

Enterprise and Business Committee 21 January 2014

Update on European Funding from Jane Hutt AM, Minister for Finance and Government Business

Evidence Paper

Introduction

1. This paper provides an update on the EU Structural Funds programmes 2014-2020, Horizon 2020, and other EU funding opportunities, including preparations for the European Territorial Co-operation programmes 2014–2020.

European Structural Funds

2. Following detailed negotiations with the Commission on the Operational Programmes for Wales and the agreement of UK Partnership Agreement (UKPA) on 29 October 2014, the European Regional Development Fund (ERDF) and European Social Fund (ESF) Structural Fund programmes were approved on 20 November and 5 December 2014, respectively.
3. This means that Wales was the first nation in the UK and among the first in the EU to have its programmes approved. Worth nearly £2 billion, the programmes will drive a total investment of some £2.9bn (i.e. with match funding) and will help us deliver on our shared goals across Government for sustainable economic growth and jobs.
4. The investments agreed reflect the Commission and Welsh Government's focus on greater concentration and integration of EU funds to maximise their impact.
5. The ERDF investments include:
 - a 45% increase in funding for Research and Innovation, bringing the total EU funds to £310m;
 - a significant boost in funding for SME Competitiveness, including business finance, worth £198m;
 - £439m for Connectivity and Urban Development, including EU investment worth £252m for transformational public transport investments such as the Metro;
 - a significant increase in funding for renewable energy and energy efficiency, with £154m available, and a particular focus on Marine Energy.
6. The ESF programmes include:
 - some £190m (22% of ESF funds), to tackle poverty in Wales by supporting people into sustainable employment, helping the most marginalised and disadvantaged individuals;

- a 20% increase in support, leading to £353 million of EU investment, to develop employee skills that will support an innovative and high quality knowledge based economy;
 - over £240m to help young people across Wales return to work and increase attainment levels, including in Science Technology Engineering and Maths subjects; and
 - specific investments to enhance gender equality in the workplace.
7. A 10 percentage point increase in EU intervention rates was also secured with the Commission which will significantly reduce programme match funding requirements.

Delivery arrangements

8. Preparatory work has been underway for several months in readiness of the approval of the programmes, including the development of a number of 'backbone' project proposals.
9. The Wales Programme Monitoring Committee 2014-2020 also met in shadow form several times last year and on 5 December, the formally constituted PMC agreed the prioritisation and selection criteria for use by WEFO in the approval of EU funds.
10. These preparations paved the way for the announcement on 15 December of the first project approval, the £35m Aberystwyth University's Innovation and Enterprise Campus (£20 million of EU funds). With more project proposals at an advanced stage of development, further project approvals will be announced over the coming months.
11. Work has also been underway to introduce simplified costs to help lighten the administrative burden on beneficiaries by shifting the focus from demonstrating expenditure to a more results-oriented system. This approach, as well as the Commission's introduction of a programme 'performance reserve' (amounting to six per cent of the programme value), reflects the stronger focus on achieving outcomes and results from EU investments.

Horizon 2020

12. Horizon 2020 is the EU's largest Research and Innovation programme, with €79 billion of funding available over seven years. The programme was launched in Wales in November 2013, and although the first substantial feedback from the Commission on Horizon 2020 performance is not expected until the Spring, there is a strong perception that Horizon 2020 is as or even more competitive than its predecessor Framework Programme 7 (FP7). The potential impact on Welsh performance, however, should be offset by the Welsh Government's measures to build on lessons learned from FP7 and the notable increase in enthusiasm among Welsh stakeholders in accessing Horizon 2020.

13. Measures to build on lessons learned include, for example, CM International's Scoping Study¹, which was commissioned by the Welsh Government to seek the views of a wide range of research and innovation stakeholders on the advice and support needed by Welsh organisations.
14. The Study endorsed the approach that the Welsh Government's Horizon 2020 Unit has taken in working closely alongside key stakeholders in Wales, the UK and Europe to maximise Horizon 2020 opportunities. It also identified five main 'gaps' where the Unit and/or stakeholders could provide appropriate support or services:
- An intelligent clearing house for information and advice;
 - Turning interested organisations into applicants;
 - Building successful consortia and partnerships;
 - Visibility, engagement and excellence;
 - Smart specialisation, Horizon 2020 and the stairway to excellence.
15. The Study made recommendations on how to address these 'gaps' and provides a sound basis for any further decisions on the support structure in Wales.
16. The Study also recognised the important role that the Welsh Government's SCoRE Cymru (Supporting Collaborative Research and innovation in Europe) scheme has in supporting Welsh organisations to access Horizon 2020. Now worth £100,000 annually, the fund provides applicants with up to £1,000 for travel costs and up to £10,000 for bid writing costs. Since its inception, WEFO has awarded £103,000 to 28 organisations, 78% of that funding going to Welsh SMEs.
17. WEFO's Horizon 2020 Unit is continuing to work closely with stakeholders including the higher education sector in Wales, Innovate UK and Enterprise Europe Network Wales to deliver a series of targeted awareness raising and technical events, such as those held in Cardiff in April and Llanwrst in November last year. Following the programme launch event in Wales in November 2013, the first of a series of annual Horizon 2020 events will take place in Cardiff on 18 February. There is also a greater focus on promoting the expertise of Wales in Brussels and building synergies between Structural Funds and Horizon 2020 investments. For example, WEFO has been discussing with the Office of the Chief Scientific Adviser for Wales on the potential for the Welsh Fellowship Scheme to access both Horizon 2020 and Structural Funds so that it can attract more talented researchers to Wales and further build research excellence.
18. The Horizon 2020 Unit is also actively considering several other actions in response to the Study, including the:

¹ Horizon 2020 Scoping Study, CM International, May 2014
(<http://wefo.wales.gov.uk/publications/publications/monitoringevaluation/programmeevaluations/horizon2020scopingstudy/>)

- development and promotion of a ‘support network’ for the sharing of knowledge and best practice between existing and emerging research and innovation stakeholders in Wales and Brussels;
- introduction of one-to-one support for Welsh businesses on Horizon 2020 opportunities;
- development of a ‘community of practice’ of Welsh Horizon 2020 experts and evaluators to both increase Wales’ influence in the delivery of Horizon 2020 and provide insights for the wider Welsh Horizon 2020 community.

Other EU funding opportunities, including European Territorial Co-operation (ETC) Programmes

Directly Managed EU funding programmes

19. In addition to Horizon 2020, other EU funding programmes directly managed by the Commission offer important investment opportunities in the areas of business competitiveness (COSME); creative and cultural industries (Creative Europe); transport, energy and digital networks (Connecting Europe); conservation and the environment (LIFE+); and studying opportunities abroad (ERASMUS+).

20. Building on recent Assembly Committee report recommendations to ensure these funding opportunities are promoted and fully maximised by Welsh organisations, a panel of EU Funding Ambassadors was established last December comprising Dr Grahame Guilford, Dr Hywel Ceri Jones, and Gaynor Richards MBE. Drawing on their knowledge and experience of working within the private, public and third sectors, and of European funding matters generally, they will help strengthen the partnership arrangements needed to help the Welsh Government in championing these EU funds.

2014-2020 European Territorial Co-operation Programmes (ETC).

21. Four of the five main ETC programmes 2014-2020 in which Wales will participate have been formally submitted to the Commission, with negotiations to commence shortly. Discussions on the Atlantic Area programme between the participating Member States and the Managing Authority in Porto, Portugal are continuing; the programme will be submitted as early as possible this year.

22. The Welsh Government has agreed the UK Government’s proposed funding allocations for the respective ETC programmes. This includes the Ireland/Wales programme 2014–2020, which received the highest increase in the UK allocation (23% increase compared to 2007-2013) for cross-border programmes involving the UK.

23. The final ERDF values for each of the main programmes are:

- Ireland Wales Cross-border: €79 million
- Atlantic Area Transnational: €140 million
- North-West Europe Transnational: €396 million
- Interreg Europe Inter-regional: €359 million
- URBACT Inter-regional: €74 million

ETC Scoping Study and Strategy 2014-2020

24. An ETC Scoping Study, commissioned by WEFO to seek views from programme partners about their experiences and involvement in the ETC programmes, was published in late 2014.
25. WEFO is considering the findings of the study to help inform a refreshed ETC Strategy for maximising opportunities among Welsh partners in the ETC programmes; the strategy will be completed early this year.

Ireland/Wales Co-operation Programme

26. WEFO will be the Managing Authority for the Ireland/Wales programme 2014-2020, and is leading on its development and delivery preparations in liaison with Irish and Welsh partners.
27. The Ireland/Wales Co-operation programme 2014-2020 was submitted to the Commission by the regulatory deadline of 22 September 2014 with formal approval expected by March.
28. Worth €100 million (ERDF €79m), the Ireland/Wales programme will involve a greater concentration of investments, as follows:
 - Cross-border Innovation;
 - Adaptation of the Irish Sea and Coastal Communities to Climate Change and Cultural
 - Natural Resources and Heritage.
29. Given the maritime nature of the border between Ireland and Wales, the benefits which can be derived from the Irish Sea will be a central focus for programme investments.
30. Preparatory work on the delivery arrangements of the Ireland/Wales programme include the composition of the Programme Monitoring Committee which will be concluded early this year. A programme launch event for Irish and Welsh stakeholders will also be held in Wales this Spring.