



**EXPERT EVALUATION NETWORK
DELIVERING POLICY ANALYSIS ON THE
PERFORMANCE OF COHESION POLICY 2007–2013**

TASK 1: POLICY PAPER ON INNOVATION

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Directorate-General Regional Policy**

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1 EXECUTIVE SUMMARY

In the majority of cases ERDF is being used alongside other funding streams to deliver activities that enhance innovation infrastructure and encourage networking between business and knowledge based institutes. ERDF is used to encourage collaborative research and development and provide grants for research and development. There is also funding to assist the commercialisation of academic research and provide innovation advice and guidance in the broadest sense.

Innovation policy in the United Kingdom is guided by the White Paper 'Innovation Nation'. However, the emphasis is on ensuring that delivery is customised to reflect the individual circumstance of both Objective One and Objective Two regions. All of the innovation related elements of the Operational Programmes have been developed on the basis of the respective national and regional economic and innovation strategies, the guidelines provided in the National Strategic Reference Frameworks and EC guidance relating to the priorities contained in the Lisbon Agenda. The requirement for at least 75% contributing to the Lisbon targets has been readily met, with over 90% in the case of the Competitive Objective regions. The ERDF are thus providing strong support to promoting innovation in the target regions.

Delivery is in line with the individual strategies of the English RDAs, the Welsh Assembly, the Scottish Executive, the Northern Ireland Administration and the Government for Gibraltar. In England and Scotland there is an added dimension in that each of the Regional Development Agencies have their own regional economic and innovation strategies. The actual design and delivery of innovation policy is thus at the regional level and this helps to ensure that policy is customised to meet the specific needs of the region concerned. However, as might be expected, virtually all of the regions regard themselves as having insufficient R&D activity amongst their business base and a high level of ignorance amongst business as to the commercial benefits that arise from enhanced innovation activity. There is much to do in order to enhance collaboration between business, Knowledge Based Institutions and the providers of relevant business services that support the exploitation of knowledge and its commercial application in the market place. The role of intermediaries to manage the boundaries of interaction is acknowledged.

The broad problems are similar across the areas receiving assistance. It is thus perhaps not surprising that the innovation policies being applied, and to which ERDF contributes, are very similar across regions. It is also the case that the sectoral focus is often much the same with an emphasis on the digital economy, low carbon, health, bio-sciences.

Each of the respective agencies is being required to assemble plans and consider opportunities for evaluation. By the end of 2010 evidence should emerge on aspects of programme delivery, implementation and possibly some early findings on impact. ERDF is integrated with other funding

streams and in the majority of cases the evaluation evidence will reflect the combined package of funding and thus not separated by funding source. Where there are examples of some ring-fencing of the initiatives that receive ERDF it may be possible to derive some more ERDF specific findings.

Take-up of ERDF 2007–2013 has been relatively slow thus far. Evidence on the take-up of ERDF funding as at end September 2009 across the Objective 1 and 2 regions in the United Kingdom is provided in this Note. More up-to date evidence by the end of March 2010 will shortly be available. Some 39% and 21% of funds had been allocated in the Objective 1 and 2 regions respectively of the assigned funds for innovation. There has been no evaluation of the ERDF 2007–2013 programme as yet but some evaluation work is planned for the end of 2010. However, there have been evaluations of specific programmes supported by ERDF in both the previous and current rounds of EU funding. There has also been some evaluation of the achievements of innovation policy across the English RDAs mainly relating to the period 2002–7. This Note describes some of the key findings. Whilst the initiatives evaluated are identified as helping a large number of businesses to enhance their R&D activity and exploit the benefits of innovation it is clear that there is considerable variation in the additionality secured from programme support. Much is being achieved to help Knowledge Based Institutes and business to collaborate and work with each other.

It is generally the case that regions are starting from a low R&D base and there is considerable ignorance amongst business as to the benefits and opportunities from undertaking innovative activity. It is often easier to secure the take-up of initiatives and the use of ERDF by those in Knowledge Based Institutes than by SMEs. The business base of the assisted regions is dominated by small companies. The problems of take-up and involvement are illustrated in relation to the commercial exploitation and innovation opportunities associated with public procurement. For most small businesses the costs of tendering are relatively large and discourage involvement. Most agencies are thus trying to increase take-up of support and access to secure the most impact and ERDF plays an important role here. Assessing and monitoring performance is a key challenge. As is the case with many programmes of public policy support it often proves difficult to get companies to take-up initiatives because of compliance requirements and issues around audit trails. It is argued that more flexibility would help and lead to more creative outcomes. Universities and the like are usually able to negotiate the barriers associated with accessing funding streams. It is also argued that in the future it will be necessary to encourage more inter-regional cooperation between agencies and in the deployment of funds to assist businesses. Businesses are sourcing knowledge and innovation opportunities across regions as open sourcing becomes more common.

The impact of the recession on take-up has been managed relatively well across the United Kingdom and the appetite from business and other major innovation stakeholders remains relatively strong.

2 NATIONAL AND REGIONAL INNOVATION POLICY AND THE CONTRIBUTION OF ERDF

2.1 NATIONAL AND REGIONAL INNOVATION POLICY

The promotion of science and innovation is of central importance to the United Kingdom's competitiveness and growth agenda (DBIS, 2009). Core priorities were set out in the UK Government's Ten year Science and Innovation Framework (DBIS, 2004) and there is a specific Public Sector Agreement (PSA 4–Promoting world class science and innovation in the United Kingdom). A number of measurement indicators are in place designed to measure progress against a baseline position.

The White Paper, Innovation Nation (DBIS, 2008), outlines the UK Government's innovation agenda. The document highlights the importance of promoting innovation to stimulate productivity/ business competitiveness and to address challenges posed by demographic and environmental change. Background documentation to the White Paper provides a detailed assessment of the strengths and weaknesses of the UK innovation system. The UK Government produces an Annual Innovation Report that assesses progress made in securing core objectives. (DBIS, 2009).

Innovation policy in the United Kingdom has a number of key elements. It is acknowledged that innovation is influenced by a wide range of factors on both the demand and supply side of the economy. Moreover, the very nature of the innovation process is such that all sectors are involved. There are interfaces between universities, companies, financial institutions and those agents of government responsible for the design and delivery public services (particularly in the area of public procurement). The White paper emphasises that Government has to recognise new sources of innovation and ensure that policy measures 'drive both the demand for innovation as well as its supply' (DBIS, 2008).

UK innovation policy emphasises the importance of macroeconomic stability, competitive market conditions and the strong influences that Government can have on innovation through regulation, public procurement and the delivery of public services. Much emphasis is given to stimulating innovation through 'shaping the market for innovation solutions' (Innovation Nation, 2008) and Government procurement and regulation policy is seen to have a central role here. Since the White Paper was published the Government has commissioned a number of studies that have sought to enhance the innovation evidence base (See Abreu et al., 2009, Lambert, 2009).

The White Paper sets out a number of areas where policy assistance should be focused. These are:

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- support for business innovation;
- encouragement of a strong and innovative research base;
- the development of an international innovation strategy;
- the importance of ensuring that the right skills are available;
- the importance of encouraging innovation in the delivery of public services;
- the need to recognise opportunities to promote spatial clusters.

The regional dimension

The delivery of innovation policy at the regional level reflects these national priorities and their associated objectives. However, it is recognised that there is considerable variation in the amount and quality of innovation being undertaken across the UK regions. This is particularly true of expenditure on Research and Development. This variation reflects the industrial structure and knowledge base of the region, as well as its ability to absorb knowledge. A customised approach to delivery is thus required at the regional level. In the United Kingdom the deployment of the Structural Funds as they relate to support for innovation has been based on the UK's devolved arrangements for regional policy. Thus, in England support for innovation has been delivered by Regional Development Agencies. These were established in 1999 (and 2000 for Greater London). The Department of Communities and Local Government and the Department for Business, Innovation and Skills are the central government sponsoring departments in England. In Scotland the delivery of policy has been assigned to Scottish Enterprise, Highlands and Islands Enterprise and the University for the Highlands and Islands, with the central government sponsoring department being the Scottish Executive. In Northern Ireland Invest Northern Ireland works with the Department of Enterprise, Trade and Investment. In Wales the Welsh Assembly Government manages both policy and delivery from within the respective Assembly support team. The Government for Gibraltar has developed and delivered its overall strategy. Some insight into how the regional innovation system works in both England and Scotland can be found in Baxter, et al, (2007).

Innovation policy across the regions of the United Kingdom is assisted by the Technology Strategy Board that was established as an independent organisation in 2007. It works in partnership with the English Development Agencies, and the devolved administrations of Scotland, Wales and Northern Ireland.

The regional dimension to innovation policy

Delivery of innovation policy across England is in line with the basic strategic approach outlined in the national document Innovation Nation but is subject to the separate strategic statements provided by each of the RDAs. In devising their strategies they pay close attention to innovation

priorities set out in the Lisbon Agenda and reflected in the EC document *Putting Knowledge into Practice: A Broad Based Innovation Strategy for the EU*. The English Development Agencies also ensure that their innovation strategies are in line with the priorities outlined in their Regional Economic Strategies. A number of initiatives are currently being deployed that cover:

- innovation infrastructure;
- networking for innovation;
- innovation vouchers;
- knowledge transfer partnerships;
- collaborative research and development;
- grant for research and development;
- innovation advice and guidance.

In Scotland strategy is guided by the *Framework for Economic Development in Scotland* but the more important document is *Smart Successful Scotland* that considers enterprise and research and development as applied to innovation in the Uplands and Lowlands and *Growing Innovation* in the Highlands and Islands. In Wales strategy is guided by the Welsh assembly's Government strategy for Economic Development Wales: A Vibrant Economy. In Northern Ireland the overall strategy is guided by the Invest Northern Ireland Corporate Plan 2008–2011 *Building Locally Competing Globally*. In all regions delivery is customized according to the circumstances of the respective business/SME, local knowledge based assets and the state of Knowledge Based Intermediaries.

Thus, although there are a number of different regional strategies influencing the deployment of ERDF in practice they tend to follow very closely the national and EC Lisbon priorities. They differ in the emphasis they may give to individual elements with some promoting the commercialization of academic research, for instance, more than others. This often reflects the stage of development of the regional knowledge base. Thus, in the Scottish Uplands and Lowlands there are seven leading universities and thus much to build on with an emphasis on Proof of Concept etc. By way of contrast, in the Highlands and Islands some emphasis has been given to establishing a new university presence. In England there has been much attention to try and ensure a coordinated response across RDAs and the Technology Strategy Board has a role to play here. However, there remains much to be done, particularly as regional innovation systems seek to evolve to encourage and facilitate business and policy interfaces across regions particularly in age where businesses are exploiting open innovation systems. The NSRF does help in aligning national and regional strategy and its importance will increase in times of constraints on central government funding.

Role of the ERDF

The Convergence objective

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In **England** the emphasis is on promoting innovation, knowledge transfer and the transition to a more knowledge-based economy. As the UK National Strategic Reference Framework (NSRF) makes clear in **Cornwall and the Isles of Scilly** this involves providing support to innovation networks, investment in research and development, improving Cornwall's capacity to use research and development through knowledge transfer and spin-offs (An example given is building on the Combined Universities in Cornwall and the Knowledge Spa centres of excellence in academic, science and business research); enabling high-technology facilitates for incubators; the development and exploitation of environmentally friendly technologies and the use of renewable energy.

In the **Highlands and Islands** the policy objectives seeks to enhance business competitiveness by encouraging R&D and its application to product and process development. It is argued to be 'critical that there is a strong business base that will be able to make full commercial use of the region's research assets'. (**HIE, Growing Innovation, 2008**). Encouraging and extending the links between research centres and the business base is crucial. A particular focus is the University of the Highlands and Islands Millennium Institute. Extensive encouragement is given to the commercialization of academic research and overcoming barriers to successful exploitation.

In **West Wales and the Valleys** the priority is identified as being to 'allow businesses to grow and to improve their competitiveness and productivity through technological advances, building the region's research, technology and innovation capacity'. It is believed essential that the commercialization of R&D is enhanced through initiatives targeted on higher education, further education and businesses.

The Competitiveness objective

In **England** there are nine regions that are receiving ERDF support for innovation. As the NSRF outlines initiatives seek to provide a support environment to businesses to enhance their volume of R&D, promote technology transfer and the commercialisation of research. As in virtually all cases, encouragement is given to innovation opportunities relating to renewable energy and the development of new energy and application into products and processes. In **Scotland** support is focused on the Lowlands and Uplands to increase the volume of R&D and support commercialisation opportunities. It is argued to be 'critical that there is a strong business base that will be able to make full commercial use of the region's research assets'. Supporting entrepreneurs to establish and grow companies building on technological advantage is central to the approach (including venture capital support), as is the building of a strong regional innovation system. In **East Wales** initiatives include the encouragement of R&D, technology transfer and networking between universities and businesses. In **Northern Ireland** the overall policy objective is to substantially enhance the volume of R&D being undertaken and it is argued that 'one of the priorities of the UK National Reform Programme is to ensure that the UK becomes a world leader in

turning scientific research into concrete business opportunities and to produce innovative goods and services'. Emphasis is given to 'maximising the use of Northern Ireland's existing Science Park and Research, Training and Development (RTD) centres of excellence'. A core focus is on the commercialisation of R&D, support to the 'innovation infrastructure; and providing support to businesses to invest in training and development activities linked to business improvement'. Particular emphasis is given to the opportunities for enhanced innovation through public procurement opportunities. In Gibraltar the emphasis is on commercial application, particularly in the service and tourism sectors.

2.2 ERDF CONTRIBUTION ACROSS POLICY AREAS

The United Kingdom National Strategic Reference Framework establishes the main priorities behind the EU Structural Fund Programs over the period 2007–2013 and the deployment of UK's Convergence and Competitiveness and Employment Programmes (DTI, 2006). HM Government argues that a core objective of the deployment of the Cohesion Funds is to coordinate with other domestic policy support. In England this is achieved through the RDA's Regional Economic Strategies and alignment with the RDA Single Programme funds in order to 'provide strategic fit, improve co-ordination of investments, and improve coordination of investments, and streamline processes for project commissioning, decision making and for programme management' (DTI, 2006). In Scotland the relevant Scottish Executive document strategy is the Framework for Economic Development but the more important document is Smart Successful Scotland which considers enterprise and research and development as applied to innovation. Smart Successful Highlands and Islands provide the equivalent in the Highlands of Scotland. In Wales alignment is with the Welsh Assembly's Government *Strategy for Economic Development Wales: A Vibrant Economy*. In Northern Ireland alignment is with *the Regional Innovation strategy for Northern Ireland. Action Plan. 2008–2011* produced by the Department for Enterprise, Trade and Investment.

What is the main focus of support of the ERDF?

Table 2 in the Annex A provides information on the main focus of support of the ERDF funds by policy areas. In the three Convergence Objective regions some 27.7% of the total Objective 1 funds committed to innovation seeks to encourage an innovation friendly environment (this is 7.5% of the total all ERDF. (I.e. Objective 1 and Objective 2)). Nearly half of this support creates an innovation friendly environment and goes to advanced support for firms and groups of firms. Table 2 in Annex A provides further detailed breakdown.

Nearly 24% of the total funds committed to Objective 1 regions for innovation activities are used to encourage the transfer of knowledge and support for innovation poles and business clusters (6.5% of the total ERDF Programme total). The largest Commitment of ERDF funds across the Objective 1

regions is focused on boosting applied research and product development (approx. 48%) with some 11% for investment in firms directly linked to R&D, a further 24% to other measures designed to stimulate R&D and innovation and entrepreneurship in SMEs in the Objective 1 regions, and 10% for R&D activities in research centres etc. There is a very tight integration of national and regional policy.

Table 2 in Annex A provides similar information by policy area for the Objective 2 regions that receive nearly 73% of the total ERDF funding package (i.e. Objective 1 and 2). Of the total ERDF innovation resources in Objective 2 regions around 27% is focused on activities that create an innovation friendly environment (nearly a fifth of all ERDF funds going to Objective 1 and 2 regions to assist with innovation). The majority of this, nearly 18%, helps to provide advanced support to firms and groups of firms.

Some 30% of all Objective 2 ERDF innovation funds assist with knowledge transfer activities and support for innovation in poles and clusters. The largest share of the ERDF funds in Objective 2 regions, at around 43%, goes to boosting applied research and product development. This activity absorbs nearly a third of the total ERDF UK innovation funds (Objective 1 and 2). Table 2 in Annex A provides a further breakdown by FOI codes).

There is some evidence emerging that ERDF funding is creating inter-regional inter-faces in sharing intellectual capital as in the Highlands and Islands Hi-Links programme at the University of the Highlands and Islands and more information is being sought on this at the present time. There are also clearly a number of initiatives that are emerging through other EC activities like Inter-Reg.

3 EVIDENCE AVAILABLE ON THE PERFORMANCE OF INNOVATION MEASURES CO-FINANCED BY ERDF

3.1 ACHIEVEMENTS UNDER THE CONVERGENCE OBJECTIVE

Take-up of funds

The previous section indicated the broad types of activity that are being supported by ERDF in the United Kingdom over the period 2007–2013. This section begins by assessing the expenditure that has been recorded as *allocated to selected operations* and how this relates to the total funding available in the Objective 1 regions. At the present time the latest information is as at end of September 2009. Information till the end of March 2010 will shortly be available and this will be incorporated into the final version of this Policy Paper when it is made available.

In the Objective 1 regions nearly 39% of the total funds available had been committed to selected operations by the end of September 2009. For innovation friendly environment activities the amount was far higher at 63% with the largest sub-group within this being advanced support

services for firms and groups of firms at nearly 88%, The equivalent figure was 22% for knowledge transfer and support for innovation poles and clusters with the largest sub-group being assistance to R&TD, particularly in SMEs, including access to R&TD services in research centres)

Nearly 31% of funds had been committed to selected operations for boosting applied research and product development. Within this the activity with the largest allocation committed was R&TD activities in research centres.

At the present time there has not been any systematic evaluation of the impact that ERDF expenditure has had over the period 2007–2010 across the three Objective 1 Convergence regions in the United Kingdom. Infact, Mid-Term evaluations will probably be undertaken in Scotland, Wales and England separately reflecting the devolved governance and delivery arrangements discussed in Section 2. Moreover, in the majority of cases, ERDF funding is matched with other funding in each country. Therefore, evaluation is usually undertaken for the overall innovation strategy being adopted. In this case it does not appear that there will be any separation of performance according to the source of funds being used.

In some cases the focus of the evaluation is on the achievements of specific initiatives. Where this happens it is possible that ERDF may have been a significant part of the total funding.

At the present time some of the delivery agencies are preparing Invitations to Tender for evaluations of initiatives that are being funded, at least in part, by ERDF. The results of these studies will begin to emerge towards the end of 2010 and into 2011. At the same time some agencies are developing monitoring and performance systems to record the outputs from ERDF innovation funded programmes. Agencies are intending to commission evaluations in 2010 and a cycle running over the period 2010–2013.

3.2 ACHIEVEMENTS UNDER THE COMPETITIVENESS OBJECTIVE

Take-up of ERDF

Expenditure recorded as allocated compared to the total amount of ERDF available for innovation related activity in the Objective 2 regions is given in Table 3 in the Annex. In the Objective 2 regions the amount committed is considerably lower than in the Objective 1 regions at around 21% of the total. Under the innovation friendly environment category the allocation is 16%. Within this group the highest allocation is around 19% for advanced support services for firms and groups of firms at around 19%.

Under knowledge transfer and support to innovation poles and clusters around 25% of funds have been committed with similar amounts across all sub-categories. Nearly 22% of the funds under the boosting applied research and product development group have been allocated and the largest sub-category in this group is to R&TD activities in research centres at nearly 43%.

Evaluation evidence on achievements to-date

The availability of evaluation evidence in the Objective 2 regions is much the same as reported for the Objective 1 regions. Some evaluation work is in place on how individual innovation strategies are shaping-up. In some cases it is possible to obtain some idea of the achievement of initiatives where ERDF figures heavily because the agency concerned has ring-fenced ERDF to tackle certain policy areas. In one English RDA the focus has been on establishing innovation networks and the early evaluation evidence points to some early success.

In other cases evidence is only available for specific policy initiative part funded by ERDF. At the present time most of the evidence available is concerned with Strategic Added Value (SAV). In a small number of cases it has proved possible to produce some hard evidence on expenditure, outputs and net additionality. An example of this is the SMART initiative that operates across the Lowlands and Uplands in Scotland. A recent evaluation (Evaluation of Smart: Scotland, 2009) provides an extensive body of evidence on the objectives and aims of SMART, inputs/expenditure and delivery, take-up, intermediate outputs, gross/ net additionality and extent to which programme is addressing market failure, impact on the performance of business, wider spill over effects and Strategic Added Value. Overall, the evidence suggests that 'the overwhelming majority of projects would definitely or probably not of gone ahead without SMART support'. (SMART SCOTLAND Evaluation, 2009). The report states that 'in terms of employment, the projects supported by the programme during the evaluation period generated a gross total of 1,381 jobs, of which just over a 1000 were additional' (SMART SCOTLAND: Evaluation, 2009). It is suggested that the programme offered good value for money but there was considerable variation by project and such variation appears to be quite common in these types of programmes. The findings suggest a moderately positive impact on innovation and subsequent commercial impact on the businesses supported.

A further evaluation source that has recently become available for the English regions is the National Impact Assessment of all RDA expenditure in England commissioned by the Department of Business, Enterprise and Regulatory Reform (DBER, 2009). This study has provided an independent assessment of the impact of the spending by each of the nine English RDAs in England. The assessment considers RDA expenditure since 1999 but concentrates mainly on expenditure in the period 2002/3 to 2006/7 and thus mainly activities that would have involved ERDF under the 2000-2006 Programme Round. The assessment draws upon evaluation evidence from 271 evaluations. Of these some 31 evaluations covered initiatives relating to Science, R&D and Innovation infrastructure, some of which benefited from ERDF. The evaluation material considered Strategic Added Value as well as the net additionality of the initiative in terms of additional jobs and Gross Value Added (GVA) created by the initiatives. Most recently, the more

quantitative evidence from the Impact Assessment exercise has been brought together in a Manual (BIS, October 2009).

The evaluation evidence relates to some £387 million of expenditure undertaken by the RDAs on Science, R&D and innovation infrastructure between 2002/3 –2006/7. In many cases the report identifies the rationale for intervention to be overcoming market failures and enhancing coordination and collaboration between Knowledge Based Institutions and businesses. Estimates of the additionality of the programmes range from 46% for the employment, 39% for businesses created and 67% for businesses assisted. This expenditure has created or safeguarded around 9,000 jobs, created 150 businesses and assisted a further 3000 in the target areas. This is assessed to translate into over £700 million of additional gross value added to the regional economies assisted. Additionality is higher for business assistance rather than business creation. Although there is a need for caution the evaluation evidence suggests that the cost per net additional job associated with the Science, R&D and innovation infrastructure support is placed at £38000. This compares with a figure for business related cluster support of around £12000 and £12000 for policy support to inward investment into regions. The cost per net additional business created or assisted is also much higher than that associated with business related cluster and inward investment support emphasising that policy induced regional economic benefits come at a significant cost to the public sector and there is no reason to believe that this is much different for funds from any of the sources used to fund them including the ERDF.

The above is the only source of evaluation evidence that could be identified at the present time. Agencies are intending to commission evaluations in 2010 and a cycle running over the period 2010–2013.

4 CONCLUSION: MAIN CHALLENGES FACED BY COHESION POLICY PROGRAMMES

A number of areas arose where it was felt if they were addressed there might be some gains and thus some potential impact on the effectiveness of the ERDF funded activities. It is generally the case that regions are starting from a low R&D base and there is considerable ignorance amongst business as to the benefits and opportunities from undertaking innovative activity. It is often easier to secure the take-up of initiatives and the use of ERDF by those in Knowledge Based Institutes than by SMEs. The business base of the assisted regions is dominated by small companies. The problems of take-up and involvement are illustrated in relation to the commercial exploitation and innovation opportunities associated with public procurement. For most small businesses the costs of tendering are relatively large and discourage involvement. Most agencies are thus trying to increase take-up of support and access to secure the most impact and ERDF plays an important role here. Assessing and monitoring performance is a key challenge.

As is the case with many programmes of public policy support it often proves difficult to get companies to take-up initiatives because of compliance requirements and issues around audit trails. It is argued that more flexibility would help and lead to more creative outcomes. Universities and the like are usually able to negotiate the barriers associated with accessing funding streams. It is also argued that in the future it will be necessary to encourage more inter-regional cooperation between agencies in the deployment of funds to assist businesses. Businesses are sourcing knowledge and innovation opportunities across regions as open sourcing becomes more common. The impact of the recession on take-up has been managed relatively well across the United Kingdom and the appetite from business and other major innovation stakeholders remains relatively strong.

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ANNEX A – BACKGROUND DATA ON EU COHESION POLICY SUPPORT TO INNOVATION

The data on the ERDF resources allocated cover the FOI codes defined as being relevant for support of RTDI, or, more precisely, those that cover the bulk of resources devoted to innovation (see annex B for the list of codes). Experts should assess the appropriateness of this common definition and, if necessary, adjust the coverage to the national case in consultation with the core team. Note: experts should complete the final column only in respect of the National and Regional programmes totals and not for each regional programme.

Table 11 – Total ERDF resources allocated per programme (2007–2013).

Programmes	Total ERDF resources for innovation	Innovation support as % of total ERDF	Main initiatives* being undertaken or implemented
National/Multi-regional programme	To be provided by the core team	To be provided by the core team	To be added by final version
Regional programmes			-----
Highlands and Islands of Scotland ERDF phasing out Convergence programme	61,302,531	50.3%	-----
West Wales and the Valleys ERDF Convergence programme	570,557,904	45.6%	-----
Cornwall and the Isles of Scilly ERDF Convergence programme	186,054,000	40.6%	-----
<i>Total Convergence Obj. (Objective 1)</i>	817914435	44.7%	Examples include a range of initiatives that investment in innovation infrastructure, the commercialisation of academic research and support for each of the respective stages including Proof of Concept, support for R&D and a wide range of measures to encourage knowledge transfer, measures to promote opportunities related to public procurement.
Lowlands and Uplands of Scotland ERDF Regional Competitiveness and Employment programme	235,933,172	62.8%	-----
South East England ERDF Regional Competitiveness and Employment programme	19,003,031	80.2%	-----
Northern Ireland ERDF Regional Competitiveness and Employment	247,025,000	80.5%	-----

Programmes	Total ERDF resources for innovation	Innovation support as % of total ERDF	Main initiatives* being undertaken or implemented
programme			
East of England ERDF Regional Competitiveness and Employment programme	69,624,886	62.7%	-----
North East England ERDF Regional Competitiveness and Employment programme	249,655,128	66.5%	-----
London England ERDF Regional Competitiveness and Employment Programme	85,184,782	46.8%	-----
West Midlands England ERDF Regional Competitiveness and Employment programme	217,500,000	54.4%	-----
North West England ERDF Regional Competitiveness and Employment Operational Programme	382,535,996	50.6%	-----
Yorkshire and Humberside England ERDF Regional Competitiveness and Employment programme	408,555,286	70.0%	-----
East Midlands England ERDF Regional Competitiveness and Employment programme	158,412,629	59.0%	-----
South West England ERDF Regional Competitiveness and Employment programme	68,000,000	54.5%	-----
East Wales ERDF Regional competitiveness and	46,278,050	63.9%	-----

Programmes	Total ERDF resources for innovation	Innovation support as % of total ERDF	Main initiatives* being undertaken or implemented
Employment programme			
Gibraltar ERDF Regional Competitiveness and Employment programme	2,819,943	48.6%	-----
<i>Total Competitiveness Obj. (Objective 2)</i>	2,190,527,903	61.1%	Innovation infrastructure, networking for innovation, innovation vouchers, Knowledge Transfer Partnerships, collaborative research and development; grants for research and development; innovation advice and guidance. A prominent example of the type of innovation supported related to business is SMART that works to assist small and medium sized enterprises.
<i>Total country</i>	3,008,442,338	55.5%	

* The term initiatives should be understood in a wide sense covering measures, projects, actions and so on co-financed by the ERDF. Among these, experts should identify the main kinds of intervention.

Source: core team on EC data.

As in the case of Table 1, experts may suggest a wider or narrower coverage of innovation in Table 2 than that defined here, which would imply adding or subtracting particular FOI codes. In this case, experts should consult the core team to explain their reasons for so doing.

Table 22 – ERDF contribution to innovation by policy area (2007–2013)

a – Convergence Objective

Policy area	Categorisation of expenditure (corresponding FOI codes)	Total ERFD	%	
			Regional share	National share
Innovation friendly environment	05 Advanced support services for firms and groups of firms	109,369,293	13.4	3.6
	11 Information and communication technologies (...)	30,110,241	3.7	1.0
	12 Information and communication technologies (TEN-ICT)	26,000,000	3.2	0.9
	13 Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	15,693,901	1.9	0.5
	14 Services and applications for SMEs (e-commerce, education and training, networking, etc.)	32,159,390	3.9	1.1
	15 Other measures for improving access to and efficient use of ICT by SMEs	8,376,317	1.0	0.3
	74 Developing human potential in the field of research and innovation, in particular through post-graduate studies.	5,000,000	0.6	0.2
	SUB TOTAL	226,709,142	27.7	7.5

Policy area	Categorisation of expenditure (corresponding FOI codes)	Total ERFD	%	
			Regional share	National share
Knowledge transfer and support to innovation poles and clusters	02 R&TD infrastructure and centres of competence in a specific technology	50,798,303	6.2	1.7
	03 Technology transfer and improvement of cooperation networks.	86,576,996	10.6	2.9
	04 Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	56,834,336	6.9	1.9
	SUB TOTAL	194,209,635	23.7	6.5
Boosting applied research and product development	01 R&TD activities in research centres	83,229,105	10.2	2.8
	06 Assistance to SMEs for the promotion of environmentally-friendly products and production processes (.)	23,477,198	2.9	0.8
	07 Investment in firms directly linked to research and innovation (.)	91,658,431	11.2	3.0
	09 Other measures to stimulate research and innovation and entrepreneurship in SMEs	198,630,924	24.3	6.6

Policy area	Categorisation of expenditure (corresponding FOI codes)	Total ERFD	%	
			Regional share	National share
	SUB TOTAL	396,995,658	48.5	13.2
TOTAL OBJECTIVE 1		817,914,435	100.0	27.2

Source: core team on EC data.

b – Competitiveness and Employment Objective

Policy area	Categorisation of expenditure (corresponding FOI codes)	Total ERFD	%	
			Regional share	National share
Innovation friendly environment	05 Advanced support services for firms and groups of firms	389,820,445	17.8	13.0
	11 Information and communication technologies (...)	16,734,632	0.8	0.6
	12 Information and communication technologies (TEN-ICT)	932,744	0.04	0.03
	13 Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	13,308,715	0.6	0.4
	14 Services and applications for SMEs (e-commerce, education and training, networking, etc.)	78,632,146	3.6	2.6
	15 Other measures for improving access to and efficient use of ICT by SMES	63,153,052	2.9	2.1
	74 Developing human potential in the field of research and innovation, in particular through post-graduate studies...	21,956,021	1.0	0.7
	SUB TOTAL	584,537,755	26.7	19.4
	Knowledge transfer and support to innovation poles and clusters	02 R&TD infrastructure and	191,550,991	8.7

Policy area	Categorisation of expenditure (corresponding FOI codes)	Total ERFD	%	
			Regional share	National share
	centres of competence in a specific technology			
	03 Technology transfer and improvement of cooperation networks...	219,376,104	10.0	7.3
	04 Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	247,881,506	11.3	8.2
	SUB TOTAL	658,808,601	30.1	21.9
Boosting applied research and product development	01 R&TD activities in research centre	96,455,644	4.4	3.2
	06 Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)	249,045,173	11.4	8.3
	07 Investment in firms directly linked to research and innovation (.)	189,239,458	8.6	6.3
	09 Other measures to stimulate research and innovation and entrepreneurship in SMES	412,441,272	18.8	13.7
	SUB TOTAL	947,181,547	43.2	31.5

Policy area	Categorisation of expenditure (corresponding FOI codes)	Total ERFD	%	
			Regional share	National share
TOTAL OBJECTIVE 2		2,190,527,903	100.0	72.8

Source: core team on EC data.

Table 3. Resources allocated to selected operation and compared with total allocation in Operational Plan as at end September 2009.

Convergence Objective

Policy area	Categorisation of expenditure (corresponding FOI codes)	Community amount allocated in OP €	%	
			Of tot allocated	Of amount allocated to selected operations
Innovation friendly environment	05 Advanced support services for firms and groups of firms	109,369,293	12.7	87.9
	11 Information and communication technologies (...)	30,110,241	3.5	36.4
	12 Information and communication technologies (TEN-ICT)	26,000,000	3.0	15.4
	13 Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	15,693,901	1.8	12.4
	14 Services and applications for SMEs (e-commerce, education and training, networking, etc.)	60,159,390	7.0	39.1
	15 Other measures for improving access to and efficient use of ICT by SMEs	8,376,317	1.0	23.2
	74 Developing human potential in the field of research and innovation, in particular through post-graduate studies.	22,699,930	2.6	145.6
	SUB TOTAL			

Policy area	Categorisation of expenditure (corresponding FOI codes)	Community amount allocated in OP €	%	
			Of tot allocated	Of amount allocated to selected operations
		272,409,072	31.5	63.0
Knowledge transfer and support to innovation poles and clusters	02 R&TD infrastructure and centres of competence in a specific technology	50,798,303	5.9	14.8
	03 Technology transfer and improvement of cooperation networks.	86,576,996	10.0	0.0
	04 Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	56,834,336	6.6	62.0
	SUB TOTAL	194,209,635	22.5	22.0
Boosting applied research and product development	01 R&TD activities in research centres	83,229,105	9.6	63.4
	06 Assistance to SMEs for the promotion of environmentally-friendly products and production processes (.)	23,477,198	2.7	2.1
	07 Investment in firms directly linked	91,658,431	10.6	0.0

Policy area	Categorisation of expenditure (corresponding FOI codes)	Community amount allocated in OP €	%	
			Of tot allocated	Of amount allocated to selected operations
	to research and innovation (.) 09 Other measures to stimulate research and innovation and entrepreneurship in SMEs	198,630,924	23.0	34.4
	SUB TOTAL	396,995,658	46.0	30.6
TOTAL OBJECTIVE 1		863,614,365	100.0	38.9

Competitiveness and Employment Objective

Policy area	Categorisation of expenditure (corresponding FOI codes)	Community amount allocated in OP €	%	
			Of tot allocated	Of amount allocated to selected operations
Innovation friendly environment	05 Advanced support services for firms and groups of firms	389,820,445	17.7	19.4
	11 Information and communication technologies (...)	16,734,632	0.8	3.4
	12 Information and communication technologies (TEN-ICT)	932,744	0.04	0.0
	13 Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	13,308,715	0.6	0.0
	14 Services and applications for SMEs (e-commerce, education and training, networking, etc.)	78,632,146	3.6	9.0
	15 Other measures for improving access to and efficient use of ICT by SMES	63,153,052	2.9	16.7
	74 Developing human potential in the field of research and innovation, in particular through post-graduate studies...	32,917,034	1.5	5.6
	SUB TOTAL			

Policy area	Categorisation of expenditure (corresponding FOI codes)	Community amount allocated in OP €	%	
			Of tot allocated	Of amount allocated to selected operations
		595,498,768	27.0	16.0
Knowledge transfer and support to innovation poles and clusters	02 R&TD infrastructure and centres of competence in a specific technology	191,550,991	8.7	24.5
	03 Technology transfer and improvement of cooperation networks...	219,376,104	10.0	22.7
	04 Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	247,881,506	11.3	28.1
	SUB TOTAL	658,808,601	29.9	25.3
Boosting applied research and product development	01 R&TD activities in research centre	96,455,644	4.4	42.6
	06 Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)	249,045,173	11.3	23.9
	07 Investment in firms directly linked to research and	189,239,458	8.6	9.6

Policy area	Categorisation of expenditure (corresponding FOI codes)	Community amount allocated in OP €	%	
			Of tot allocated	Of amount allocated to selected operations
	innovation (.) 09 Other measures to stimulate research and innovation and entrepreneurship in SMES	412,441,272	18.7	21.1
	SUB TOTAL	947,181,547	43.0	21.7
TOTAL OBJECTIVE 2		2,201,488,916	100.0	21.2

ANNEX B – CLASSIFICATION OF INNOVATION POLICY AREAS, INSTRUMENTS AND BENEFICIARIES

Policy area	Short description
Innovation friendly environment	<p>This category covers a range of actions which seek to improve the overall environment in which enterprises innovate, and notably three sub groups:</p> <ul style="list-style-type: none"> innovation financing (in terms of establishing financial engineering schemes, etc.); regulatory improvements and innovative approaches to public services and procurement (this category could notably capture certain e-government investments related to provision of services to enterprises); Developing human capital for the knowledge economy. This category will be limited to projects in higher education aimed at developing industry orientated courses and post-graduate courses; training of researchers in enterprises or research centres. <p>The category also covers initiatives geared towards improving governance capacities for innovation and knowledge policies (e.g. specific technical assistance funding, support for regional foresight)</p>
Knowledge transfer and support to innovation poles and clusters	<p>Direct or indirect support for knowledge and technology transfer:</p> <ul style="list-style-type: none"> direct support: aid scheme for utilising technology-related services or for implementing technology transfer projects, notably environmentally friendly technologies and ITC;

	<ul style="list-style-type: none"> indirect support: delivered through funding of infrastructure and services of technology parks, innovation centres, university liaison and transfer offices, etc. <p>Direct or indirect support for creation of poles (involving public and non-profit organisations as well as enterprises) and clusters of companies</p> <ul style="list-style-type: none"> direct support: funding for enterprise level cluster activities, etc. indirect support through funding for regrouping R&D infrastructure in poles, infrastructure for clusters, etc.
Boosting applied research and product development	<p>Funding of "Pre-competitive development" and "Industrial research" projects and related infrastructure. Policy instruments include:</p> <ul style="list-style-type: none"> aid schemes for single beneficiary or groups of beneficiaries (including IPR protection and exploitation); research infrastructures for non-profit/public organisations and higher education sector directly related to universities. <p>Any direct or indirect support for the creation of innovative enterprises (spin-offs and start-ups)</p>

Instruments	Short description
Infrastructures and facilities	<p>Building and equipment for laboratories or facilities for university or research centres,</p> <p>Telecommunication infrastructures,</p> <p>Building and equipment for incubators and parks for innovative enterprises</p>
Aid schemes	<p>Grants and loans for RTDI projects</p> <p>Innovative finance (venture capital, equity finance, special bonds, etc.) for innovative enterprises</p>
Education and training	<p>Graduate and post-graduate University courses</p> <p>Training of researchers</p>

Beneficiaries	Short description
Public sectors	Universities National research institutions and other national and local public bodies (innovation agencies, BIC, Chambers of Commerce, etc..) Public companies
Private sectors	Enterprises Private research centres
Others	NGOs
Networks	cooperation between research, universities and businesses cooperation between businesses (clusters of SMEs) other forms of cooperation among different actors

ANNEX C – CATEGORISATION OF EXPENDITURE TO BE USED FOR CALCULATING EU COHESION POLICY RESOURCES DEVOTED TO INNOVATION

FOI Code	Priority Theme
	Research and technological development (RTD), innovation and entrepreneurship
01	R&TD activities in research centres
02	R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology
03	Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, postsecondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc.)
04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
05	Advanced support services for firms and groups of firms
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production)
07	Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
	Information society
11	Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)
12	Information and communication technologies (TEN-ICT)
13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)
14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
15	Other measures for improving access to and efficient use of ICT by SMEs
	Human capital
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses