

The Future of EU Cohesion Policy

HEW AND WHEB'S EVIDENCE TO THE EUROPEAN AND EXTERNAL AFFAIRS COMMITTEE

Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales. Universities in Wales represent a fast growing sector of the economy contributing an increasing share of our national economy. The university sector in Wales in 2006/07:

- had a turnover of over £1 billion;
- generated a **£2 billion output** to the Welsh economy including direct multiplier effects;
- gained **export earnings for Wales of £170 million**, including £65 million from EU/overseas research grants and £104 million in fees and 'knock-on' expenditure from international students, and;
- earned **£121 million** in total research grants for Wales and over **£205 million** from contracts and other income streams.

Welsh Higher Education Brussels (WHEB) is located in Wales House, Brussels. WHEB is a partnership, established with the support of universities in Wales, HEW, and the Higher Education Funding Council for Wales. WHEB works to support and maximise the benefits from the engagement of Welsh universities with Europe.

INTRODUCTION

1. The university sector in Wales welcomes the opportunity to give evidence to the National Assembly's European and External Affairs Committee. The Committee's inquiry is important in helping to set the agenda for the UK Government and the European Commission as the future of EU Cohesion Policy is considered in 2010. We see the involvement of the Welsh Assembly Government and the Committee of the Regions as essential in the process of informing and influencing the UK Government and the Commission's eventual decisions. We welcome indications that the All Wales Programme Monitoring Committee for the Convergence and Competitiveness Programmes will play a role in considering the future of Cohesion Policy. The university sector in Wales looks forward to participating in further detailed deliberation on this matter through our representation on this key body.

2. Universities in Wales have been at the vanguard of efforts to utilise EU regional funding to regenerate the economy of Wales both in the 2000-2006 programming period and in the current funding round. EU regional funding obtained by Welsh universities in the 2000-2006 programming period was worth at least £135m, of which £79.4m came from the European Regional Development Fund (ERDF), with £55m coming from the European Social Fund (ESF). These projects have helped build a platform on which Wales can begin to develop a thriving 'knowledge-based economy' despite the continued challenges faced in West Wales and the Valleys.
3. In the current programming period a number of exciting projects have already been given the green light by WEFO, including a new £22m Centre for NanoHealth at Swansea University and cross-institutional strategic level projects promoting Work Based Learning and Foundation degrees (under the ESF). A number of other strategic level ESF and ERDF projects have been proposed during the current programming period.

CURRENT DEVELOPMENTS

4. The university sector in Wales has noted with interest recent statements from the European Commission, especially the Reflection Paper of former EU Commissioner for Regional Policy Danuta Hübner¹. We understand that the Paper was broadly supported by EU Ministers for Regional Affairs in April 2009. However, as their communiqué makes clear, this does not commit their governments (especially Finance Ministries) to its recommendations. The university sector also welcomes the fact that the findings of the detailed analysis prepared by Fabrizio Barca² are broadly in line with the stance outlined by former Commissioner Hübner.
5. We await the further elaboration of the positive proposals of Ms Hübner's Reflection Paper. As the Committee may be aware her successor, Commissioner Samecki, has undertaken to do this in a publication expected to be published by the end of 2009. At the request of the Welsh university sector, the UK HE Europe Unit (which represents all of the UK's university sectors and the UK HE funding councils) is in contact with the UK Department of Business, Innovation & Skills (BIS) regarding its position on 'transition' funding. The UK HE Europe Unit will also shortly produce a UK HE sector position paper on the future of regional policy, which we would be pleased to circulate to the Committee on its publication.

¹ *Reflection paper on future Cohesion Policy*, Danuta Hübner, April 2009, <http://www.eu2009.cz/scripts/file.php?id=34989&down=yes>

² 'An Agenda For A Reformed Cohesion Policy', Fabrizio Barca, April 2009, http://ec.europa.eu/regional_policy/policy/future/pdf/report_barca_v2104.pdf

TRANSITION FUNDING BEYOND 2013

6. The university sector strongly supports and welcomes the case made thus far by the European Commission on transition funding from 2014. Of particular importance is the intention to intensify the focus of regional policy on delivering the EU Competitiveness (i.e. the 'post-Lisbon') strategy. Briefing from Commission officials in Brussels affirms that there should be a reduced number of priorities, centring on innovation and research. The Barca report agrees that innovation should be a key priority in regional policy³. Universities in Wales strongly support such an emphasis given the accelerating pace of globalisation and the emergence of fully fledged knowledge based economies in Asia and the Subcontinent.
7. We are particularly encouraged that the Commission argues that every region in Europe must contribute to EU competitiveness regardless of its level of GDP. Former Commissioner Hübner has stated that regional policy should, in principle, be available to any region not meeting its knowledge economy potential. The 'place-based' EU regional policy advocated by the Barca report is defined in similar terms as "*a long-term strategy aimed at tackling persistent underutilisation of potential*"⁴.
8. On this definition, West Wales and the Valleys can and should qualify for significant transition funding beyond 2013. As Wales currently has some of the least favourable indicators in the UK (and Western Europe) on productivity⁵ and investment in research and development such transition funding will be required if Wales is to have a chance in succeeding in the global 'race to the top'⁶ of the value chain in products and services.
9. This race to the top is increasingly being matched by rapid and accelerating changes to the patterns of labour demand across the EU and in Wales. Without a substantial shift toward high level skills these changes will seriously disadvantage the 74% of adult population of Wales who do not possess a high level skills qualification. The latest evidence indicates that the vast majority of *net* new jobs in Wales⁷ will in occupations where the possession of high levels

³ Section IV.3.1 of the report is entitled 'A case for "Innovation"'

⁴ Barca Report, Executive Summary, p.VII

⁵ Report from Boddy, Prof. M., Hudson, J., Plumridge, A. and Webber, D. of the University of the West of England and the University of Bath to the Welsh Assembly Government's Economic Research Advisory Panel entitled 'Understanding Productivity variations between Wales and the rest of the UK' (Nov 2006). The full report can be accessed here:

<http://cymru.gov.uk/firstminister/research/economic/completed/productivity/productivityvariations.pdf;jsessionid=R0WfK4sHlghQdFgXBzDy92pntkNQmwn76FQtTjDwlhgHvHNWvx1M!-774995877?lang=en>

⁶ See the 'The Race to the Top' by Lord Sainsbury reporting on his 2007 review of the UK Government's Science & Innovation policies: www.hm-treasury.gov.uk/sainsbury_index.htm

⁷ According to the UK Commission on Employment and Skills' latest *Working Futures* report more than 70% of net new jobs in Wales (defined as jobs that do not replace existing employment roles) in the period 2007-17 will be in managerial, technical and professional occupations where high level skills are increasingly essential. See table 5.11, p.323 www.ukces.org.uk/upload/pdf/Working%20Futures%203%20FINAL%20090220.pdf

skills is increasingly the norm. As Wales lags well behind Scotland and England in the proportion of the labour force with high level skills we are far from ensuring that Wales makes the most of these new trends in employment and labour demand. The potential of transition funding in helping to lift the skills levels of the current and future labour force will therefore be essential to our economic success in the decade to come.

THE SHAPE OF TRANSITION FUNDING FOR WEST WALES & THE VALLEYS AFTER 2013

10. The Welsh HE sector wishes to emphasise the significant potential for synergies to be exploited between the EU funding streams for regional policy and research. The latter is known as the Framework Programme 7 (FP7), in which trans-European consortia of researchers apply competitively for grant funding from the EU. Professor Tim Claypole of Swansea University (a winner of an EU RegioStars award in 2009) presented at two recent EU seminars on how a Convergence project on printing technologies progressed into a successful FP7 consortium. WHEB is engaging with European Commission officials organising an expert group and conference in 2010 to explore further synergies between FP7 and regional policy and HEW has worked with senior university research leaders to explore the fruitful connections between the two programmes.
11. FP8 funding from 2014 is likely to focus on tackling great societal challenges and curiosity-driven research at the frontier of knowledge. Both of these foci will require an increasingly multidisciplinary approach to research and innovation. The investment of EU regional funds in universities increases our capacity to undertake this type of research. The university sector in Wales welcomes the intention of the Commission to tackle the weakness that it has recognised in its regional funding across Europe in relation to experimental projects. These are seen as projects where there is a risk that investment may not bring immediately quantifiable results in terms of, for example, job creation.
12. Former Commissioner Hübner has said that there is “overwhelming” backing for extending support for cooperation between European regions. HEW would wish for universities within and beyond the Convergence area to continue to be able to benefit from this. INTERREG is rightly increasingly orientating funding towards projects on innovation. For example, the Marine and Coastal Research Group at Cardiff University is part of a European partnership of researchers and policymakers to test innovative ways to address coastal climate change⁸. This is supported by the current INTERREG North-West Europe programme.

⁸ <http://imcore.eu/>

CONCLUSION

13. The university sector wishes to see a consensus emerge within civil society in Wales on certain key elements of Cohesion Policy after 2013 including territorial cohesion and in opposition to the countenancing of 'renationalising' Cohesion Policy. This would help reinforce the emerging stance of the Welsh Assembly Government and other key partners in Wales. The university sector believes that such a consensus would be helpful in presenting a united and coherent view from 'Team Wales' on this pivotal matter.

14. The university sector strongly supports the case for transition funding beyond 2013 and sees potential in further synergies between the Framework Programme and regional funding. The global economic downturn has, if anything, increased the importance of renewed regional funding for Wales as the need to rapidly transform the economy has been enhanced by the further erosion of employment in West Wales and the Valleys. The university sector looks forward to working with the National Assembly for Wales and the Welsh Assembly Government to help make the case for transition funding with the Commission in the year to come.