

HEFCW is pleased to share with the Welsh Government its views on the strategic direction for the future Structural Funding programmes in Wales, by way of responding to this *Reflection Exercise*, having already participated in related event workshops.

Our focus here is essentially on two of the key themes highlighted in the *Reflection Exercise* document, 'Priorities for Investment' and 'Strategic/ Local Delivery', as we feel these will have significant implications for the shaping of the other themes provided in that document.

The European Commission proposes that this next round of funding should be used to produce transformational and long-term change to address the causes of economic difficulty rather than its symptoms. The Commission also proposes that this activity should be set within a Research & Innovation (R&I) strategy which concentrates resources on a limited set of priorities and outlines measures to stimulate private investment.

This is timely and opportune for Wales, given the Welsh Government's current focus on key drivers for economic change, including the higher education strategy, economic priority areas, emerging work on the various industrial sectors and work in progress on developing an R&I strategy for Wales.

In our evidence to the Enterprise and Business Committee's Inquiry into the draft legislative proposals for EU Structural Funds for 2014-2020, we argued that the challenge to us collectively is how to bring these policy elements together to best exploit the emerging European funding possibilities, and how best to draw the right people together to ensure that this strategy is as productive as it can be, and plays to existing strengths – such as those that will be highlighted in the forthcoming *Science Policy for Wales*.

The EC proposals would allow us to integrate activity across the different EU funding streams in new ways. It would become possible to use Structural Funds (where in Wales we have an advantage over most other parts of the UK) to build capacity in research and innovation in areas of value to Wales that could then provide a stronger platform for launching bids into the competitively awarded Framework Programme (to be called Horizon 2020 in the next round), and leverage in to Wales other sources of funding and investment.

By this means we could address the much rehearsed challenge of building capacity in research and innovation (in both universities and businesses, working in partnership) on a scale that can compete effectively. This would have wide-ranging

and long term benefits to the economy and society of Wales as a whole. It is partly a matter of structure and organisation (which is already rigorously being addressed in higher education), and partly of investment where, despite committing all that we can, we nevertheless spend less per research member of staff in our universities than every English region except the East Midlands, and with the highest region, the East of England (around Cambridge) spending fifty per cent more.

The issue of synergies between the Framework Programme and Structural Funding has been on the political agenda at European level for several years of course, and has been addressed and analysed by different bodies, including the Commission's 'Synergies Expert Group' (SEG), who produced a report in June 2011 (see: http://ec.europa.eu/research/regions/pdf/synergies_expert_group_report.pdf).

This emphasises that the future national / regional Operational Programmes for Structural Funding related to research and development should have a clear orientation on:

- Promoting local-global connectedness
- Enhancing cooperation between academia and industry focused on the support of clusters
- Improving and developing capabilities and skills for research, innovation and entrepreneurship
- Promoting the modernisation of universities and research and technology organisations, including upgrading and renewing research equipment
- Including Research Infrastructures in regional development strategies

The report also highlights that in order to promote greater synergies between education and research/ innovation programmes, the Commission's Lifelong Learning Programme (to become 'Education Europe' from 2014) as well as the European Social Fund (ESF) should become more 'innovation-orientated' and support more strongly skills for innovation, entrepreneurship, cooperation between universities and economic sectors.

National Endowment for Science, Technology and the Arts (NESTA) has identified a key role for 'the connected university' in driving recovery and growth in the UK economy. It highlights that 'the impacts generated through building up and exploiting a critical mass of excellence is evident. But this exchange can take time and be difficult and costly – and most importantly it needs the building of communities which include businesses, academics and policymakers working together and developing long-term relationships, spaces where networks are encouraged to grow' (see: http://195.88.100.72/resource/files/2009/06/12/connected_university_report_NESTA.pdf).

The question we posed in our evidence to the committee was whether we can manage to construct our management arrangements in ways that enable us to capitalise on the opportunities that linkage of the sort described above could offer. This issue will lie within our own discretion in Wales, and it is a testament to the foresight of the Welsh Government that we can contribute to the thinking on these processes at an early stage, through this *Reflection Exercise*, and subsequently we hope, through other channels, as the architecture for the programmes in Wales is put into place.

Finally, if we choose to move in this direction, it will be essential for funding allocations to be big enough to make a difference on the scale of operation of competitors across the UK and Europe. Saxony, for example, already focuses both its national and EU funding on improving innovation, investing around 40% of its ERDF alone in strengthening innovation, science and research. This has had such a transformational effect that part of Saxony does not now qualify for the next round of Convergence funding.

In case it is helpful, we enclose a copy of HEFCW's evidence to the Enterprise and Business Committee, where we provide more information in support of this response.

We will be glad to provide further detail if you wish.