



The Structural Funds legacy

7-10 year programmes covering skills, infrastructure, climate and focus on R&I

Stable policy context with guiding principles: synergies and smart specialisation

Over £1 billion total project cost across a wide range of innovation:

- Research excellence capacity for competitive funding
- Technology transfer in areas of Welsh expertise and business relevance
- Business-led horizontal support
- Skills
- Rural development
- Finance Wales

Ready to evolve and improve, but at risk and must adapt to survive

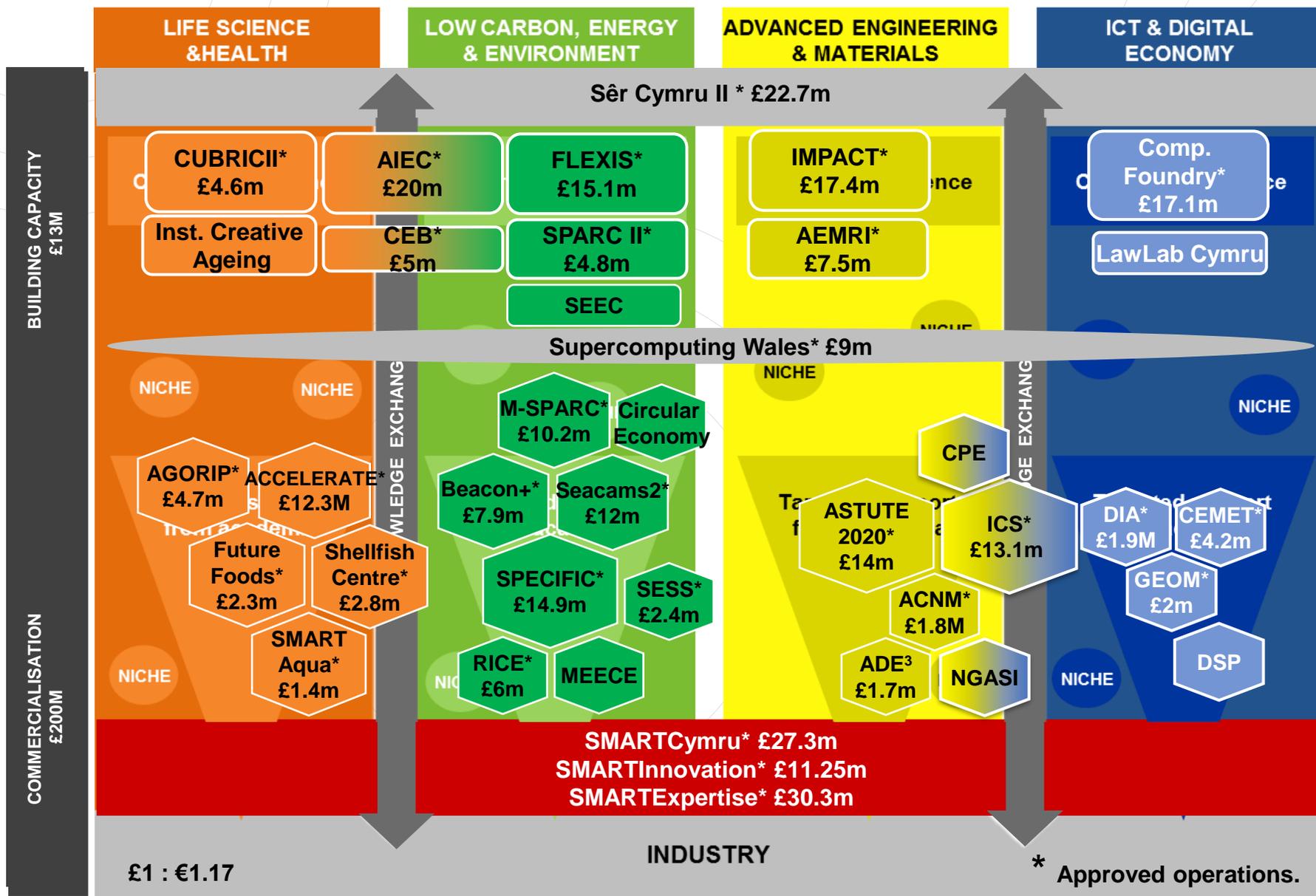
Wales: Protecting research and innovation after EU exit

PDF 2 MB

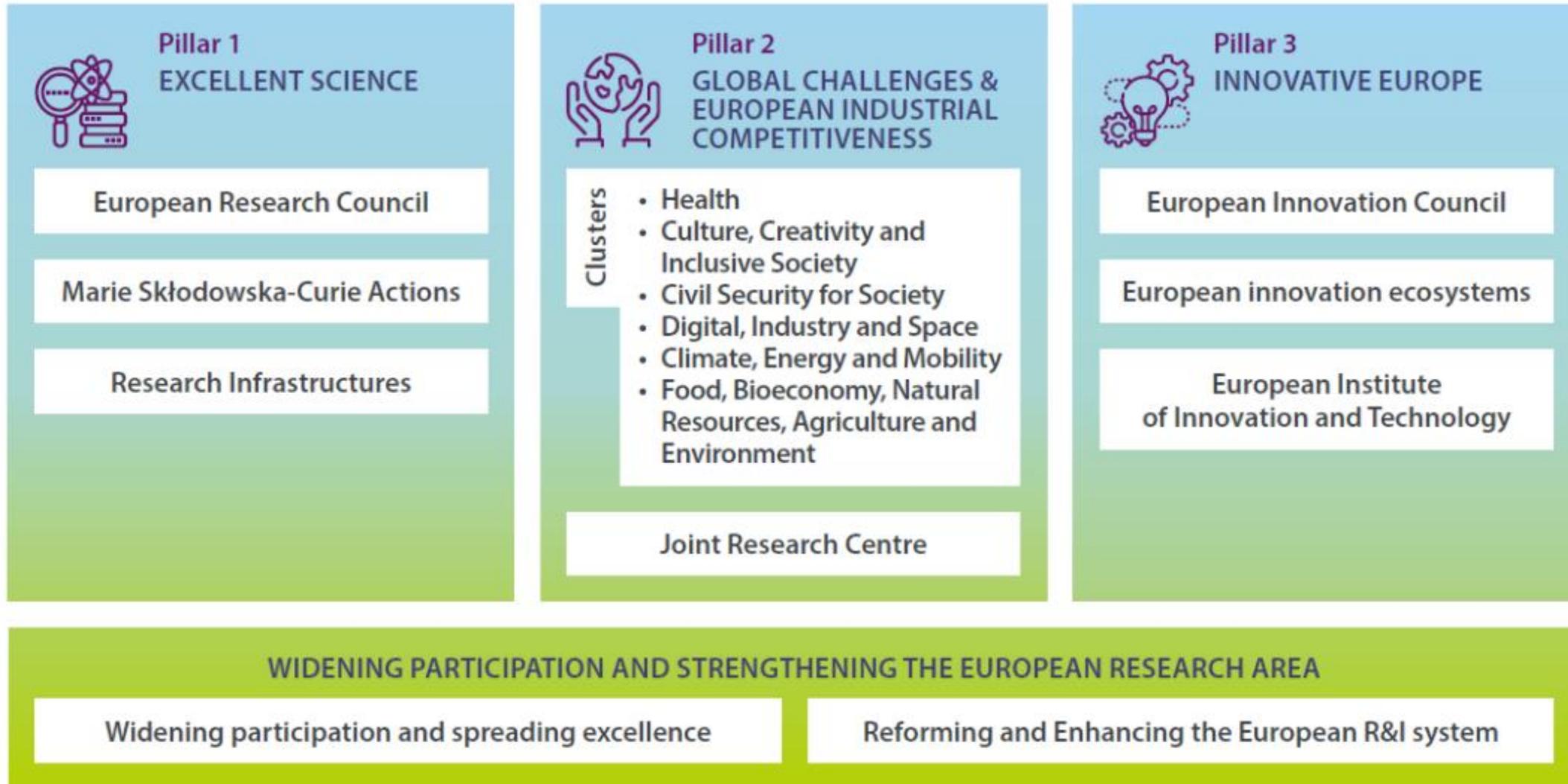
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RESEARCH & INNOVATION PORTFOLIO (ESIF)



Horizon Europe: £100bn



UK allocation to the programme/alternatives in CSR: £5.6bn

Why is R&I critical to Regional Investment in Wales?

- Lives & livelihoods – health (Covid), economic (productivity), environmental (climate) & societal (behaviour) challenges
- Cause or effect? Regional disparities in economic performance exacerbated by regional imbalances in R&D spending
- Wales = ‘Low private sector R&D, low public sector R&D’ (Bennett Institute 2021)
- UKCI 2021 – little movement of Welsh Unitary LAs in bottom 10 of 289 ULAs in UK
- R&I therefore not preserve of private sector or big tech: key to progress in public sector, civil society, foundational and tradeable economies
- £20bn (to 2025) & 2.4% target maintained with a growing emphasis on business investment in R&D & regionally focussed innovation policy...
- ...and how we bridge gap between business-state-academia (clusters/ translation)
- R&I increasingly seen through policy, institutional **and** place lens

UK Government Developments

1. CSR – and UKG Priorities
2. UK Innovation Strategy
3. National Science and Technology Committee /Office of Science and Technology Strategy
4. R&D Landscape Review (Sir Paul Nurse)/ UKRI Review (David Grant)/ Research Bureaucracy Review (Adam Tickell)
5. Levelling-up White Paper by UKG Cabinet Office (and Sub-National Data Strategy - awaited)
6. Advanced Research & Innovation Agency (ARIA)
7. New UKRI Strategy / BEIS review
8. New Science Minister George Freeman 'Innovation Nation' priorities

Welsh Government Policy Developments

1. Programme for Government (December 2021: Update)
<https://gov.wales/programme-for-government-update>
2. WG RD&I priorities (Nov 2021)
<https://gov.wales/written-statement-five-priorities-research-development-and-innovation>
3. WG position on UK Levelling up White Paper
4. WG Innovation Strategy
5. Tertiary Education and Research Bill



UK Research
and Innovation

UK Government R&D priorities through Spending Review 2021

- 1. Levelling Up**
- 2. Science Superpower**
- 3. Net Zero**
- 4. Innovation led growth**

UK Government CSR 21: Some R&D Highlights

- 3 Key R&D funding areas in CSR (i) **Health**, (ii) **Science R&D**, (iii) **Net Zero**
- **All areas of R&D spending saw real-term increases**, but **slight shift in balance to applied and department research**
- Public investment in R&D to rise from **£15bn** this year to **£20bn** in 2024-25 including contribution to new EU science programmes (£22bn target put back to 2026/27)
- Uplift in the **BEIS research budget** by 2024/25 to **£14.2bn**
- **UKRI** support for academic “basic or core research” rise from **£4.8bn** in 2021-22 to **£5.9bn** in 2024-25 (24% cash uplift)
- **Advanced Research and Invention Agency (ARIA)** £800m by 2025/26, with £50m in 2021/22
- **£5.6bn** set aside over the SR period to cover full funding association to **Horizon Europe**, Euratom R&T and Copernicus.
- Department of **Health and Social Care (DHSC)** to receive **£5bn** by 2024/25 to fund health research via the National Institute of Health Research (NIHR), and Geonomics England with £2 billion spent in 2024/25
- Business focus - **Innovate UK** increase funding from **£700m to £1.1bn** over the 3 yr period, British Business Bank £130M scale-up fund Wales, reform/ expansion of R&D tax credits & £12bn for UKIB

UK Government CSR spending & levelling up agenda

- ‘**Levelling up**’ is not about taking funding from core academic R&D nor existing successful areas in the Southeast or Golden Triangle.
- “**Record increase**” (circa £3.5-4b over SR period) is designed to provide headroom for BEIS and UKRI and UK Dept , however this needed to support a new crop of strategies: *Levelling up, Net Zero, Innovation, AI, Digital, Life Sciences and Space*.
- **Investing** at least **£1.5 billion** in **net zero R&D** across CSR period to include the Net Zero Innovation Portfolio, the Advanced Nuclear Fund and significant research within DfT and DEFRA.
- Although *Strength in Places Fund and the Catapult network* are mentioned in the CSR, it is not yet clear how the substantial R&D spend (£7.4b) currently ascribed to the **BEIS** as “**other**” will be allocated.
- “Significant funding will be targeted towards “**priorities**’ agreed by the Prime Minister’s new **National Science and Technology Council**
- Key component of this will be successor to **Industrial Strategy Challenge Fund (ISCF)** as it begins to be wound down with Integrated Review of Defence ‘blueprint’ for future Industrial Strategy along with Plan for Growth

Spending Review 2021 - Welsh Government's priorities for the UK Spending Review 2021

In anticipation of the UK White paper, the Welsh Government publicly highlighted the need for:

- A collaborative process that meaningfully involves all Devolved Governments in the co-creation and governance arrangements of the wider UK Research strategy.
- Spatially targeted RD&I fund for each UK region and the devolved nations, of a size to make good on funding inequalities and designed to grow capacity across the spectrum.
- That the UK Dual Funding Support (Funding Councils & Research Council) systems make the fullest contribution to the addressing regional inequality by explicitly targeting the need to grow greater research capacity in disadvantaged but RD&I well performing regions of the UK
- That the UK Government and its agencies make more use of existing Welsh Government support and infrastructure and integrate regional and local knowledge and advice.
- That Wales has greater voice and representation in the critical UK RD&I decision making bodies.

Welsh Government High Level R&I Priorities for CSR (Nov 21)

1. *Ensuring that Wales has a 'fair share' of UK R&D funding to secure funding levels at least equivalent to those Wales received historically via the EU and addressing historic underfunding from both competitive and non-competitive UK investment sources;*
2. *Deploying research, development and innovation capacity to support our Programme for Government focus on climate change, environmental recovery and decarbonisation including support for local government decarbonisation plans;*
3. *In support of our Programme for Government building our research, development and innovation capacity in Health and Life Science while ensuring that Wales is a full partner in delivering the UK Life Sciences Vision;*
4. *Developing a new cross-Welsh Government innovation strategy for growth with particular focus on driving impact ;*
5. *Continue to grow Wales research capacity for excellent research by launching the next phase of Sêr Cymru.*



Concluding messages for Regional Investment in Wales

- New multi-level governance environment requires ‘**enlightened self interest**’
- Granular **comparative advantage** must come to fore – differentiated clusters, ONS & sub-national data & challenge/mission approach...
- ...and build concept of **collaborative advantage** – more reps on UKRI Councils but must hunt as a pack
- WG 22/23 budget – are we past a standalone ‘innovation budget’ to a distributed focus on innovation across all core £ priorities?
- GERD/HERD typically 3% in Wales. Nesta Missing £4BN report estimates Wales loses out on £800M R&D funds p/a
- How do we ensure an equal focus on the task of securing Shared Prosperity Fund, as well as Levelling-up Funds, R&D funds and R&I investment?
- How do we better understand impact R&I on economic outcomes? Lots of work done on research strengths but little to show how this converts to real-world/real-time impact.
- Getting better balance across research-led innovation and innovation-led research