

## A Framework for Regional Investment in Wales: proposal for supporting cross-border and international working

### Background

Leaving the EU will naturally raise legitimate questions about the future of our ongoing partnerships, from our UK and international partners and those in Wales currently participating in them.

Whatever the challenges, Welsh Government have been clear that leaving the EU does not mean turning our backs on our partners in Europe. Brexit strengthens the need for Wales to demonstrate its effectiveness and reliability as a partner, collaborating not just in the UK and EU but across the world to achieve common goals.

Bridgend-based Econotherm Ltd has secured €1.3m of EU funds to work on Horizon 2020 projects aiming to reduce energy consumption and carbon footprint in a range of industries through the development of new technology.

The company, which designs, manufactures and exports heat recovery systems around the world, is involved in four Horizon 2020 projects alongside businesses and research centres from across Europe.

Econotherm Managing Director, Mark Boocock said:

“The EU Horizon 2020 funding has been instrumental in providing a means of connecting Econotherm to the ‘best in field’ industrial and academic partners across Europe”.

“The projects that we have secured will allow us to drive forward some of our more embryonic technologies to full commercial realisation. As the various consortiums also include major industrials it is envisaged that many of these will become customers of the eventual technical solutions having been involved in their development from the outset.”

One of the most valuable aspects of European Funding in Wales has been its ability to bring partners together across nations to work collaboratively and attract funding and opportunities. Welsh Government recognise the value of these collaborations, which have enabled our stakeholders to find real solutions to shared challenges across our borders, and are clear that we want them to continue. The Welsh Government’s International Strategy refers to the importance of continuing to look outwardly to Europe and beyond, with a key goal to raise Wales’ profile internationally.

This commitment needs to be reflected in the structures that we set up and the funding that we allocate. European Funding currently supports much of this collaborative activity, and it will require a proactive choice by Government to maintain and enhance this moving forwards.

When future opportunities present themselves to our Welsh, UK and international partners, we want the funding structures and relationships to enable co-operation. We feel that there is also an opportunity to deliver a **step change** in cross-border and international working:

- taking advantage of the freedom to support more work on shared opportunities and challenges and access more funding within the UK, such as the UK Challenge Funds, Catapults and Sector Deals;
- increasing the benefits that accrue from engagement in European networks and programmes, such as European Territorial Co-operation, Horizon Europe, Erasmus+ and Creative Europe; and
- expanding to a more global perspective to secure and maximise the benefits of an enhanced status in the world, through stronger partnerships, increased trade and access to funding opportunities.



### **Proposed approach**

1. *International/Cross-border funding should be available horizontally across all areas to respond to emerging opportunities.*

Without specific funding to respond to opportunities as they emerge, approaches to cross-border and international working would be limited and lacking strategic coherence, resulting in many missed opportunities.

Taking advantage of opportunities, either to compete for funding, or to build and sustain relationships with our UK and international partners to explore potential opportunities, requires financial and time resource which can be a barrier to participation. There are relevant networks at local, regional, national and international levels that can offer opportunities to pool resources to share learning, identify and exchange best practice, innovate and deliver tangible outcomes of mutual benefit, and address shared problems together.

Reflecting on the needs of our local and regional partners, dedicated funding opportunities are needed particularly at the earliest stages to build cross-border and international relationships and exchange information to get to the stage of developing co-operative projects. In the absence of this, collaborations will be restricted to those with the capacity to invest longer term, preventing the benefits of co-operation being shared more evenly across regions and beneficiaries.

To deliver its aims, the funding would need to be agile, opportunity-led and support sequential investments in emerging priorities.

SCoRE Cymru (Supporting Collaborative Research and innovation in Europe) provides small grants to stimulate participation by Welsh organisations in European collaborative research and innovation programmes, particularly Horizon 2020. The scheme has been flexible in supporting a range of different approaches to delivering its core aim. Organisations supported by SCoRE have won £5.9m funding from the highly competitive Horizon 2020 programme.



*2. Funding should be prioritised for specific interventions in cross-border and international activity, linked to the four priority areas and supporting the International Strategy*

Since devolution, Wales has formalised government-to-government relationships with several international regions with common cultural and linguistic heritage, shared values, and common economic and social interests. These international regions are:

- Brittany
- Basque Country
- Flanders

We also have strong country relationships with Germany, France, Ireland, the US and Canada. These countries and international regions are identified within the International Strategy as key strategic relationships that we are seeking to build and maintain moving forwards. The document also identifies a number of Networks and Agreements through which Wales can prioritise future engagement.

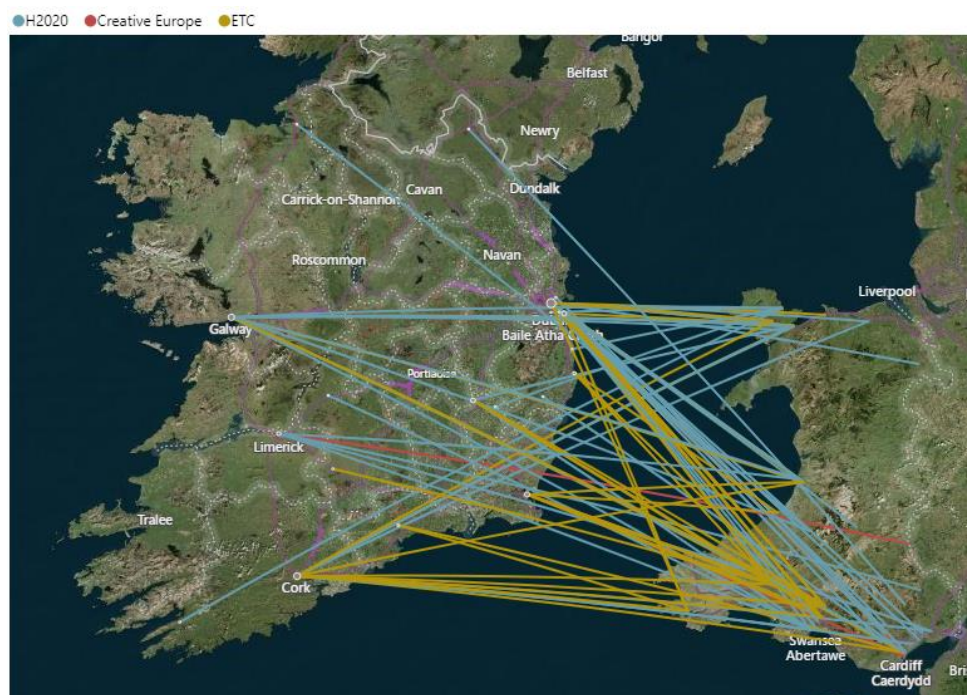
Welsh Government has also identified a number of European Programmes that we would look to maintain access to post-Brexit, in particular European Territorial Co-operation (including the Ireland Wales Programme), Horizon Europe, Erasmus+ and Creative Europe.

The College Merthyr Tydfil has taken part in an international project designed to provide enriching educational and social development opportunities, helping learners overcome barriers to employment that prevail in the South Wales Valleys. 284 students had the opportunity to travel to Germany and gain work experience in nine vocational areas – construction, motor vehicle technology, engineering, business, IT, childcare, travel & tourism, hair & beauty, and health & social care. While some learners have found their experience has helped them find work or an apprenticeship, the college has also found that others who have taken part in Erasmus+ are more likely to complete and be more successful in their vocational courses. Across the subjects, Erasmus+ participants performed between 3-16 per cent better than those who hadn't taken part.

In addition to enhancing the students' confidence and employability, the programme has also contributed positively to participants' wider essential skills such as team working, problem solving and self-motivation: "This funding adds a whole new dimension to many courses and just adds to the great experience students get whilst at the college," said Christine Bissex-Foster, Head of

Erasmus+, Enterprise and Skills for the college, "Students undertaking this work experience are at a distinct advantage when applying for jobs and university."

As the map below illustrates, in addition to the direct financial and societal benefits, these programmes provide an important mechanism to allow us to build further links with important countries and international regions. These links then lead on to increased trade and access to funding opportunities.



As already highlighted there is also now an opportunity for regional investment to more specifically support Welsh activity within the UK. This could include accessing opportunity based UK funding programmes, local/regional clusters working across boundaries on economic opportunities, or nations working on shared challenges such as climate change.

We propose that our incentive structures be designed to prioritise projects that deliver the four priority areas for regional investment (and the strategic objectives) within this cross-border and international context. Cross-border and international working should be 'in the DNA' of future regional investment, building on approaches such as the 'stairway to excellence' currently used for the Structural Funds and Horizon 2020<sup>1</sup>.

This could involve niche investments or investments that enhance other activity by including a cross-border or international element. However, given the need for a step change in cross-border and international working it is recognised that strategic horizontal investments may be required for certain activities.

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<sup>1</sup> Horizon 2020 in Wales Annual Report 2018 - <https://gov.wales/sites/default/files/publications/2019-03/horizon-2020-annual-report-2018.pdf>

The potential for investment alongside cross-border and international partners (parallel investment or match funding the same activity) should also be considered where the benefits to Wales are clear.

3. *Leading strategic role at the national level in prioritising, negotiating, agreeing and overseeing cross-border and international projects based on priorities set by the regions.*

Regions and localities are best placed to identify and prioritise individual opportunities as they emerge, but our stakeholder group identified the opportunity to add value through a national co-ordinating function taking a longer-term, strategic lead. Pressures on budgets and the need to fulfil challenging targets may mean in practice that cross-border and international work is neglected in favour of short-term delivery. A stable, long-term approach to building national strengths leads to cumulative benefits over time<sup>2</sup>.

The functions of this national activity would be to minimise the barriers to cross-border and international working at the regional and local levels. Extra provisions outside the Welsh geographic area will be a barrier to the effectiveness of programmes, and there will be a requirement to negotiate agreements with our cross-border and international partners for example.

When considering economies of scale, there are certain resources that would apply across all of Wales, particularly when considering bids to any potential opportunity-based funds in the UK, EU and globally. When attempting to access such funding, there is scope for a national role in co-ordinating planning and activity to share best practice and create a common strategic narrative.

There is also value in presenting a clear and consistent offer to potential cross-border and international partners, and creating an environment and culture where such opportunities will be given every chance to progress.

## **Implementing the approach**

The proposed implementation model is based on discussions at the International and Cross Border Sub Group, experience of delivering similar support in Wales<sup>3</sup> and best practice in other regions/countries. The model is expected to evolve but provides a clear 'direction of travel' that will allow further work to take place; this is important as there is a significant risk that we will lose momentum as we leave the EU.

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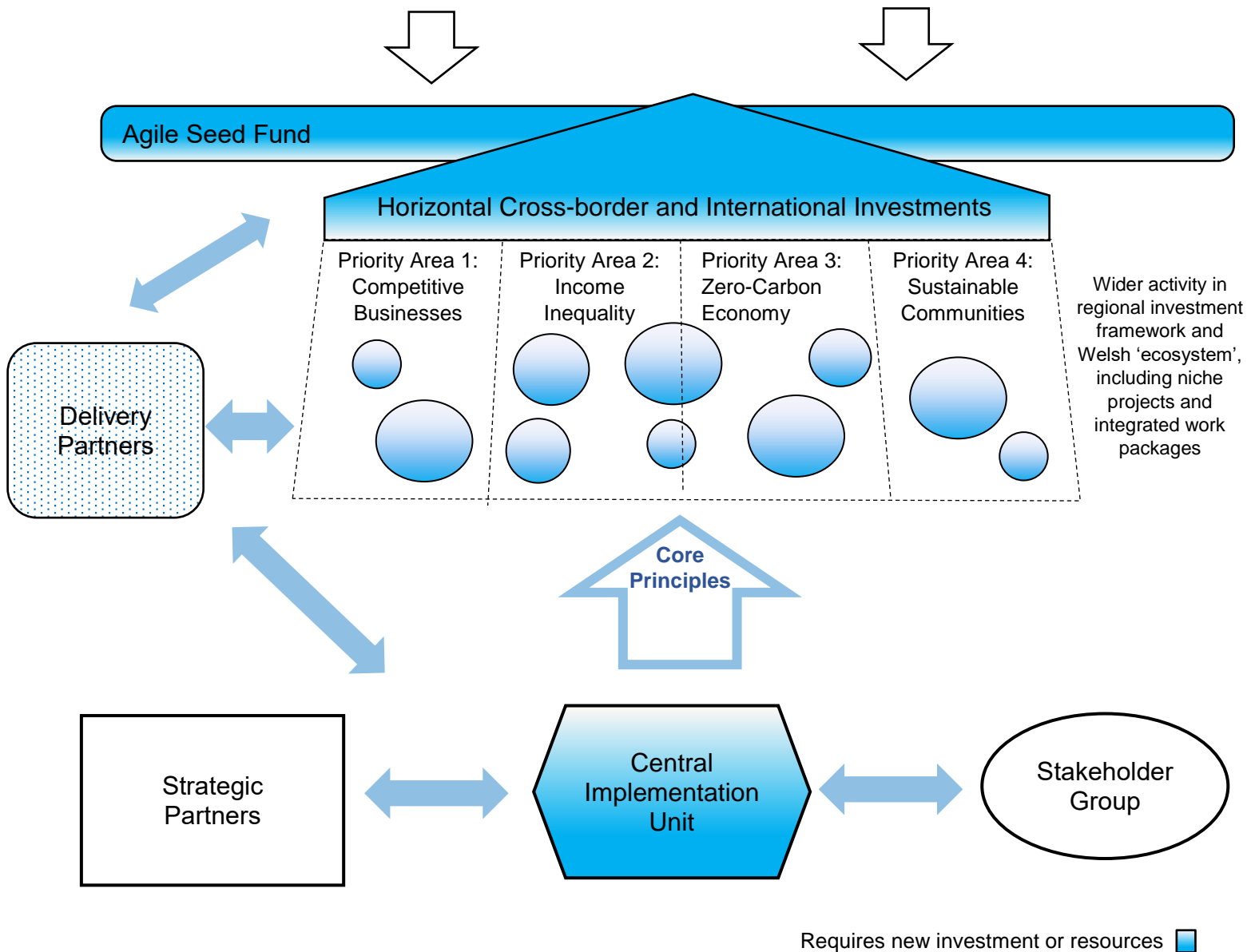
<sup>2</sup> [Playing the long game: Experimenting Smart Specialisation in the Basque Country 2016-2019](https://www.orquestra.deusto.es/en/research/publications/reports/orchestra-notebooks/1792-playing-long-game-experimenting-smart-specialisation-basque-country-2016-2019) (<https://www.orquestra.deusto.es/en/research/publications/reports/orchestra-notebooks/1792-playing-long-game-experimenting-smart-specialisation-basque-country-2016-2019>)

<sup>3</sup> Including the Welsh Government's Horizon 2020 Unit, which has been identified as a best practice example by the European Commission's Joint Research Centre. See <https://gov.wales/sites/default/files/publications/2019-03/horizon-2020-annual-report-2018.pdf> for more details on the Unit's approach.

The diagram below gives an overview of the proposed model. The shaded areas represent activity that will require new investment or resources. Areas that are not shaded are expected to involve existing resources.

The key elements of the model are explained further below.

Ideas and opportunities from **all** sectors and potential cross-border and international partners



There are three key elements to the proposed model: an 'Agile Seed Fund', an 'Integrated Portfolio' of specific investments, and a 'Central Implementation Unit'.



### Agile Seed Fund

Evidence to date has highlighted that many cross-border and international opportunities will be fast moving and emerging in nature. They will also be difficult to predict as many will be a result of relationship building across boundaries rather than fixed policy areas. An Agile Seed Fund would allow small investments in such emerging opportunities and could work easily across sectors, themes and geography.

The detail of such a Fund would need to be developed but it could involve the following:

- Grant funding with a variable but relatively high intervention rate as activity is unlikely to be commercial in nature.
- Guided by core principles rather than restrictive eligibility rules (“a good idea is a good idea”).
- Balancing investments with clear potential return (eg support for developing funding bids) with investments with longer-term indirect benefits (eg relationship building) – a portfolio approach.
- Sequential funding, possibly on an exponential scale, which supports the long-term development of opportunities.
- Flexible (agile) but also recognising the added value of investments that complement other investments or link to strategic priorities.

For simplicity, consistency and economies of scale it is proposed that there is one central Fund for Wales. A ‘ring-fenced’ budget would appear essential.

### Integrated Portfolio

Cross-border and international working should be integrated into any future regional investment framework (‘in the DNA’) but activity will be severely limited without dedicated resources and tools and this will require specific investment. The model anticipates a portfolio approach to managing this balance, with two main elements: Horizontal Investments and Priority Area Investments.

#### *Horizontal Investments*

These are investments focused mainly on cross-border and international activity which operate across all of the proposed Priority Areas for regional investment. They are not expected to be significant investments but may well be ‘pan-Wales’ to ensure simplicity, consistency and economies of scale. Given the horizontal nature of the investments, a ‘ring-fenced’ budget may be needed to support this type of activity.

It is too early to confirm what these investments would deliver but the following areas appear relevant based on discussions/evidence to date:

- Capacity – in key organisations/sectors to take forward relevant cross border and international activity. This would be people related rather than infrastructure. It could include additional staff, ‘buying out time’ of experienced/qualified staff,

overheads, etc. Any new capacity would be expected to make an active contribution to a Welsh cross-border and international network.

- Capability – step change requires an increase in the amount and quality of people with the right skills for cross-border and international working. This could involve specific skills training, including professionalisation of relevant roles, and more informal but targeted learning. There may also be a need to fill gaps in skills with improved access to external expertise.
- Culture – activities that change behaviour and attitudes to cross-border and international working for the better. Focussed on Welsh organisations but would also support the building of links with other regions and countries. Events, engagement and communication activity are obvious examples but it could also involve innovative techniques/methods and the innovative use of data.
- Co-operation – funding to support new or enhance existing bi-lateral or multi-lateral co-operation programmes in areas of strategic or economic importance.

### *Priority Area Investments*

To maximise the impact of cross-border and international working it is also important to take opportunities to integrate activity across all relevant regional investment portfolios. This might take the form of niche cross-border or international projects (eg sector, thematic or geographic focussed) in a specific Priority Area or additional activity (cross-border and international ‘work packages’) to enhance a Priority Area investment that is focussed mainly on other outcomes.

To ensure consistency and added value, the cross-border and international activity supported would be expected to adhere to core principles for cross-border and international investments but there would be flexibility for ‘unique’ approaches. The resources created would be expected to form part of the overall cross-border and international ‘family’ and relevant networks.

### Central Implementation Unit

This would be a central resource at the national level with specific responsibility for driving forward the implementation of cross-border and international activity from a Welsh perspective. Building on existing good practice, the Unit would have a co-ordinating, facilitating and influencing role, working flexibly with strategic and delivery partners both within and outside Wales.

Specific activity might include:

- Acting as a contact point for Welsh organisations and non-Welsh organisations wishing to discuss cross-border and international opportunities.
- Helping to develop, and acting as guardians for, the core principles that would guide all relevant cross-border and international investments.
- Budget holder and operator of the Agile Seed Fund.
- Developing and supporting a network of cross-border and international actors.
- Proactively seeking cross-border and international opportunities that link to Welsh strengths, including helping to influence relevant external programmes.
- Helping to negotiate access to, or a fair share of, existing external programmes.



- Helping to develop new cross-border or international programmes where needed.
- Supporting a culture shift towards more cross-border and international working in Welsh organisations, including working with UK and international partners on joint events.
- Promoting the strengths of Wales in relevant external forums.
- Monitoring and analysing relevant cross-border and international activity to inform actions and policy.
- Helping to ensure the horizontal themes of Equality, Gender Mainstreaming, Sustainable Development, the Welsh Language and any regional horizontal themes identified, are supported through cross-border and international activity.
- Secretariat for a cross-border and international Stakeholder Group (see below).

Specific activity could also include:

- Budget holder for the Horizontal Investments.
- Supporting the implementation of relevant programmes/projects.
- Relevant policy work, eg helping to develop a Welsh position on specific issues.

It is recognised that the central Unit would need to have a strong relationship with relevant Welsh regional bodies to ensure their priorities are addressed.

It is also expected that the central Unit will work closely with those responsible for monitoring and evaluation given the long-term and less quantifiable nature of some cross-border and international activity.

Other elements of the model include:

#### Core principles

These will build on the design principles of the regional investment framework but evolved to maximise the outcomes from cross-border and international investments. This might include a proportional approach to funding requirements (less for the Agile Seed Fund, more for any Horizontal Investments), a recognition of the longer timescale for some returns on investment and an approach to prioritisation that recognises best practice such as 'smart specialisation'. They would also reinforce the need for funded resources to work collectively on attracting opportunities to Wales.

As already suggested, the central Unit would develop, and act as guardians for, the core principles but working closely with Welsh regional bodies and other stakeholders.

#### Strategic Partners

This could be any Welsh Government Department or organisation in Wales, the UK, Europe or the World who has an interest in cross-border and international working involving Wales. They might be a source of policy advice, intelligence or opportunities that the central Unit and its partners would take forward.

Some relationships could be formal or even contractual in nature. Most will be mutually beneficial relationships around a common interest that will need to be nurtured through regular engagement by the central Unit and its partners.

### Delivery Partners

This part of the model recognises that the central Unit will not deliver all relevant activity. Experience shows that working in partnership can deliver better outcomes as each partner focuses on their area of strength/interest and duplication is avoided.

In most cases, this will simply involve awareness of what each other is doing to ensure complementarity and reinforce each other's actions. Joint actions can also be taken forward with each partner contributing their own resources to a common goal (this has worked well with UKRI for example).

However, the model also recognises that some funding may be required to support delivery partners and there could therefore be a financial relationship with the Integrated Portfolio. Examples could include local and regional bodies and Welsh Government Departments but this will only emerge as the portfolios of activity are developed.

All funded Delivery Partners would be expected to form part of the overall cross-border and international 'family' and relevant networks.

### Stakeholder Group

Given the breadth and scale of cross-border and international opportunities, it will be important to draw on the knowledge of stakeholders with a range of expertise. It will also be important to test the relevance of support mechanisms on an ongoing basis.

A specific stakeholder group of cross-border and international experts would facilitate that and could evolve from the current Sub Group. It would be sensible for the central Unit to be the Secretariat for that Group and for key Strategic Partners and Delivery Partners to be invited.

