

## **EBC(4)-01-12 Paper 3**

**11 January 2012**

### **Enterprise and Business Committee Inquiry into the draft legislative proposals EU Structural Funds for 2014-2020**

#### **Response by the Higher Education Funding Council for Wales (HEFCW)**

#### **About HEFCW**

- 1 HEFCW is a Welsh Government Sponsored Body established in 1992 under the Further and Higher Education Act. It assumed responsibility for funding higher education (HE) in Wales on 1 September 1993. It administers funds made available by the Welsh Government in support of the provision of education and the undertaking of research at higher education institutions (HEIs), and the provision of prescribed HE courses at further education institutions (FEIs). It also accredits providers of initial teacher training for school teachers.

#### **Purpose**

- 2 This paper presents initial responses to the issues under discussion by the Committee as background to our appearance on 11 January. There has not been time to seek approval of HEFCW's Council for this paper, which must therefore be regarded as a submission from officers only. A Welsh language version will follow early in January.

#### **Conclusions**

- 3.1 The key points from this submission are:
  - a. The proposed legislative proposals present a significant opportunity for Wales to transform its economy.
  - b. A more strategic approach which embraces 'smart specialisation', and better aligns the different EU funding programmes (such as Horizon 2020 (H2020) and the European Social Fund (ESF)), could help to ensure success in Wales. It should also develop linkages between Structural Funds programmes and the Framework Research programmes in particular.
  - c. The higher education (HE) sector in Wales is well placed to make a significant contribution to all of the proposed thematic objectives, especially in their areas of current and emerging strength.
  - d. For there to be a 'step change' in the economy of West Wales and the Valleys, and in the Welsh economy more widely, the capacity of HE to be competitive on a wider stage could be improved through support under the new programme.

- e. Through partnership between the Welsh Government (particularly the European Programmes Directorate in the Department for Business, Enterprise, Technology and Science (BETS)) and the HE sector, especially in the development of the research and innovation (R&I) Strategy for smart specialisation, could help to ensure success in Wales.
- 3.2 There are a number of **priorities** that would help to ensure a beneficial outcome for Wales including:
- a. Adequate resources being agreed under the EU's Financial Perspective 2014-2020 to deliver the new programmes, and linked programmes, such as H2020.
  - b. The UK Government's approach to the negotiations being cast in the interests of the whole of the UK's economy.
  - c. The levels of support proposed for energy efficiency and renewable, R&I and SME support under the European Regional Development Fund (ERDF) being maintained or exceeded.
  - d. R&I remaining a significant investment priority, not only under the ERDF, but in other programmes, including the ESF.
  - e. A change in focus on performance indicators, consistent with the new ERDF regulations, which includes research itself as an output for Wales.
  - f. Better integration between EU funding instruments in Wales, specified in the Partnership Contract.
  - g. HE-led collaborative projects, such as the Knowledge Economy Skills Scholarships (KESS), Access to Masters, Graduate Opportunities (GO) Wales, Academic Expertise for Business (A4B), and research consortia, to be supported and enhanced under the new programme.
  - h. Adoption of a simpler way of demonstrating compliance, particularly for schemes that have already proven they work in the current programme.
- 3.3 More effective and regular partnership with the HE sector throughout the development process of the new programmes would also help to ensure that early, well tested views from Wales inform the negotiation process.
- 3.4 We trust that the information in this submission is of help to the Committee's inquiry, and we stand ready to assist further in any way that the Committee requires.

## Issues under consideration

We address in turn below each of the areas that the Committee has signalled it wishes to consider in the course of its inquiry.

## **What the European Commission's proposals could mean for Wales**

### ***A Smart, Sustainable and Inclusive Economy***

- 4.1 The European Commission (EC) is determined to ensure that the next round of EU structural funding boosts the total economy of Europe, and not just less advantaged regions. It highlights a more strategic approach which embraces 'smart specialisation', and which will require better alignment of the different EU funding programmes (such as H2020 and Education Europe).<sup>1</sup>
- 4.2 In terms of geographical coverage, it is likely that in the next phase of EU Structural Funding, West Wales and the Valleys, as a 'less developed region' with a GDP per capita less than 75% of the average GDP of the EU-27, will remain an important priority for support.<sup>2</sup> The EC highlights that 'the catching up process of economically and socially lagging regions will require long-term sustained efforts in a world of increasing uncertainty.' The longer duration of the new programming period (2014-2020) will underpin this longer term perspective.<sup>3</sup>
- 4.3 East Wales, as a 'more developed region', whose GDP is above 90% of the average GDP of the EU-27, will nonetheless have important challenges to tackle that arise in all Member States, including the 'global competition in the knowledge-based economy, the shift towards the low carbon economy and addressing the social polarisation exacerbated by the current economic climate'.<sup>4</sup>
- 4.4 In order to maximise the impact of the cohesion policy, the EC proposes to reinforce the strategic programming process. This involves defining 11 thematic objectives in the Regulations.<sup>5</sup> **Higher Education in Wales could make a significant contribution to the delivery of each of these priorities in Wales**, particularly to the first and, in the EC's view, the most important of these<sup>6</sup>: 'research, technological development and innovation'.<sup>7</sup> **The Regulations emphasise that a focus on R&I is required throughout cohesion policy**<sup>8</sup>, and not only under ERDF.<sup>9</sup> In Wales, our universities are among the principal means available for delivery of this requirement.<sup>10</sup>
- 4.5 These themes are in line with, and will underpin the implementation of, the *Europe 2020 Strategy*<sup>11</sup> which provides a vision for EU's social market economy for 21<sup>st</sup> century<sup>12</sup>. This strategy has a strong focus on developing an economy based on knowledge and innovation and sets out a number of challenging targets.<sup>13</sup> In introducing this strategy, the EC has stated: 'In a changing world, we want the EU to become a **smart, sustainable and inclusive economy**. These three mutually reinforcing priorities should help

the EU and the Member States to deliver high levels of employment, productivity and social cohesion'.<sup>14</sup>

- 4.6 The EC emphasises that **a R&I Strategy for smart specialisation is an ex-ante condition for the new programmes.**<sup>15</sup> It emphasises that these strategies will be essential for regions to raise their game in regional development and to improve the effectiveness in their use of structural funds. These strategies will also allow regions to better leverage and increase synergies with other private and public funds.<sup>16</sup>
- 4.7 Wales already has well-defined areas of academic and business strength suitable for what the EC terms 'smart specialisation'. The new draft *Science Policy* for Wales (due for final publication in early 2012) emphasises that transformational science-led economies succeed because 'they are focused on a few areas, done really well'. It identifies these areas as 'Life Sciences and Health', 'Environment, Energy and Low Carbon', and 'Advanced Engineering and Materials'. These areas coincide with the research priorities in the Welsh Government's strategy for HE, *For Our Future*<sup>17</sup>, which highlights an additional strand, 'Digital Economy', where Wales also has expertise and potential.
- 4.8 Guidance from the EC stresses that from now on, **the emphasis will be on transformational programmes rather than transactional projects**<sup>18</sup>. This means that the previous series of separate projects focused narrowly on hitting transactional targets (such as the number of beneficiaries or firms assisted) will need to be supplemented and superseded by strategic programmes with longer term outcomes.
- 4.9 This approach again chimes with the draft *Science Policy* for Wales which explicitly highlights the need to use Structural Funding 'in a more transformational way'.
- 4.10 The HE sector has been central to efforts to use structural funds to regenerate the economy of Wales both in the 2000-2006 programming period and in the current funding round.<sup>19</sup> These projects have helped to build a platform on which Wales is now beginning to develop a successful knowledge-based economy.<sup>20</sup>
- 4.11 The HE sector in Wales believes, and we agree, that **only change in the very structure of the Welsh economy, with the development of a knowledge-based economy, will realistically begin to meet the targets set by *Europe 2020*.**<sup>21</sup>
- 4.12 We encourage the sector to ensure that their work directly benefits Welsh businesses and communities on a regional basis<sup>22</sup>, while at the same time maximising the potential for international competitiveness and inward investment to Wales more widely.

- 4.13 A strong knowledge-based economy encourages inward investment, and the development of other industry sectors (such as services).<sup>23</sup> It will also help to attract and retain the anchor companies in Wales sought under the Welsh Government's economic policies. Supporting the development of a knowledge economy in all parts of Wales will help to combat unemployment and imbalances in respect of incomes and social cohesion.
- 4.14 The development of a thriving knowledge economy requires both the development and the application of new technologies, otherwise the economy will stagnate and not be innovative or attractive to inward investors.<sup>24</sup> Inward investors will seek out 'centres of excellence', which is why the UK Government in its new *Innovation Strategy for Growth*<sup>25</sup> is committing £150 million to supporting university and business interaction in England.

### ***Enhanced Research and Innovation Infrastructure***

- 4.15 Fundamental to a thriving knowledge-based economy is a robust R&I infrastructure. The draft ERDF Regulations stipulate that specific investment priorities will include '**enhancing research and innovation infrastructure capacities to develop R&I excellence and promoting centres of competence**'<sup>26 27</sup>
- 4.16 *For Our Future* highlights that 'excellence in research has a vital role to play in both delivering social justice and economic prosperity'.<sup>28</sup> Although we have a number of centres of real excellence in Wales, on the whole Welsh HEIs are still underperforming in research income, including Framework Programme 7 (FP7)<sup>29</sup>, compared to the UK average.<sup>30</sup>
- 4.17 We therefore advise that, in future, structural funding should be used strategically to help build capacity in ways that would, for example, position Wales better for competitive processes such as Research Council, H2020 and European Research Council (ERC) bids.
- 4.18 To achieve this, we would suggest there needs to be a clearer focus on areas for capacity building that involve companies as well as HEIs, though not necessarily in the same project, in areas of perceived economic importance (such as those highlighted in the draft *Science Policy* and the Welsh Government's programme for economic renewal<sup>31</sup>). **The need to build greater capacity within HE itself should also not be overlooked.**
- 4.19 We also recommend a change in focus over the measurement of performance, where we hope that a more flexible approach, **consistent with the new ERDF Regulations, can include improvements in research capacity itself as an output in Wales**.<sup>32</sup>

- 4.20 HEFCW advocates a continuation and deepening of the collaborative approach that HEIs in Wales are already pursuing in the design and delivery of European Programmes.<sup>33</sup> Under the current ESF and ERDF programmes we see this clearly in some of the major research partnerships such as the Low Carbon Research Institute, the Climate Change Consortium for Wales and the High Performance Computing Wales project. Another recent success story, which will help to drive forward design and innovation in Welsh industry, is the Institute of Sustainable Design.<sup>34</sup>
- 4.21 These research partnerships have been complemented by a suite of high level skills programmes which are run collaboratively between Wales's HEIs such as Access to Masters<sup>35</sup> and the KESS.

### ***Greater Impact through Integrating EU Funding***

- 4.22 The EC proposals call for 'a more integrated approach for joined-up strategies with other EU policies and financial instruments'.<sup>36</sup> In our view there is significant potential for interaction between the EU funding streams for regional policy, and for research, and education, enabling a greater and more sustained economic impact of these funds in Wales.
- 4.23 This approach chimes with the NAW European and External Affairs Committee's '*Second Report of the Enquiry into the Future of Cohesion Policy*' (July 2010)<sup>37</sup> which highlighted the role of the Welsh Government in supporting the building of competitiveness and excellence of applied R&D in Welsh Universities and **ensuring that future EU funding streams to Wales are aligned towards supporting these strategic priorities** (Recommendation 11). This recommendation was accepted by the First Minister in his response to the report.<sup>38</sup>
- 4.24 It is also consistent with the Committee's report on *Welsh participation in EU Research, Innovation and Lifelong Learning Programmes* (February 2011)<sup>39</sup>, which recommended that '**A more concerted effort should be made to develop linkages between Structural Funds programmes and the Framework Research Programme in particular...**to stimulate future FP7/FP8 and Research Council bids from Wales'.<sup>40</sup>
- 4.25 The report also emphasised that '**There is a strong need for a top-level strategic overview of how Wales is accessing and implementing all EU funding programmes**, and how the various programmes can dovetail to achieve Welsh policy objectives'.<sup>41</sup> These points were also accepted in the Welsh Government's response to the report.<sup>42</sup>
- 4.26 The HE sector is already co-ordinating its efforts on the current Framework Programme (FP7) through the officers of Welsh Higher Education Brussels (WHEB) who have set up groups of leading academics in Wales to look at where the sector might establish international research partnerships in the Welsh Government's key priority sectors. They are also working to strengthen the potential for success of Wales in FP7, and its successor, H2020. The

resources at stake are clear: around €10bn is available annually from the current FP.

- 4.27 Winning resources in H2020 will likely be a test for Wales. For the HE sector it will mean raising its game and successfully building proposals for major international research and innovation partnerships of the highest quality. This in turn will require a more competitive R&I infrastructure than is presently in place.<sup>43</sup>
- 4.28 In the current programming period, there has been limited progress in exploiting the opportunities that arise from linking structural funding to FP7. There are a few *ad hoc* examples in Wales to date.<sup>44</sup> In the new programming period, we think that it will be critical to create the conditions that enable interaction in a strategic way and on a scale that makes a real impact to Wales.
- 4.29 Structural funds in Wales could be used to attract world leading researchers to Welsh HEIs and industry, which in turn could boost the success rate of ERC applications and the retention of these staff. The need to attract research stars to Wales is a core theme in the draft *Science Policy* in the new programming period.
- 4.30 The new programme proposals also encourage inter-territorial investment and the opportunity to combine programme funds where appropriate (e.g. ESF and ERDF).<sup>45</sup> This should enable the development of more strategic and sustainable approaches, and better integration with H2020. There will also need to be sufficient in-built flexibility to develop projects on either or both a pan-Wales and regionally focused basis.<sup>46</sup> This is underpinned by the EC's new proposals.<sup>47</sup>

### ***Economic Growth through University and Business Partnerships***

- 4.31 One of the reasons for needing greater flexibility to run projects on an all Wales basis is so that companies in adjacent areas to West Wales and the Valleys can participate in core elements of the programme. A key way to build economic growth will be to stimulate greater collaboration between HE and large scale industry.
- 4.32 Large companies aren't currently involved in structural funds programmes in Wales because of State Aid implications, although the EC's programme regulations may also have a bearing. Their current proposals state that 'the case for investing in large enterprises ...is much weaker'.<sup>48</sup> This is problematical for Wales, but a transformational approach could in future perhaps enable open tenders for industry-HE collaborative research projects, on an all-Wales basis.
- 4.33 Small, medium and micro- businesses play a fundamental role in Wales' economy. Their support is highlighted in the EC's proposed legislation under the key thematic priority 'Enhancing the competitiveness of SMEs'. Our HEIs

have the expertise to play a vital role in both of the related investment priorities, 'promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms', and 'developing new business models for SMEs, in particular for internationalisation'.<sup>49</sup>

- 4.34 Academic Expertise for Business (A4B) is a Welsh Government initiative, supported by European Convergence funds, that aims both to facilitate and enhance the capacity of Welsh HE (and FE) institutions to interact with businesses for the economic benefit of Wales.<sup>50</sup> Continued support for this programme and its strategic deployment alongside HEFCW's Innovation and Engagement Fund (IEF) could enhance its capacity to contribute to the further development of Wales' R&I infrastructure, as outlined above.

### ***Enhanced Skills and Employability***

- 4.35 Two more of the EC's key thematic objectives for the new programme where we anticipate that HE will play a major role are 'Education, skills and lifelong learning' and 'Employment and supporting labour mobility'. The legislative proposals also emphasise that ESF will contribute to 'Strengthening research, technological development and innovation, through the development of post-graduate studies, the training of researchers, networking activities and partnerships between HEIs, research and technological centres and enterprises'.<sup>51</sup>
- 4.36 The importance of a strong postgraduate community is highlighted in *For Our Future*<sup>52</sup> and our current remit letter.<sup>53</sup> We therefore need to support and sustain postgraduate study in Wales, and continue to build and extend successful programmes like KESS and Access to Masters and similar projects geared towards the specific sectors identified by the Welsh Government. The development of these high level skills is vital to Wales' economic growth and health. There exists great capacity under the new proposals to extend such programmes to help build research capacity within industry (e.g. through ERDF). This in turn could be used to attract H2020 and other research funding to Wales.
- 4.37 We would also suggest we need to encourage schemes which give students and graduates of Welsh HEIs 'the extra edge' in terms of enhanced employability and up-skilling, as referred to in HEFCW's current remit letter. This could include increased numbers of sandwich courses, placement opportunities (potentially both in Wales and further afield, e.g. through the transnational opportunities that are proposed in the EC's draft regulations) and the greater availability of employment/ enterprise related curriculum modules.
- 4.38 GO Wales<sup>54</sup> is our Flagship programme for graduate employability. We believe that continued structural funding for this programme is essential; it has a strong fit with EU2020, WG priorities, and delivers strong and measurable outcomes for individuals, businesses and the economy. In line with the more



transformational approach being encouraged by the EC, consideration could be given to developing GO Wales into a 'one stop shop' for graduate work experience and employability so that economies of scale can be achieved without a proliferation of initiatives.

## **What the Welsh Government's priorities should be in its negotiations to ensure a beneficial outcome for Wales**

### **Budgetary Negotiations**

- 5.1 We believe **there will need to be adequate resources to deliver the new EU structural fund programmes in a way that will transform Europe's regions**. The budget negotiations leading to the agreement of the EU's Financial Perspective 2014-2020 could have a significant impact on the level of funding that Wales will receive, not only through structural funding, but also through strategically linked programmes such as H2020.<sup>55</sup>
- 5.2 We also believe that a key priority should be to influence the UK Government to ensure that **its negotiating position is in the best interests of the whole of the UK's economy and regions**. We also think that influencing the European Parliament, which has co-decision powers in this area, will be important.
- 5.3 In the broader context of the discussions on the Eurozone crisis, and the UK Government's current stance, we also consider that it will be important for Wales to build strong alliances with European partners and institutions in Brussels.

### **Investment Priorities**

- 5.4 The EC's proposed regulations for structural funding call for a greater concentration of investments in order to maximise the impact of policy in delivering the EU priorities - a principle supported by the Welsh Government<sup>56</sup> and by HEFCW.
- 5.5 The ERDF proposals call for a thematic concentration on energy efficiency and renewables, research and innovation and SME support.<sup>57</sup> For both West Wales and the Valleys and East Wales, this would provide essential support for the development of a smart, sustainable and inclusive economy. **We advise that the levels of support proposed for these priorities should be maintained or exceeded.**
- 5.6 We also advise that in both regions, **these funds would need to be apportioned by the Welsh Government so that a significant percentage was allocated to R&I.**<sup>58</sup>

- 5.7 There is increasing emphasis being placed by the Welsh Government on R&I (in all its forms)<sup>59</sup>, and a clear focus on the low carbon agenda.<sup>60</sup> Structural Funds represent, in our view, an important opportunity in Wales to build upon earlier efforts to support the continuing development of these activities.
- 5.8 High level skills help to drive a knowledge-based economy, and we recommend **an enhanced focus on high level skills, as already highlighted in the ESF regulation proposals.**
- 5.9 HE in Wales is already leading a number of programmes which support the development of skills and employability, and help to build research excellence in Wales. We believe **it important for these projects to be supported and enhanced under the new programme.**

### **Co-ordination between EU-funding Instruments**

- 5.10 The EC proposals emphasise that each Member State shall prepare a Partnership Contract which will set out ‘an integrated approach to territorial development supported by the Common Strategic Framework (CSF) Funds setting out – the mechanisms at national and regional level that ensure **co-ordination between the CSF and other Union and national funding instruments**’.<sup>61</sup> **The development of the Wales-specific element of the UK’s Contract could incorporate the Welsh Government’s priorities in this respect.**

### **Simplification**

- 5.11 We are pleased that the EC is aiming for ‘a simplified and streamlined delivery system’<sup>62</sup>, as this will assist efficient implementation and a reduction in administrative burden for beneficiaries. **In particular there needs to be a simpler way of demonstrating compliance, and we suggest that there be a lighter touch for schemes that have already proven they work in the current programme.**
- 5.12 While the EC has proposed that Managing Authorities should increase interaction between different EU funding programmes, including in particular through the Partnership Contract, differences in auditing requirements, legal wording and structure also represent a barrier to taking advantage of synergies between programmes. Therefore, we suggest that better communication between the different parts of the EC responsible for these programmes will also be required.

### ***How Wales can ensure that its views inform the negotiation process.***

### **Effective Partnership with the HE sector**

- 6.1 The EC has emphasised that Managing Authorities apply the Partnership Principle and a code of conduct<sup>63</sup> for consulting stakeholders. Through *For*

*Our Future*, universities in Wales are charged with ‘delivering social justice’ and ‘supporting a buoyant economy’. For several years we have encouraged the HE sector to develop plans to make full use of the new Structural Fund programmes, and **HEIs remain key ‘economic and social partners’<sup>64</sup> which need to be involved in the planning, implementation and management processes of the new structural funding programmes.**

- 6.2 We advise that the HE sector continues to be strongly represented on the European Programmes Partnership Forum, chaired by Mark Drakeford AM. The views of this group are formulated against the backdrop of wider EU and international economic developments, and these directly inform the decisions of Welsh Government Ministers and the Cabinet.<sup>65</sup>
- 6.3 We also advise that the HE sector will need to have a significant role in the expert working groups which will be formed to plan and prepare the new programmes.
- 6.4 We believe that it would be advantageous for the European Programmes Directorate (in BETS) to work in partnership with the HE sector, as it develops its remit to ensure stronger integration between EU funding programmes.
- 6.5 We consider that **the HE sector has a key role to play in the development of the Welsh Government’s R&I Strategy for smart specialisation**, which will be used to inform the negotiation process, and the development and delivery of the new Operational Programme in Wales.
- 6.6 This approach is already well embedded in strategic thinking across the Welsh sector. HEIs already produce Innovation and Engagement Strategies, which play to their particular strengths to support a buoyant economy and help to deliver social justice.
- 6.7 The Deputy Minister for Agriculture, Food, Fisheries and European Programmes has indicated that he is committed to shaping and strengthening the UK’s position in their negotiations on the new programmes.<sup>66</sup> The Minister’s role in this will ultimately influence the Council of Ministers at EU level, and we believe that it will be important for him to be briefed on HE priorities.
- 6.8 Now that the European Parliament has an enhanced role in cohesion policy, we suggest that it will also be important to inform and influence MEPs. There is a need to liaise not only with MEPs from Wales, but to make alliances with those from other regions who sit on the Committee on Regional Development (REGI). This is an area where we believe WHEB can help, in concert with the other Wales House partners.

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## NOTES

<sup>1</sup> Highlighted by David Sweet, Special Adviser, DG Regional Policy, speaker at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea

<sup>2</sup> *Proposed Regulations (Common Provisions)*, Article 82, p.85. See: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/general/general\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/general/general_proposal_en.pdf)

<sup>3</sup> *Proposed Regulations (Common Provisions)*, p.10 (our emphasis)

<sup>4</sup> *Proposed Regulations (Common Provisions)*, p.10

<sup>5</sup> *Proposed Regulations (Common Provisions)*, p.35

<sup>6</sup> Highlighted by Wolfgang Streitenberger, Adviser, DG Regional Policy, speaker at *Looking behind the metaphors. How to build stairways to excellence in EU regions*, 29 November 2011, European Parliament

<sup>7</sup> *Proposed Regulations (Common Provisions)*, p.7

<sup>8</sup> *Proposed Regulations (Common Provisions)*, Article 9: *Thematic objectives*, p.35

<sup>9</sup> *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, Welsh Government, December 2011, and the Welsh Local Government Association's response to this Inquiry, seem to indicate that R&I is only a priority in ERDF. See: <http://wales.gov.uk/docs/wefo/publications/111129reflectionexerciseen.pdf>

<sup>10</sup> Despite the significant changes underway in the funding of HE, the Welsh Government's strategy for higher education, *For Our Future*, already requires a strong focus on R&I.

<sup>11</sup> *Proposed Regulations (Common Provisions)*, p.7

<sup>12</sup> *Europe 2020. A European Strategy for Smart Sustainable and Inclusive Growth*. See: [http://europa.eu/press\\_room/pdf/complet\\_en\\_barroso\\_007\\_-\\_europe\\_2020\\_-\\_en\\_version.pdf](http://europa.eu/press_room/pdf/complet_en_barroso_007_-_europe_2020_-_en_version.pdf)

<sup>13</sup> Including 3% of the EU's GDP invested in R&D, more than 40% of younger people to get a tertiary degree, and 75% of the population 20-64 employed.

<sup>14</sup> See: [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

<sup>15</sup> *Proposed Regulations (Common Provisions)*, p.137, ANNEX IV

<sup>16</sup> Highlighted by Wolfgang Streitenberger, Adviser, DG Regional Policy, speaker at *Looking behind the metaphors. How to build stairways to excellence in EU regions*, 29 November 2011, European Parliament

<sup>17</sup> *For Our Future. 21<sup>st</sup> Century Higher Education Strategy and Plan for Wales*. See: <http://wales.gov.uk/docs/dcells/publications/091125hedocen.pdf>

<sup>18</sup> *Connecting Universities to Regional Growth: A Practical Guide. A guide to help improve the contribution of universities to regional development, with a view to strengthening economic, social and territorial cohesion, in a sustainable way*. European Commission. September 2011. The Knowledge Economy Skills Scholarships (KESS) project is used as an example of good practice. See:

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[http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/universities2011/universities2011\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/universities2011/universities2011_en.pdf)

<sup>19</sup> EU regional funding won by Welsh universities in the 2000-2006 programming period was at least £135m, of which £79.4m came from the European Regional Development Fund (ERDF), and £55m from the European Social Fund (ESF).

<sup>20</sup> In the current programming period a number of key projects are well advanced, including pan-Wales strategic level projects promoting High Level Skills, Work Based Learning and Foundation degrees (under the ESF). Some of these projects are highly innovative and have attracted praise and recognition from EC. For example, the KESS project is unique in Europe in the way it uses ESF support to deliver collaborative research projects and higher-level skills training in partnership with employers. More information is available at:

<http://www.higherskillswales.co.uk/kess/index.php.en?menu=0&catid=0>

<sup>21</sup> Professor Richard Davies speech to *Wales Forum in Europe*, 15 November 2011, Millennium Stadium, Cardiff

<sup>22</sup> HEFCW requires HEIs to submit Regional Strategies, e.g. see:

[http://www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2011/W11%2029HE%20The%20Regional%20Dimension%20to%20the%20Planning%20and%20Delivery%20of%20Higher%20Education%202011\\_12.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2011/W11%2029HE%20The%20Regional%20Dimension%20to%20the%20Planning%20and%20Delivery%20of%20Higher%20Education%202011_12.pdf)

HEFCW also requires HEIs to submit Innovation & Engagement Strategies e.g. see:

[http://www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2011/W11%2010HE%20Innovation%20and%20Engagement%20funding%20arrangements%202011\\_12%20to%202013\\_14.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2011/W11%2010HE%20Innovation%20and%20Engagement%20funding%20arrangements%202011_12%20to%202013_14.pdf)

<sup>23</sup> This is an underpinning principle of the Welsh Government's *Economic Renewal: A new Direction*. See: <http://wales.gov.uk/docs/det/report/100705anewdirectionen.pdf>

<sup>24</sup> The Welsh Government states in its document: *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.12 - 'It is important to note too much emphasis is placed on the relatively low share of R&D expenditure undertaken in Wales. Programmes would likely yield better results if focussed on exploitation of technologies and provision of appropriate infrastructure where there is clear market failure'.

<sup>25</sup> *Innovation and Research Strategy for Growth*. See:

<http://www.bis.gov.uk/assets/biscore/innovation/docs/i/11-1387-innovation-and-research-strategy-for-growth>

<sup>26</sup> *Proposed Regulations (Specific Provisions concerning the ERDF)*, p11, para 1a. See:

[http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/erdf/erdf\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/erdf/erdf_proposal_en.pdf)

<sup>27</sup> The *Proposed Regulations (Specific Provisions concerning the ERDF)*, p.11-12: Investment Priorities under the R&I theme are a) Enhancing R&I infrastructure and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest; b) Promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation; c) Supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production in Key Enabling Technologies and diffusion of general purpose technologies.

<sup>28</sup> p.13, para 47

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<sup>29</sup> Framework Programme 7 (FP7) enables trans-European consortia of researchers apply competitively for grant funding from the EU. Under the new multi-annual financial framework from 2014 this programme will become 'Horizon 2020'.

<sup>30</sup> This is highlighted in a number of recent documents, including, the Chief Scientific Adviser for Wales' draft *Science Policy*; the Welsh Government's *R&D Review Panel Report*, see: <http://wales.gov.uk/docs/dcells/publications/100909rdreporten.pdf>; HEFCW's Research and Innovation Committee, *Research Sub-Group Report*, see: [http://www.hefcw.ac.uk/documents/council\\_and\\_committees/committees/RIEC/Research%20Sub-Group%20Report.pdf](http://www.hefcw.ac.uk/documents/council_and_committees/committees/RIEC/Research%20Sub-Group%20Report.pdf)

<sup>31</sup> *Economic Renewal: a new direction*. See: <http://wales.gov.uk/docs/det/report/100705anewdirectionen.pdf>

<sup>32</sup> The performance indicators in the draft ERDF regulations include: 'area of newly built or equipped research infrastructure facilities' (in square meters) and 'number of research jobs created in assisted entities' (ERDF Annex). There is no requirement by the EC to include enterprise/ commercialisation activity, which we believe is helpful.

<sup>33</sup> Professor Richard Davies, speech to *Wales Forum in Europe*, 15 November 2011, Millennium Stadium, Cardiff

<sup>34</sup> Swansea Metropolitan University is working along side Cardiff Metropolitan through this £2.7m ESF funded project to support a range of new developments such as low carbon vehicle designs and improvements in architectural glass.

<sup>35</sup> Led by Swansea University on behalf of the HE sector this £12.3m ESF programme is helping graduates to further their studies through research projects within Welsh businesses.

<sup>36</sup> *Proposed Regulations (Common Provisions)*, p.4

<sup>37</sup> See: <http://www.assemblywales.org/cr-ld8125.pdf>

<sup>38</sup> See: [http://www.assemblywales.org/bus-home/bus-third-assembly/bus-committees/bus-committees-other-committees/bus-committees-third-eur-home/eur\\_inquiries/eur3\\_inq\\_futureofcohesionpolicy/eur3\\_inq\\_cohesion\\_wagresp-2nd.htm](http://www.assemblywales.org/bus-home/bus-third-assembly/bus-committees/bus-committees-other-committees/bus-committees-third-eur-home/eur_inquiries/eur3_inq_futureofcohesionpolicy/eur3_inq_cohesion_wagresp-2nd.htm)

<sup>39</sup> See: [http://www.assemblywales.org/eur\\_3\\_eu\\_funding\\_final\\_report-e-4.pdf](http://www.assemblywales.org/eur_3_eu_funding_final_report-e-4.pdf)

<sup>40</sup> p.29, para 56

<sup>41</sup> p.29, para 57

<sup>42</sup> See: [http://www.assemblywales.org/eu\\_welsh\\_government\\_response\\_e\\_.pdf](http://www.assemblywales.org/eu_welsh_government_response_e_.pdf)

<sup>43</sup> Christine Chapman (AM and Political Coordinator of the EU2020 monitoring platform of the Committee of Regions) spoke on a related theme at: *Looking behind the metaphors. How to build stairways to excellence in EU regions?* 29 November 2011, European Parliament.

<sup>44</sup> For example, Professor Tim Claypole of Swansea University (a winner of an EU RegioStars award in 2009) presented at two EU seminars on how a Convergence project on printing technologies progressed into a successful FP7 consortium.

<sup>45</sup> Highlighted by David Sweet, Special Adviser, DG Regional Policy, speaker at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea

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<sup>46</sup> *Proposed Regulations (Common Provisions), Article 14*, p. 38, outlines how the Partnership Contract addresses the thematic objectives.

<sup>47</sup> *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.11, states: 'In general it is worth emphasising that policies should not be limited by the boundary that separates West Wales and the Valleys from East Wales. West Wales and the Valleys in particular functions in an economic sense as a part of a wider region and so programme spending that aims to promote integration with the wider economy should be pursued'.

<sup>48</sup> *Proposed Regulations (Specific Provisions concerning the ERDF)*, p. 6-7

<sup>49</sup> *Proposed Regulations (Common Provisions)*, p. 35

<sup>50</sup> More information is available at: <http://wales.gov.uk/topics/businessandconomy/a4b/?lang=en>

<sup>51</sup> *Proposed Regulations on the ESF, Article 3*, p13, para 2c. See: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/esf/esf\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/esf/esf_proposal_en.pdf)

<sup>52</sup> *For Our Future*, page 13, para 46

<sup>53</sup> Para 24, see:

[http://www.hefcw.ac.uk/documents/about\\_he\\_in\\_wales/wag\\_priorities\\_and\\_policies/2011-12%20Remit%20Letter.pdf](http://www.hefcw.ac.uk/documents/about_he_in_wales/wag_priorities_and_policies/2011-12%20Remit%20Letter.pdf)

<sup>54</sup> See: <http://www.gowales.co.uk/>

<sup>55</sup> We gather that the UK Government, and others such as Netherlands, Finland and Sweden, want to reduce the H2020 budget from the 80b€ proposed by the EC in June to around 50b€. Negotiations continue.

<sup>56</sup> *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.18

<sup>57</sup> The proposed Regulations for ERDF, p.4, state: at least 80% of resources must be focused on energy efficiency and renewables, research and innovation, and SME support in more developed regions (e.g. East Wales) of which 20% for energy efficiency and renewables. At least 50% of resources must be focused on energy efficiency and renewable, research and innovation, and SME support, in less developed regions (e.g. W. Wales and Valleys) of which 6% for energy efficiency and renewable.

<sup>58</sup> In the current structural funding programme, we gather that Saxony has committed 40% of ERDF to 'strengthening of innovation, science and research' (two of its three regions, Dresden and Chemnitz, are currently Convergence regions, and likely become Transition regions in the new programme).

<sup>59</sup> Including the Appointment of a Chief Scientific Adviser, a draft *Science Policy*, and sector panels promoting innovation.

<sup>60</sup> Referred to in *Preparing for the 2014-20 Round of European Programmes: A Reflection Exercise*, p.18.

<sup>61</sup> *Proposed Regulations (Common Provisions), Article 13* p.37-38

<sup>62</sup> *Proposed Regulations (Common Provisions)*, p.5, para 2.2.3

<sup>63</sup> We gather that the Code of Conduct for consulting with stakeholders is currently being refined by the EC.

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<sup>64</sup> *Proposed Regulations (Common Provisions), Article 5*, p.33, para 1(b) states: 'For the Partnership Contract and each programme respectively, a Member State shall organise a partnership with the following partners...'economic and social partners'.

<sup>65</sup> Mark Drakeford AM speech at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea.

<sup>66</sup> Speech at *Wales and Europe – Partnership for Success*, 1 December 2011, Liberty Stadium, Swansea.