policy Officer, Welsh European Funding Office

29 September 2009

Christine Chapman AM              Assembly Representative on Committee of the Regions

Ieuan Wyn Jones AM                 Deputy First Minister

Philip Bird                              Head of EU Policy Secretariat

Cathy Presland                         Head of Planning and Strategy, WEFO

Professor Noel Lloyd                 Chair, Higher Education Wales and Vice-Chancellor of Aberystwyth University

Greg Walker                             Policy Adviser, Higher Education Wales

Paul Harris                                Head of Office, Wales Higher Education Brussels

13 October 2009

Mr Thomas Bender                    Acting Director in DG Employment Social Affairs and Equal Opportunities

Georges Kintzele                      Head of Unit responsible for UK ESF Programmes

Renate Schopf                          Desk Officer responsible for Welsh ESF Programmes

Phil Fiander	Director of Enterprise & Regeneration, Wales Council for Voluntary Action
Alice Greenlees	Senior Policy Officer, Wales Council for Voluntary Action
Ian Davy	Chief Officer, Voluntary Action Merthyr Tydfil
Mal Emerson	New Sandfields Aberavon STRIDES
Brian Harvey	Social Researcher, European Anti-Poverty Network (Ireland)
3 November 2009	
Xavier Gisard	Secretary General, Conference of Peripheral Maritime Regions (CPMR)
Julie Gourden	Director - Responsible for cohesion policy, CPMR
Neil Bond	Team Leader, Structural Funds, Department for Business, Innovation and Skills
Chris Kirby	Head of Structural Funds Implementation, Department for Business, Innovation and Skills

## List of written evidence

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The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-eur-home.htm>

<i>Name</i>	<i>Organisation</i>	<i>Reference</i>
Committee Service	National Assembly for Wales	<a href="#">EUR(3)-01-09 : Paper 2</a>
Welsh government	Welsh government	<a href="#">EUR(3)-04-09 : Paper 4</a>
Katie Cavell	Welsh Local Government Association	<a href="#">EUR(3)-04-09 : Paper 5</a>
Graham Meadows	Former Director General of Regional Policy	<a href="#">EUR(3)-07-09 : Paper 1</a>
Cllr Andrew Mitchell	Cornwall Council	<a href="#">EUR(3)-07-09 : Paper 2</a>
Eleni Marianou	Director of the South West UK Brussels Office	<a href="#">EUR(3)-07-09 : Paper 2</a>
Emily Henderson	Assistant Policy Officer (Europe), Cornwall Office	<a href="#">EUR(3)-07-09 : Paper 2</a>
Thomas Wobben	Brussels Representative, Saxony-Anhalt	<a href="#">EUR(3)-08-09 : Paper 1</a>
Steve Thomas	Chief Executive, Welsh Local Government Association (WLGA)	<a href="#">EUR(3)-08-09 : Paper 2</a>
Simon Pascoe	Head of WLGA European Office, Brussels	<a href="#">EUR(3)-08-09 : Paper 2</a>
Neville Davies	WLGA European Adviser and Head of European Policy and External Funding,	<a href="#">EUR(3)-08-09 : Paper 2</a>

Carmarthenshire County  
Council

Patrick Brière	Chairman of BUSINESSEUROPE's Regional Policy Working Group	<a href="#">EUR(3)-09-09 : Paper 1</a>
Rhodri Morgan AM	First Minister	<a href="#">EUR(3)-09-09 : Paper 2</a>
Philip Bird	Head of EU Policy Secretariat, European and External Affairs Division	<a href="#">EUR(3)-09-09 : Paper 2</a>
Robert Parry	Deputy Head of EU Policy Secretariat	<a href="#">EUR(3)-09-09 : Paper 2</a>
Dafydd Munro	Policy Officer, Welsh European Funding Office	<a href="#">EUR(3)-09-09 : Paper 2</a>
Christine Chapman AM	Assembly Representative on Committee of the Regions	<a href="#">EUR(3)-11-09 : Paper 1</a>
Ieuan Wyn Jones AM	Deputy First Minister	<a href="#">EUR(3)-11-09 : Paper 2</a>
Phillip Bird	Head of EU Policy Secretariat	<a href="#">EUR(3)-11-09 : Paper 2</a>
Cathy Presland	Head of Planning and Strategy, WEFO	<a href="#">EUR(3)-11-09 : Paper 2</a>
Professor Noel Lloyd	Chair, Higher Education Wales and Vice-Chancellor of Aberystwyth University	<a href="#">EUR(3)-11-09 : Paper 3 : Future of Cohesion Policy</a>
Greg Walker	Policy Adviser, Higher Education Wales	<a href="#">EUR(3)-11-09 : Paper 3 : Future of Cohesion Policy</a>

Paul Harris	Head of Office, Wales Higher Education Brussels	<a href="#">EUR(3)-11-09 : Paper 3 : Future of Cohesion Policy</a>
Mr Thomas Bender	Acting Director in DG Employment Social Affairs and Equal Opportunities	<a href="#">EUR(3)-12-09 : Paper 1</a>
Georges Kintzele	Head of Unit responsible for UK ESF Programmes	<a href="#">EUR(3)-12-09 : Paper 1</a>
Renate Schopf	Desk Officer responsible for Welsh ESF Programmes	<a href="#">EUR(3)-12-09 : Paper 1</a>
Phil Fiander	Director of Enterprise & Regeneration, Wales Council for Voluntary Action	<a href="#">EUR(3)-12-09 : Paper 2</a>
Alice Greenlees	Senior Policy Officer, Wales Council for Voluntary Action	<a href="#">EUR(3)-12-09 : Paper 2</a>
Ian Davy	Chief Officer, Voluntary Action Merthyr Tydfil	<a href="#">EUR(3)-12-09 : Paper 2</a>
Mal Emerson	New Sandfields Aberavon STRIDES	<a href="#">EUR(3)-12-09 : Paper 2</a>
Brian Harvey	Social Researcher, European Anti-Poverty Network (Ireland)	<a href="#">EUR(3)-12-09 : Paper 3</a>
Xavier Gisard	Secretary General, Conference of Peripheral Maritime Regions (CPMR)	<a href="#">EUR(3)-13-09 : Paper 1</a> <a href="#">EUR(3)-13-09 : Paper 2</a> <a href="#">EUR(3)-13-09 : Paper 3</a>
Julie Gourden	Director - Responsible for cohesion policy, CPMR	<a href="#">EUR(3)-13-09 : Paper 1</a>

		<a href="#">EUR(3)-13-09 : Paper 2</a>
		<a href="#">EUR(3)-13-09 : Paper 3</a>
Neil Bond	Team Leader, Structural Funds, Department for Business, Innovation and Skills	<a href="#">EUR(3)-13-09 : Paper 5</a>
Chris Kirby	Head of Structural Funds Implementation, Department for Business, Innovation and Skills	<a href="#">EUR(3)-13-09 : Paper 5</a>
Committee Service	National Assembly for Wales	EUR(3)-13-09 : Paper 6 (Private paper)
Wales Council for Voluntary Action	Wales Council for Voluntary Action	<a href="#">EUR(3)-13-09 : Paper 9</a>