



THE EUROPEAN COMMISSION'S DRAFT STRUCTURAL FUNDS

REGULATIONS FOR 2014-2020

A submission to the Enterprise & Business Committee from HEW and WHEB

About Higher Education Wales & Welsh Higher Education Brussels

Higher Education Wales (HEW) is the representative body for Wales's Higher Education Institutions and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales and the Director of the Open University in Wales. HEW provides an expert resource on higher education in Wales.

Welsh Higher Education Brussels (WHEB) has been established to promote the interests of the Welsh Higher Education sector in Europe. WHEB works to:

- Enable the HE sector to engage more fully with European priorities such as the Europe 2020 Strategy, Horizon2020 and the Bologna Process; and,
- Facilitate stronger relationships between Welsh Higher Education Institutions (HEIs), European Institutions and Regional Partners from the EU, and beyond.

By placing itself at the heart of Europe, WHEB aims to build closer links with a wide range of other stakeholders, promoting Welsh excellence in pursuit of Europe-wide goals.

2014-2020 – AN OPPORTUNITY TO TRANSFORM WALES'S ECONOMY

Universities in Wales believe that the next round of Structural Funds should shift to a focus on interventions which will have long term and beneficial outcomes for the Welsh economy and away from the current approach centred on predominantly transactional outputs. *The transformation of the Welsh economy from a low value, low employment economy to a high value, full employment economy can only be secured through a new 'whole system' approach to research and development (R&D), knowledge exchange and innovation.*

This shift is explicitly recommended by the European Commission itself in its landmark report 'Connecting Universities to Regional Growth: A Practical Guide'.¹ This important

¹ *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. September 2011.

document aims to improve the contribution of universities to regional development and has outlined four key areas (elaborated below) where universities need to play a central role. **We recommend that the next round of Structural Funds in Wales prioritises actions which have the potential to have a transformational social and economic impact on Wales in generating jobs at all levels and sustainable growth.**

The four key areas include:

1. Enhancing regional innovation through research activity

Universities can play a key role in regional development by providing the knowledge base which will support business development in the region. Universities are focussed on increasing their role in working with business to translate its research into products and services that business develop and then take to market. Though this R&D process is not simple or linear university research can play a central role in the regional innovation ecosystem by responding to demand from the public and private sector for relevant expertise. This is an iterative process which includes not only technology-based activity but work by our business schools and world recognised social science and humanities faculties who will take a multi disciplinary approach to innovation and leadership and management (including social innovation).

2. Promoting enterprise, business development and growth

Universities are redoubling efforts in Wales in making an increased contribution to the business and entrepreneurial culture in Wales. We will build upon our existing enterprise programmes for students as well as supporting staff and students in setting up their own business. Our universities are ideally placed to support new clusters through their networks with companies, expertise in Intellectual Property rights as well as our long standing international links which have often been fostered through the current European Research Framework Programme (FP) funding.

3. Contributing to the development of regional human capital and skills

A key element for realising our potential for economic growth in Wales will be the development of skills and knowledge assets in the workforce. Our universities are keen to work with Welsh Government and business throughout Wales to invest in the skills of local people as well as attract external talent to Wales. The sector is keen to use the next period of structural funding to design training programmes which respond to local employers' needs. This will depend on effective future skills forecasting and will require strong partnership between universities, the Welsh Government and business. Building upon our experiences with our projects during the current programme, the university sector will want to prioritise greater exchanges between university staff, students and SMEs and larger businesses. This is aimed at generating significant job growth at all levels of the economy.

4. Improving social equality through regeneration and cultural development

One of the key tasks for our universities in the coming period will be to work with Welsh Government, schools, Further Education colleges, and businesses to address low skills levels in Wales. Building on our experience in leading innovative projects such as the University of the Heads of the Valleys Institute the sector wishes to extend further its efforts to widen access and raise aspirations of young people throughout Wales to participate in higher education. Furthermore, our universities recognise the central role that they play in providing a wide range of services for local people which enhance the social and cultural infrastructure of an area through projects such as PONTIO at Bangor University. Universities see it as one of their pivotal roles as making Wales a more attractive region for its own people as well as enticing businesses to expand and relocate here. Thus Welsh universities aim to steer investments in way that can have a beneficial impact beyond their immediate campus environment.

UNIVERSITIES TO PLAY A CENTRAL ROLE IN REGIONAL INNOVATION STRATEGIES

- The European Commission has clearly stated that all funding programmes during the new financial perspective will be linked to the objectives of Europe 2020 for *smart, sustainable* and *inclusive* growth. One of the Flagship Initiatives, the Innovation Union, outlines the importance of strengthening the knowledge base through investment in research and innovation in order to meet the objectives in Europe 2020. It also includes a self-assessment tool for regions to benchmark their approach against features of well performing national and regional research and innovation systems.
- The sector notes that the Commission has emphasised the need for regions to draw up their own regional innovation strategies as a condition for accessing Structural Funds. **Universities are enthusiastic about playing a central role in collaborating with the Welsh Government on formulating an innovation strategy for Wales.** The strategy should be put in place during the first half of 2012.
- The Commission has stated that the Regional Innovation Strategies should be based on Smart Specialisation whereby the regions identify their strengths and potential. Universities have responded positively to the Welsh Government strategy for higher education, *For our Future*, which identified the four main research priority areas for Wales. Universities also wish to work with the Welsh Government on realising the strategy outlined in *Economic Renewal: a new direction* and to participate in the Economic Renewal sector panels alongside colleagues from industry. The forthcoming *Science for Wales* strategy, launched in early 2012, will also be a pivotal document and which could provide part of the basis of the innovation strategy.
- **Universities strongly support the idea that regional innovation strategies should be peer reviewed in 2012.** Wales needs to look outwards to examine how and why successful regions have transformed their economies. Higher education itself can play an active role in peer review through input from specialist academics and contributions from university leaders. Furthermore, **universities in Wales encourage the Welsh**

Government to participate in the OECD programme of regional reviews and to work with academics in Wales who have a proven track record in studying regional economic development.²

- Article 5 of the General Regulation allows Member States to organise a partnership with regional authorities, economic and social partners and bodies representing civil society for the Partnership Contract. The higher education sector in Wales will be looking to see that universities are explicitly mentioned as key partners. In addition, the Commission is currently drawing up a European Code of Conduct laying down objectives and criteria to support the implementation of partnership. **The HE sector is keen to ensure that university participation is included as a key criterion in the Code.** WHEB and HEW will be monitoring the development of this Code of Conduct in early 2012.

Research and Innovation is a priority in all funds

- Article 9 of the General Regulations places research, technological development and innovation as the first of the priorities. Commission officials have stressed research and innovation as the first priority for the next period.
- Article 9 also states that all the priorities listed can be funded through all the structural funds. **Research and innovation therefore is a priority also for the European Social Fund as well as the ERDF.** The sector welcomes the specific references to investing in education, skills and lifelong learning and in particular strengthening research, technological development and innovation in the ESF regulations.³
- The university sector welcomes the thematic concentration which includes at least 80% in East Wales and 50% in West Wales and the Valleys of ERDF dedicated to research and innovation, SME competitiveness and renewable energy. Whilst respecting the special limits allocated to renewable energy, the **HE sector is keen to work with the Welsh Government to ensure that a high proportion of ERDF is allocated to research and innovation.**
- Universities in Wales should be consulted on any research and innovation activities as potential lead sponsors, as well as beneficiaries of projects. In the current round of funding there was limited consultation by the Welsh Government on its research and development schemes, such as A4B.
- The higher education sector in Wales is in a position to make a significant contribution to the other two priorities. The Low Carbon Research Institute (LCRI), for example, is

² Professor Kevin Morgan of Cardiff University, for example, is a member of the Smart Specialisation Platform and has co-authored the Guide to Smart Specialisation on behalf of the Commission.

³ ESF regulation COM (2011)614.

Art 3 1 (b) (ii) Improving the quality, efficiency and openness of tertiary and equivalent education with a view to increasing participation and attainment levels.

Art 3 2 (c) Strengthening research, technological development and innovation, through the development of post-graduate studies, the training of researchers, networking activities and partnerships between higher education institutions, research and technological centres and enterprises.

uniquely placed to work with the Welsh Government and SMEs to translate its research into green products and thus into green jobs.

- The university sector also notes that the thresholds in the draft regulation are for *minimum* expenditures and that there will be many opportunities for additional investment in research and innovation above these baseline thresholds. Where this happens economic progress often accelerates, for instance the region of Saxony (in the former East Germany) is investing over 40% of ERDF in strengthening of innovation, science and research and improving educational infrastructure - and the same proportion of ESF in improving human capital. For the next programming period, parts of Saxony will have moved from a Convergence region to a Transition region. We recommend to the Welsh Government that Saxony is taken as a key case study on how a European region can make real progress in raising its GVA through radical policies to enhance research, innovation and high level skills.
- With a greater emphasis on research and innovation the university sector strongly supports a more positive interpretation of the ERDF regulations *which would allow research to be included as a valid output*. The focus on research and innovation should be reflected in the type of targets set for the programme so they would **recognise university related outputs including patents registered by HEIs, investment induced, external research income attracted** – which lay the foundation for job creation at all levels. In the current programme reporting is geared to transactional outputs of/investment in/ jobs created by SMEs/industry, whereas relevant university activity and outputs are, to a large extent, going unreported and yet generate tangible medium to long term benefits for Wales.

Synergies with other EU funds

- The sector wishes to see much greater cross-linkage between EU programmes and notes that this is also an objective of the Commission. For HE this will clearly focus on synergies between the Structural Funds and Horizon2020, the proposed new programme for research and innovation (and successor to the seventh Framework Programme). The Partnership Contract as outlined in the General Regulations make specific reference for need to create:
“an integrated approach to territorial development supported by the CSF funds setting out:
(i) The mechanisms at national and regional level that ensure coordination between the CSF Funds and other Union and national funding instruments”⁴
- Long term sustainability of Structural Fund investments will depend on the success in building research and innovation capacity in the regions so that Wales is able to participate fully in Horizon2020 on the basis of excellence alongside the best in Europe and the world. *The HE sector therefore recommends that Welsh Government make a*

⁴ General Regulations: Art 14 (b) (i) Content of the Partnership Contract.

direct linkage between the priorities of Horizon2020 in the operational programme for research and innovation allowing a clear alignment between the operational programme for the next round of structural funds and the societal challenges prioritised in Horizon2020.⁵

- The university sector fully supports the ‘Stairway to Excellence’ concept promoted by the Commission whereby Structural Funds are invested in research infrastructure which builds capacity with the specific aim of engaging in competitive, excellence driven programmes such as Horizon2020 and Erasmus for All (the proposed new programme for lifelong learning, which will also have increased focus on university business collaboration).
- According to the current proposal for Horizon2020 the European Research Council (ERC) is set for an increase of 70% compared to the budget in FP7. The Structural Funds need to be invested in the university sector so that our universities can retain their best researchers and attract world leading researchers to Wales. This tallies well with the recommendation of the Chief Scientific Adviser for Wales, Professor John Harries, in his draft document *Science for Wales* (July 2011) that universities should attract and retain the best international research teams. These researchers would be in a position to then apply for funding through the ERC. Securing greater ERC funding would raise the profile of the Welsh higher education sector on a global stage and help promote Wales as a centre of excellence for research in key areas. This would create a virtuous circle by attracting more world leading researchers to come to work in our universities which in turn would generate more income and jobs for our communities.

UNIVERSITIES AT THE HEART OF A COLLABORATIVE NATIONAL APPROACH

- The university sector wishes to see a continuation in the collaborative approach pursued in the design and delivery of European Programmes. Major research partnerships involving a number of universities have been set up during the current programme and the sector will be keen to ensure that further investment is committed to innovative initiatives such as these beyond 2013.⁶
- These research partnerships have been complemented by a range of high level skills programmes which are run collaboratively between Welsh universities such as the Access to Masters and the Knowledge Economy Skills Scholarship programmes (see www.higherskillswales.co.uk). The university sector expects that strategic collaborative projects such as these to be prioritised in the future programme for ESF.

⁵ These priorities include i) health, demographic change and wellbeing, ii) food security, sustainable agriculture, iii) secure, clean and efficient energy, iv) smart green and integrated transport v) climate action, resource efficiency and raw materials vi) inclusive, innovative and secure societies.

⁶ Major collaborative research initiatives include the Low Carbon Research Institute, Climate Change Consortium for Wales and High Performance Computing Wales.

- The sector has already started to build upon these collaborative initiatives. Welsh Higher Education Brussels has set up four research priority groups made up of academics who are involved in Framework Programme 7 in order to increase the sector's capture of European research funding. The membership of some of these groups, such as the Low Carbon and the Advanced Manufacturing and Materials groups are based on existing partnerships established through the Convergence funded LCRI and ASTUTE respectively.
- With reference to the action on 'improving social equality through regeneration and cultural development', the university sector recognises that even though high level skills are important the HE sector is in a strong position to work with Further Education partners and the voluntary sector to deliver on a range of skills relevant to the labour market across Wales.
- The university sector notes that the role of the lead beneficiary has been included again but HEIs need to ensure that the administrative burden of applying for funding to lead partners who operate bidding rounds is recognised. Costs associated with an additional administrative layer within these projects which is claimed by lead partners need to be minimised in order that the maximum amount of funding is available for delivering the aims and objectives of the activities. An approach toward the funding of management costs in the Structural Funds could follow the FP7 example whereby funding for management is 100% plus an agreed/fixed indirect/overhead rate. This would make the lead sponsor role more attractive.

Issues relating to the negotiations on the draft regulations

- The sector is keen to provide support for Welsh Government in influencing the UK Government to designate at least one urban conurbation in Wales for the City-Region approach.
- Higher Education Wales will be feeding into the Welsh Government's 'reflection exercise' in the coming weeks to ensure we make the right preparations for the Convergence and Competitiveness areas beyond 2013.
- The university sector is keen to work with partners in liaising with EU institutions during key negotiations on the draft regulations including the Welsh and UK Governments and MEPs. Liaising with the Welsh and other MEPs will be increasingly important given their wider powers to decide on the Commission's proposals. The WHEB office in Brussels will be working with colleagues in Wales House to promote the interests of Wales and its university sector. Higher Education Wales's Pro Vice-Chancellor Research Group will also be visiting Brussels for meetings with EU officials on this and other topics in early spring 2012.

CONCLUSION

Universities in Wales are determined that the period 2014-2020 is the last period in which Wales receives structural funds, on the basis of an improved economic performance during that period. The role of universities in securing that economic revival will be pivotal. The right approach to European Structural Funds and its interplay with other EU funding streams will be a key way in which economic prosperity and social cohesion is built in the next eight years. The university sector will play a full role in the coming period in developing a fresh and successful approach to structural funds with the National Assembly for Wales and the Welsh Government.

HIGHER EDUCATION WALES & WELSH HIGHER EDUCATION BRUSSELS

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