

## Inquiry into Effectiveness of structural funds in Wales

### Response from Aberystwyth University

1. *To what extent do you consider the Convergence and Regional Competitiveness and Employment Programmes in Wales for the 2007-13 period, to have achieved – or be achieving – their intended objectives?*

Aberystwyth University (AU) has benefitted from collaboration with European projects for the last 25 years and, in doing so, has contributed to the economic and social regeneration of the region. It recognises the importance of utilising the Higher Education sector, in combination with European Structural funds, to assist in the development of sustainable and advanced high tech businesses to contribute to economic regeneration generally and particularly to counter disadvantages resulting from the current economic situation, increasing energy costs and to promote better, cleaner and more efficient industries.

To this end AU has focussed on:

- Commercialising and exploiting research that will contribute to economic development
- Assisting beneficiaries in Convergence areas to develop higher level skills through tailor-made training opportunities
- Developing and rolling-out cutting edge modelling, analysis and simulation software to both support innovation and reduce time-to-market
- Supporting the development of new 'green' technologies and creative industries.

Examples of the above include our **BEACON** project (Biorefining Centre of Excellence) utilising ERDF funds. This involves the conversion of plant feedstocks into biofuels and biochemicals, and will enable 202 companies to use 'green' products derived from plants rather than oil. It is being delivered in partnership with Bangor and Swansea universities (Aberystwyth lead). The combination of expertise within the partners enabled this project to be successfully developed, as no one university could have delivered it with their current resources and expertise. The project value is in excess of £20m and the concept emerged through the unique and world class blend of expertise within the AU Institute of Biology and Environmental Research (IBERS) that spans plant breeding, genetics, agronomy, cell biology, biochemistry, carbohydrate metabolism, enzymology and microbiology.

Similarly the **WISE** project (Welsh Institute for Sustainable Environments), which was originally developed through Objective 1 funding, provided a platform for the development of **WISE2** in the Convergence programme and provides businesses with access to expertise in energy and other environmental resources in AU and its partner

institutions. The WISE project was shortlisted for the PraxisUnico Impact Award and included in its evidence:

“WISE Network has already had an impact on almost 500 companies across the eligible regions of Wales. Of these, 119 companies have engaged in collaborative R&D with one or more of the partner Universities, and a further 116 instances of environmental knowledge transfer via training workshops and use of university facilities have been made possible by the project.

Almost 80 new jobs have been created in the companies we supported, and their turnover has increased by £4.7m since WISE Network began. New patents and trademarks have been registered as a result of the project, which will produce further impact as new products and services based on these are launched.

Companies are able to embed staff in University facilities such as laboratories and glasshouses, and a total of 2130m<sup>2</sup> of technology, innovation, R&D, and incubation space has been made available to companies as a result of the project.

As a result of the WISE Network, almost 500 companies have been able to both increase their financial success, and reduce their environmental impact.”

The current economic climate, to which the HE sector is not immune, has created a very challenging context against which to evaluate this question. Against the turbulent economic and social backdrop the structural fund programmes are even more important than may have been anticipated. Employment and labour market trends continue in a downhill spiral. Particular groups are especially disadvantaged – young people wanting to enter the labour market, those more distant from services and small businesses that do not have the capital or other resources to utilise as an economic buffer to counter the current economic difficulties. Contraction in the public sector, on which the regional economy is heavily reliant, is resulting in a loss of employment opportunities, a loss of confidence and also diminishes the quality of public services, all of which add to the existing disadvantage.

**Table 1. Aberystwyth University’s current involvement with structural funds**

<b>Project</b>	<b>Project Value (€)m</b>	<b>Project</b>	<b>Project Value (€)m</b>
KESS	33.00	LCRI	7.00
ATM	21.67	Technocamps	5.98
BEACON*	20.09	SEREN	10.00
HPC Wales	40.00	Susfish	2.90
SAW	13.40	SEACAMS	23.60
ASTUTE	26.85	SMARTCoasts*	4.35
SLNIW	1.70	BOBL*	2.00
PROSoil*	2.00	CLNIW	1.80

WISE 2*	14.8		
<i>*Aberystwyth University lead</i>			
<b>TOTAL AU cash funds</b>		<b>£23.12m</b>	
<b>Total value of Projects to region</b>		<b>€251.14m</b>	

2. *Do you consider the various projects funded by European Structural funds in Wales to be delivering value for money?*

AU has the necessary expertise and structures in place to utilise cutting edge research and specialist know-how for the benefit of the regional economy. Having developed these systems of knowledge transfer it becomes increasingly economic to make use of the resources within AU to promote and support economic development across the region.

The strong emphasis on partnership working within the Convergence programme has resulted in added value as the projects are able to take advantage of the expertise and specialisms within the member partners for the benefit of the target group.

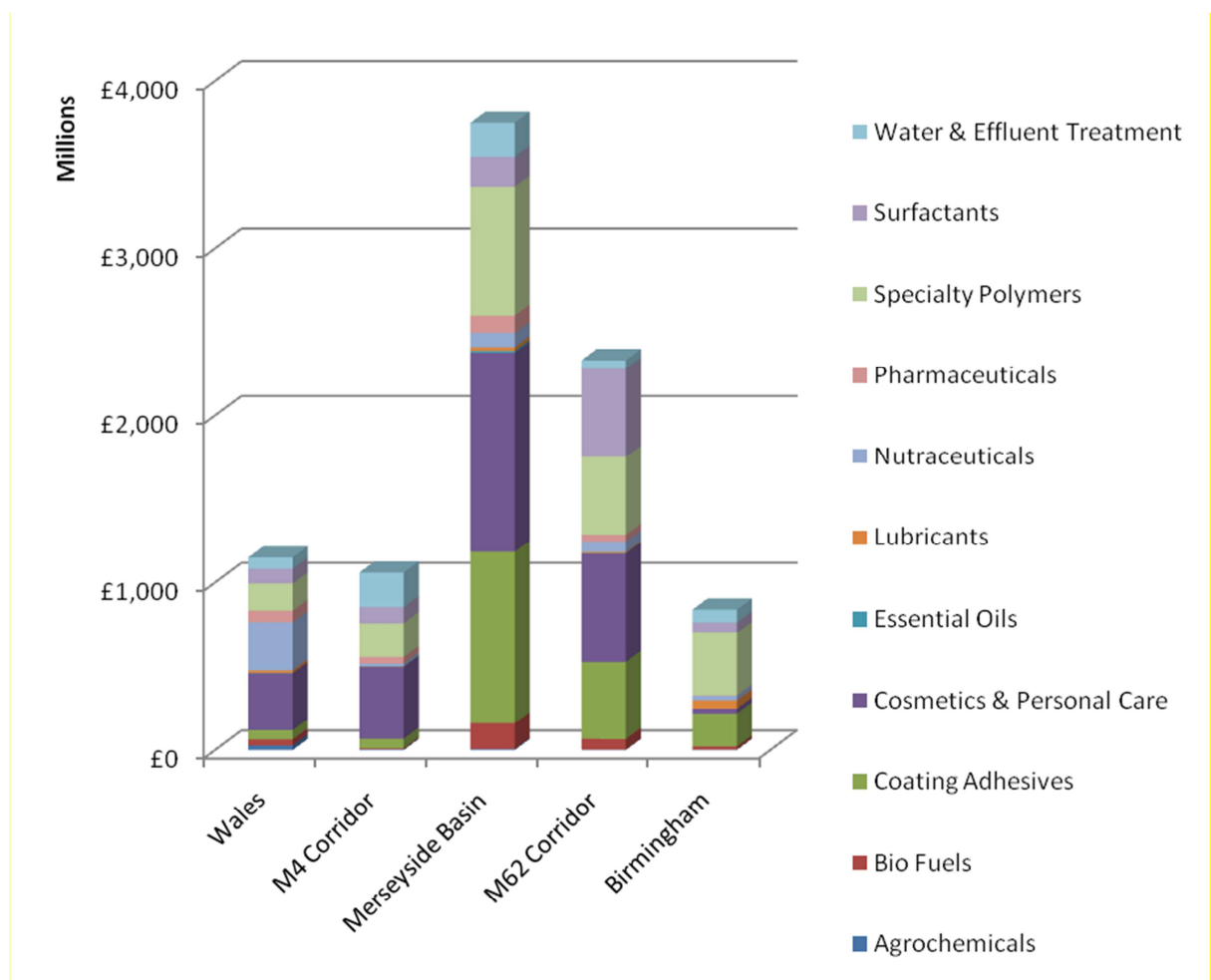
Example: BEACON value for money:

The total value of the BEACON project is £20.1M of which £10.7M is grant funding from WEFO. The partner academic institutions have therefore raised an equivalent amount of independent funding to match that provided by WEFO. The metrics associated with this funding are:

<b>OUTPUTS</b>	<b>TOTAL</b>
Enterprises Assisted	202
Collaborative R&D	25
<b>RESULTS</b>	
Gross Jobs Created	67
Enterprises Created	3
Profit Benefit	£1,680,000
Investment Induced	£3,360,000
Products, processes or services registered	7
New or improved products, processes or serviced launched	16

These metrics then need to be compared to market potential, both within Wales and potentially beyond.

- Assuming an average chemical feedstock cost to these businesses gives approximately £1.2bn as the market potential (see table below). A 30% substitution of industrial chemicals is estimated purely on an economic basis in the near term with future growth expected. This equates to a £360m accessible market.
- Looking at additional strong clusters in the M62 corridor and Birmingham, both readily accessible through good transport links, the share could increase from 16% to 25% of the UK market and a £560m opportunity.
- BEACON maximise the probability of Welsh based universities and enterprises to capture segments of a growing market which is anticipated to be worth between £4-12 billion in the UK by 2025



Any significant market penetration in the sectors identified above demonstrates a significant return on initial structural fund investment and therefore demonstrates value for money.

3. Do you have any concerns around the use of the Targeted Match Fund? Do you have any concerns around the use of Welsh Government departmental expenditure, a match

*funding? What impact do you believe public sector cuts have had (and may have) on the availability of public sector match funding?*

We have no concerns about the use of Targeted Match Fund or Welsh Government expenditure as match-funding. However cuts in public-sector budgets will inevitably make it much more difficult to achieve match-funding.

The uncertainties early in the programme over match-funding opportunities created an uncertain and nervous climate which contributed to delays in rolling out the programme and a lack of 'buy-in' from some quarters. There have also been long-standing queries about the four overhead rates for ESF and ERDF within the HE sector that continue to be problematic in some cases and which have contributed to negative attitudes towards engagement in some quarters. A clear, written agreement with WEFO in relation to overheads prior to the commencement of the next programme would be greatly welcomed.

4. *How effectively do you believe the Welsh European Funding Office (WEFO) have monitored and evaluated the impact of projects?*

The high turn-over of staff within WEFO has been unhelpful in developing effective working relationships with officers and building up a body of knowledge and understanding in relation to funded projects.

The introduction of 6-monthly audits for INTERREG projects, replacing annual audits, has also added considerably to the administrative burden with no discernable benefit and a strong sense that this is disproportionate to the task.

#### BEACON

The BEACON team meet with WEFO staff once every quarter to review progress, both from a financial and impact perspective. This gives the BEACON management team an opportunity to communicate impact in addition to the WEFO on-line web based monitoring tool. The difficulty in demonstrating impact often relates to the restricted way in which WEFO identify outputs and results.

Apart from these issues identified above AU has the resource and the appropriate expertise to, not only competently fulfil all the monitoring and evaluation requirements, but also to implement 'best practice' procedures in these areas. AU enjoys a very good working relationship with WEFO to ensure full compliance.

5. *Do you have any concerns regarding sustainability beyond 2013 of the activities and outputs delivered through projects financed during the current round of Structural Funds?*

Sustainability has been integral to the planning and development of each project and activity supported by the close working relationship that develops between the partners. However the unexpected and rapid decline of the National and European economies has created additional challenges for sustainability. This is an area where AU can make a very positive contribution by maintaining and supporting its extensive network of partners.

6. *What is your own experience of accessing European Structural Funding?*

AU's experience of accessing European Structural funds has been largely positive. However there are occasions when the 'opportunity costs', in terms of the necessary commitment of time and resources to prepare proposals with no predictable outcomes, results in a lack of enthusiasm and 'buy-in' from some colleagues, particularly if they have previously experienced disappointing outcomes to proposals. In addition confusion over 'state-aid' issues, particularly with partners, has caused major delays and has dislocated some potential partnerships. HEIs can only police their own state-aid – they cannot be expected to enforce that of partner organisations and would suggest that WEFO take responsibility for this issue (e.g. the use of general block exceptions).

7. *Is the private sector in Wales sufficiently engaged in accessing European Structural Funding?*

Aberystwyth University is situated in a very rural location where the regional economy is characterised by SMEs and this poses particular challenges for private sector engagement with European Structural funds. However the development of close working relationships between AU and many local and regional businesses has encouraged a proportionately high degree of engagement. The 'opportunity costs' noted above necessarily militate against the engagement of very small SMEs as they lack the necessary time and resource to invest in what can appear to be a speculative opportunity. State Aid requirements for collaborative R & D projects, particularly those relating to IP ownership and cost sharing, can be difficult for some SMEs, and a skilled approach by project staff to discussing these issues is necessary. This is resource intensive but essential if state aid compliance is not to become a barrier to private sector engagement with the projects. However in the very difficult, current economic climate structural funds are particularly important in rural areas especially for small enterprises as their survival and efficiency will be integral to the economy's future recovery.

8. *In 2009, WEFO negotiated an increase in programme intervention rates with the European Commission for the two ERDF and the ESF Convergence Programmes. In its July 2010 report, the Enterprise and Learning Committee noted that the South West Regional Development Agency had negotiated higher intervention rates with the European Commission. Is Wales making the most effective use of increased intervention rates?*

The increased intervention rate negotiated by WEFO in 2009 made the ERDF and ESF Convergence funds more attractive to AU and, as a result, the institution became more positive towards Structural funds. We were not aware that the South West RDA had negotiated higher intervention rates with the Commission and would welcome the opportunity to explore this issue with WEFO as appropriate.