



Cohes3ion

Regional Action Plan

Project: Cohes3ion

Partner Organisation: Welsh Government (WG) Partner 9

Country: Wales (UK)

NUTS2 Region: South East Wales

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Llywodraeth Cymru
Welsh Government

December 2021





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Glossary of Terms

Abbreviation	Term
AI	Artificial Intelligence
AR	Augmented Reality
BEIS	UK Government Department for Business, Energy and Industrial Strategy
CRO	Chief Regional Officer
EAP	Economic Action Plan
EC	European Commission
GVA	Gross Value Added
IACW	Innovation Advisory Council Wales
Innovate UK	United Kingdom Innovation Agency
IoT	Internet of Things
IS	Innovation Specialists (Welsh Government Staff)
ITI	Integrated Territorial Investment
MLG	Multi-level Governance
MS	Member of Senedd
RD&I	Research, Development and Innovation
RIS3	Research & Innovation Strategies Smart Specialisation
SBRI	Small Business Research Initiative
SE	South East
Senedd	Welsh Parliament
SMART	Small firm Merit Award for Research and Technology
STM	Smart Territorial Mapping
UK	United Kingdom
UKRI	United Kingdom Research and Innovation
VR	Virtual Reality
WG	Welsh Government



Cohes3ion – Project Overview

Cohes3ion aims to integrate a regional and sub-regional element into Smart Specialisation Strategies (RIS3), so developing greater consistency across each partner regions. The intended outcomes of this project include:

- Increase the overall impact of each partners RIS3
- Improve links between programmes in the RD&I environment and public / private sectors
- Promote a multi-level governance model

The project includes 10 partners from 8 European countries – Spain, Poland, Sweden, Ireland, Italy, Romania, Germany and Wales.

Executive Summary:

This Regional Action Plan has been developed through Interregional Learning with EU partners in the *Cohes3ion* project along with ongoing consultation with a range of project stakeholders in Wales.

The overall objective of this project in Wales is to positively impact the Welsh Government Economic Action Plan (EAP) and to provide evidence and support, which will inform and recommend a regional delivery focus in the Welsh Government's revised Innovation and Smart Specialisation (RIS3) strategy (the successor to "Innovation Wales") for launch in 2022.

This plan aims to support this process through the following action:

To develop and deliver a more strategically focussed Business Innovation support pilot offering based on the strengths of the region.

Wales' regional action plan will therefore focus on testing a regional approach to innovation support, with the following inter-related actions:

- 1) Consolidate the evidence base to identify strengths in Wales' sub-regions (South East Wales, Mid and South West Wales, North Wales)
- 2) Adapt delivery of elements of Welsh Government's innovation support in alignment with those identified strengths
- 3) In parallel, evaluate – in partnership with key stakeholders – the outcomes of this adapted delivery approach, so that this can be taken into account in development of the Welsh Government's new innovation strategy.

The impact of this work will result in improved liaison between the Multi-level Governance levels (MLG) in Wales and Welsh Government's innovation support focussed on the strengths of a region.

As a result we expect to see a regional approach to the RIS3 strategy tailored to regionally informed strengths, competitive advantages, emerging opportunities and issues to address in support of enterprise, research, development and innovation (RD&I) growth needs through the publication of a new Welsh Government Innovation Strategy during 2022.

2. Policy Context

2.1 The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument*

Name of the policy instrument:

Welsh Government Economic Action Plan (EAP) and Innovation Wales

2.2 Background Details

2.2.1 Wales – Country Profile

Wales is part of the United Kingdom (UK) but with a high degree of autonomy – which includes an elected Welsh Government and Senedd (Welsh Parliament). It currently has a population of around 3.1 million, consists of 22 unitary authorities, and includes large rural areas, national parks, industrialised coastal towns, ports and medium-sized cities such as Cardiff, Newport and Swansea.

Wales has some significant regional variations in economic structure and performance. Cardiff, the northern and southern coastal belts, and even some rural parts of Wales have experienced the biggest increase in employment, while the South Wales Valleys, traditionally reliant on the mining industry, have suffered economic decline. More recently, Wales has moved from manufacturing towards a more service-based economy. In general, employment and earnings are higher in urban areas and in east Wales with its good connections to the economic environments of the Bristol area, the West Midlands and London.

2.2.2 Welsh Government

Led by the First Minister, it works across devolved areas that include key areas of public life such as health, economy, education and the environment.

The First Minister and the Welsh Ministers with responsibility for government departments form the Cabinet. Since devolution in 1999 the Welsh Government has worked to improve the lives of the people of Wales within areas such as business, education, environment, finance, health, housing and local government. Each of these areas has a Minister in the Cabinet responsible for their development. Some policies have been developed and decisions implemented which are sometimes different from those in the rest of the UK. The Welsh Government can also propose budgets, laws and develop and implement policies.

The UK Government retains responsibility for public services in Wales – police, prisons and justice. It also deals with most taxes and benefits, defence, national security and foreign affairs.



Powers devolved to the Welsh Government



Agriculture, fisheries, forestry and rural development



Highways and transport



Ancient monuments and historic buildings



Housing



Culture



Local government



Economic development



Public administration



Education and training



Social welfare



Environment



Sport and recreation



Fire and rescue services and promotion of fire safety



Tourism



Food



Town and county planning



Health and health services



Water and flood defences



Welsh language



2.2.3 *Senedd (Welsh Parliament)*

Based in Cardiff Bay, the Senedd is the democratically elected, devolved legislature of Wales. It represents the interests of the people of Wales, makes laws for Wales, agrees certain taxes and holds the Welsh Government to account. From its creation in 1999 until May 2020, the Senedd was known as the *National Assembly for Wales*.

The Senedd comprises of 60 members who are known as Members of the Senedd abbreviated as "MS". Typically, the largest party in the Senedd forms the Welsh Government – at the time of writing, this is currently the Labour party. Elections to the Senedd took place in early May 2021 with a Labour led Welsh Government being formed.

2.2.4 *Well-being of Future Generations Act 2015*

The Well-being of Future Generations Act, which became law in Wales is about improving the social, economic, environmental and cultural well-being of Wales.

It makes the public bodies listed in the Act think more about the long-term, work better with people, communities and each other, look to prevent problems and take a more joined-up

approach. This helps to create a Wales that we all want to live in, now and in the future.

To ensure focus towards the same "vision", the Act puts in place *seven well-being goals*:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales

The Act has a '*sustainable development principle*', which tells organisations how to go about meeting their duty under the Act. Public bodies need to make sure when making their decisions they take into account the impact they could have on people living in Wales in the future. There are 5 things that public bodies need to think about to show that they have applied this principle:

- Long term; Prevention; Integration; Collaboration; and Involvement



The Act established a statutory Future Generations Commissioner for Wales. This role is to act as a guardian for the interests of future generations in Wales, and to support the public bodies listed in the Act to work towards achieving the well-being goals.

This Action Plan and the adoption of a new innovation strategy which harnesses smart specialisation and the principles of a place based approach will clearly have much to contribute to the goals of this Act:

- *Targeting innovation support close to market will make Wales more prosperous*
- *More innovation-active businesses will make us more economically resilient*
- *Integrating a regional and sub-regional element into our Smart Specialisation Strategies, across the Welsh regions will deliver a more equal Wales with cohesive communities*

2.2.5 Welsh participation in European Union programmes

Before the UK's exit from the European Union, Wales received around £700m per year in EU funding, of which approximately 50% was from EU Structural Funds (ERDF and ESF). The EU-UK Trade and Co-operation Agreement, concluded

in December 2020, outlines that the UK will associate to the Horizon Europe programme. However, Wales will no longer participate in a range of other EU programmes including the Structural Fund programmes; the latter provided a significant proportion of Wales' investment in RD&I. The UK Government is currently developing a replacement-funding programme for the UK as a whole but the details for this are not currently confirmed.

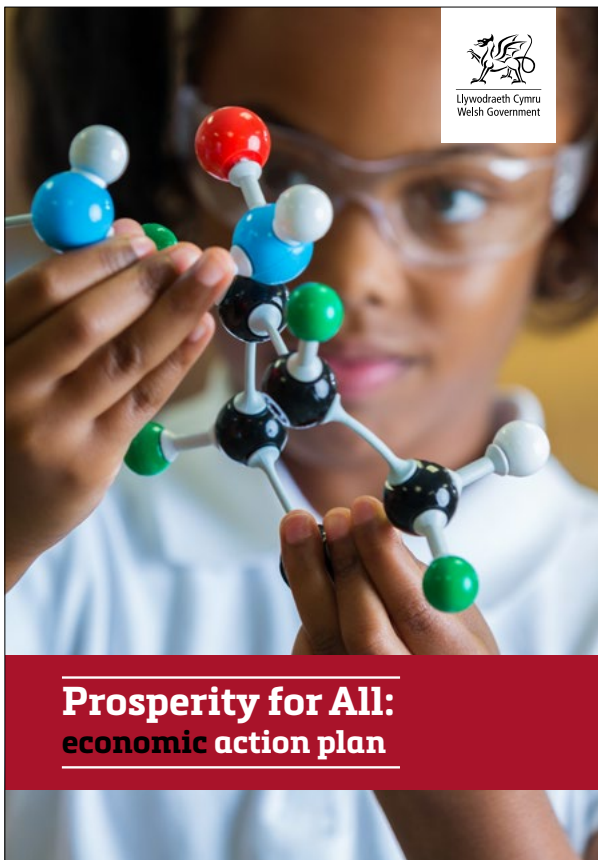
2.3 Regional (Wales) policy context

A range of key Welsh Government policies and strategies governs the policy ecosystem in relation to Smart Specialisation and Regionalisation. These are outlined in the following sections and may be subject to review over the following number of years.

It is anticipated that some of the measures outlined in this Regional Action Plan will make a positive contribution to this review process by providing evidence to support further focus on these topic areas.

The Cohes3ion project and this regional Action Plan aim to impact on the following Welsh Government policies.

2.4 Economic Action Plan (EAP) 2018



This Regional Action Plan confirms the Welsh Government reacting in an agile manner due to changing circumstances (Brexit) and addressing challenges (Covid-19) that were not present or foreseen at the start of the Cohes3ion project. The new learning from EU project partners has helped shape and develop new policy thinking within the Welsh Government. This Action Plan looks to support increased collaboration across regional and sub-regional partners to secure future economic growth and competencies.

The purpose of the EAP is to *support delivery of Prosperity for All – the national strategy for Wales*. The Plan sets out the Welsh Government vision for inclusive growth across Wales, and supporting the development of progressive industries and productive Welsh regions.

This plan observes that each region in Wales possesses its own “distinctive opportunities and challenges” and sets out the transition from a Sectoral to a Regionally focussed (place based) model of economic development.

This regionally focussed model aims to foster the individual strengths of each Welsh region to achieve growth in an inclusive way by “recognising and addressing the regional disparities in wealth and opportunity between different parts of Wales”. EAP places an emphasis on tackling pan Wales inequality and signals a shift to a ‘something for something’ relationship with business. This Economic Contract focusses on improving how businesses are operating in the present by supporting improvements in health, skills and learning.

EAP further outlines five “Calls to Action” – to better prepare businesses for the future, challenging Government and businesses to look at future investment through the contribution it will make to:

- Innovation and entrepreneurship;
- Research and development;
- Exports and trade;
- Higher-quality employment and skills; and
- Decarbonisation.

Each of these Calls to Action are intended to make a positive impact on business productivity in Wales.

In addition to providing leadership, coordination, planning and alignment within the region, the Chief Regional Officers (CRO) of the three economic regions are continuing to develop regional business plans setting out regional priorities. Such plans are being developed in partnership with local stakeholders and will help channel the potential positive impacts from City Deals, the Development Bank for Wales, and Regional Skills Partnerships. To support the CRO’s, the Welsh Government has also now introduced a regional based team structure to deliver regionally focused initiatives and projects.

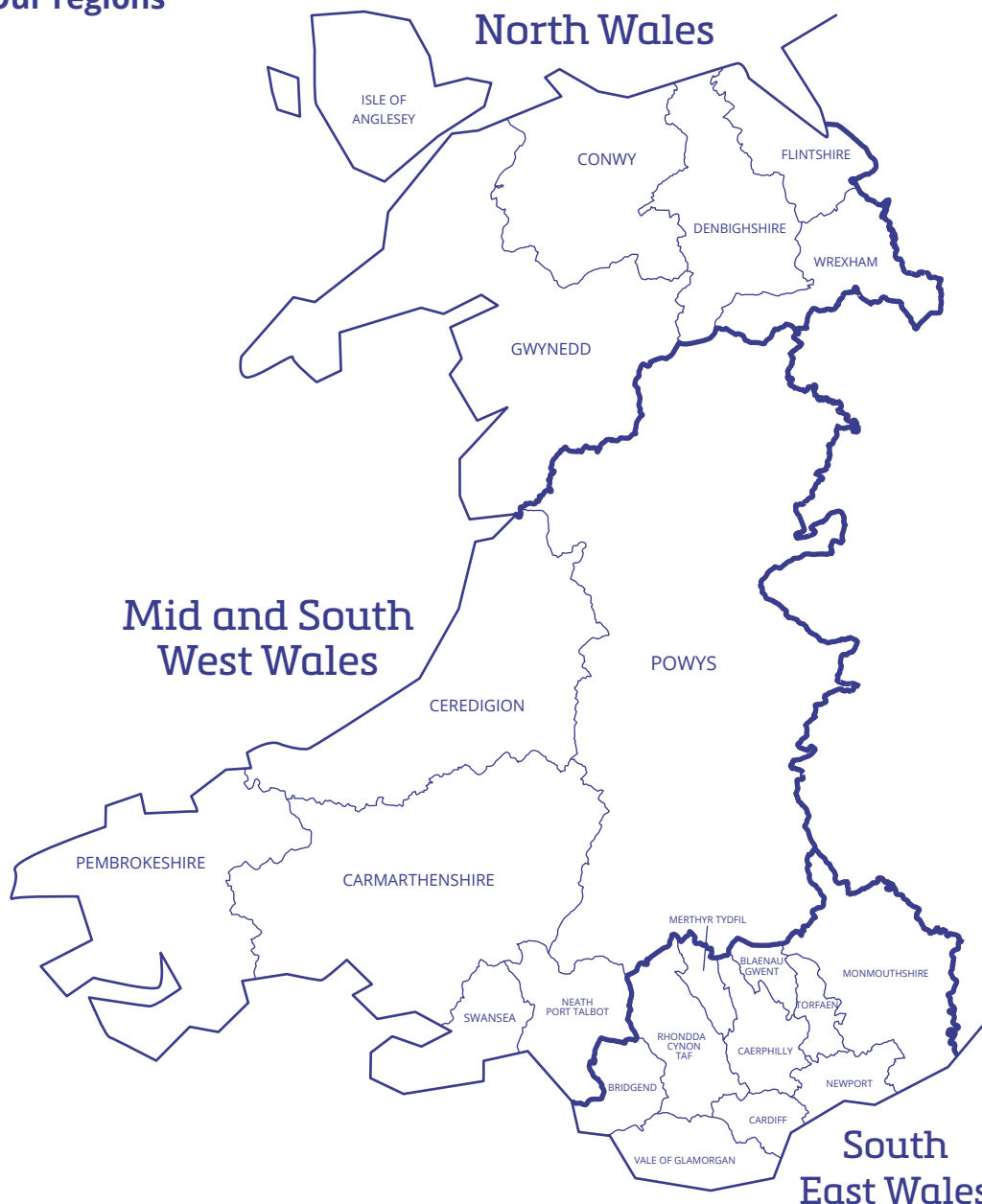
The benefits of moving to a regionally focussed place based model of the economic development in Wales are described as:



- Improved collaboration at a regional and sub-regional level;
- Stronger local and regional supply chains;
- Improved complementary economic and cross border collaboration.

The three economic regions of Wales defined in the EAP are consistent with those used by the Regional Skills Partnerships, and the local government reform agenda. Figure 1 summarises the three economic regions in Wales and their respective local authority constituents.

Figure 1. Our regions



Our proposed action will contribute one of the strategic objectives of EAP – the drive to encourage more regional and sub-regional collaboration across a range of partners to improve economic development and prosperity.

2.5 Innovation Wales 2014 (Smart Specialisation RIS3)

The Welsh Government launched its Regional innovation strategy, "Innovation Wales" in 2014. The strategy called for a Smart Specialisation approach to innovation involving the 'triple helix' of universities, businesses and the public sector.



The overriding principle of Innovation Wales is to promote, encourage and enable Innovation across the whole economy. However, it reinforced the approach that key investments should only be progressed based on clear economic priorities and be focused on Wales' strengths. Central to this strategy is creating a critical mass of research capability and business demand in a small number of strategic areas, e.g. Compound Semiconductor cluster in the Newport / Cardiff area.

The Smart Specialisation Platform of the EC endorsed this approach and Innovation Wales (alongside Science for Wales) continues to guide research and Innovation priorities in Wales to date.

Innovation Wales identified some existing areas of strength in the Welsh economy at its time of production but recognised that this is always a dynamic situation, which needs regular review. Therefore, support should adhere to the clear principle of building on strength, although individual projects would necessarily change as new challenges and opportunities emerged.

Welsh Government support for Innovation (SMART Programme) is primarily for business – however, it recognises the importance of Innovation in all areas, including within the public sector. It currently has the following priorities:

- Provide RD&I funding for business (SMART Cymru)
- Help businesses collaborate with universities (SMART Expertise, KTP)
- Provide innovation advice to business (SMART Innovation)
- Promote innovation in the public sector (SBRI)

Whilst the Welsh Government can develop its own Innovation policy, distinct from the UK Government, in many ways its focus and activities are similar, in that policies have tended to include support for knowledge transfer and collaboration activities between the research base and industry (e.g. SMART Expertise and Knowledge Transfer Partnerships) and support for clusters – often in technology or sector priorities identified as most relevant to the region.

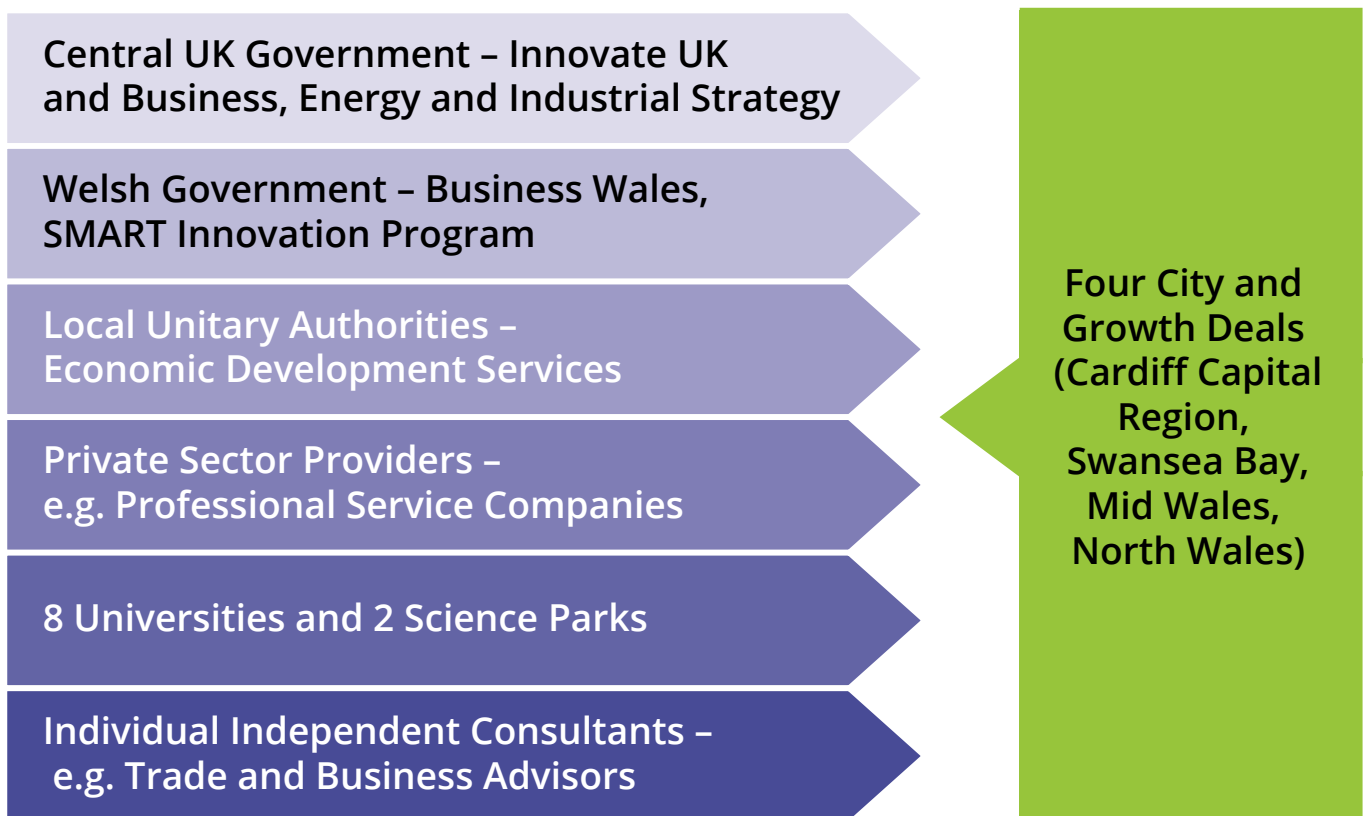
Innovation Wales is currently being reviewed and re-written to take account of the changing economic conditions (Covid-19, Brexit etc.) since the document was published in 2014 and to ensure continued alignment with the strategic direction and priorities set out in the Welsh Government Programme for Government. This proposed Action will directly influence this review process by providing "real-world evidence" on how to integrate a sub-regional smart specialisation approach into delivery of future business innovation support.

2.6 Existing multi-level governance (MLG) and economic situation in Wales

2.6.1 National, Welsh & Local Government



2.6.2 Wider economic and innovation business support eco-system



2.7 Where we are now – Current economic situation in Wales

Before the Covid-19 pandemic, employment growth was positive in micro and small businesses for a number of years. In comparison to the rest of the UK, Wales has a higher proportion of employment in micro and small firms, which we want to grow into larger firms. Performance of medium sized firms was also reasonably good with increases in turnover, employment and the number of firms. Wales also has a high number of micro businesses, but the number of new business births relative to the size of the population is lower in Wales than the rest of the UK.

Poor productivity performance has been recognised as a problem for Wales, driven by lower levels of business investment and lower skills levels. Across the UK, since the financial crisis, productivity growth over the last decade has also been limited, with a growing number of lower productivity firms limiting aggregate productivity. Improving the capacity of Welsh based firms to make use of innovation will address a key barrier to adopting new technologies and bringing them to market.

Our research and innovation base is a national asset, delivering economic, social, cultural, and health benefits for Wales and collaborators around the world. However, Wales' small but effective research base is vulnerable to competitive global pressures and competing priorities.

Now that the UK has left the EU, our focus is on improved business innovation support to maximise its positive impacts the Welsh economy, in addition to the new economic pressures Wales will face outside the EU.

2.8 Where we want to be

We need to increase the number and size of enterprises and new start-ups (including social businesses, services, and those in the foundational economy) across Wales. We also want to encourage the creation and sustainability of more indigenous business

owned by local people, employing local staff. Such businesses rooted in Wales are positive for the long-term sustainability of the Welsh economy.

A strong and competitive university and innovation eco-system that is linked to the public sector in Wales is a major asset for communities and the local economy. We want these benefits to be “spread” across Welsh communities not just in major cities – building on our Smart Specialisation approach of competitive advantage to compete for UK/EU research funding, and increase the sharing of best practice amongst business.

Work is now underway to develop with Welsh stakeholders a new cross-government innovation strategy, which will focus Innovation support on recovery and growth. It needs to look inwards to develop collaborative multi-level regional and sub-regional place-based actions and outwards to our European partner regions (in line with the Welsh Government International Strategy).

The new strategy will emphasise the importance of **collaborative** research – the triple helix model will ensure relevant academic research stays demand-led and helps deliver our Programme for Government. The strategy will stress the importance of making an interlocking research and innovation ecosystem work, with Welsh Government function being to facilitate this process.

We will continue work collaboratively with UKRI and Innovate UK and are committed to growing research and innovation with increasing emphasis on RD&I closer to market and aligned with Wales' industrial, business and societal needs.

2.9 How Welsh Government approached this project?

Participation in the Cohes3ion project has provided the Welsh Government project team and stakeholders the opportunity to learn from the experience of other EU project members and their stakeholders with a view to improving our regional delivery, Smart Specialisation strategy and its effectiveness.

The project has provided the potential to develop co-operation opportunities across our entire support network. The outcomes of this project will also contribute to the refinement and enhancement of regionalised economic development, rewritten Smart Specialisation policy and underpinning activity.

The focus of the Cohes3ion project will help address a key function of the policy instrument to support relevant and related economic growth issues of regionalisation through innovation and stakeholder collaboration. In addition to supporting local businesses via regional delivery and creating collaborative networks, considering more effective innovation will assist in their internationalisation aspirations and help address the cultural issues affecting this transition.

2.10 Project stakeholders

Our project stakeholders comprise public and private sector experts skilled in Innovation and Economic Development including:

- Innovation Advisory Council Wales (IACW)
- Cardiff Capital Region operational team
- SBRI Centre of Excellence
- Cardiff University (Sentinel)

This is representative of the Welsh Smart Specialisation eco-system. Project stakeholders continue to provide a valuable contribution to Wales' engagement in the Cohes3ion project, helping to inform our Smart Territorial Mapping, identifying and highlighting best practices at the regional level within Wales.

Additionally, in support of Cohes3ion project objectives, Bable Consultancy GmbH were contracted to work with Welsh Government to advise on a regional approach to RIS3. The initial step being to establish a framework for a RIS3, via an in-depth analysis of the three Welsh regions, identified sectors and strengths. This detail served as the basis for identifying the specific specialisations on which the region will base its research and innovation policies, interventions, and investment. This work will also be used for informing the development of the future Welsh Government innovation strategy (launch 2022) using relevant regional data. The final report details the findings and possible actions that the Welsh Government is undertaking towards defining a regional targeted Innovation support approach to RIS3 by identifying priority areas and strengths.

This Action Plan is shaped by this engagement with stakeholders, and as a next step, those stakeholders are also now helping to inform the Welsh Government's future innovation strategy.

3. Detail of the Proposed Action

3.1 Action:

To develop and deliver a more strategically focussed Business Innovation support pilot offering based on the strengths of the region.

Our proposed action is to “pilot” a focused and targeted regional approach to Welsh Government’s Business Innovation support offering. To increase the participation from SMEs in this sector, the Welsh Government’s IS Team will pilot a new approach to delivering innovation support, targeting their support to SMEs in the South East Wales sub-region, focusing on the strength sector of Electronics including Compound Semiconductors.

This action will impact the policy instrument by introducing and testing an improved way for the Welsh Government to support business with a regional focus, and based on identified strengths. This approach will aid the Welsh Government Business innovation delivery team to evolve its service offering at a sub-regional and local level. It will also ensure that the partners involved at the various governance levels are keeping each other informed of their activities in supporting business to innovate. In doing so, we will be able to identify ways in which we can collaborate to achieve shared objectives and combine resources and where practical assist more business’s to Innovate.

The success of this action will result in an improved Innovation service offering to business based on their strengths and will also positively impact the take-up of such support going forward. Additionally it will contribute to an increase of business choosing to innovate and will also contribute towards the Wales wellbeing goal of a more prosperous Wales.

The Welsh Government’s new “place based” innovation strategy is also being developed in parallel with the roll-out of this “pilot” activity; the intention is to translate the learning and outcomes from this “pilot” activity into evidence that can inform the new Strategy. Depending on the outcome of this pilot action, this could be a model for delivery that is adopted in the context of the revised innovation strategy.

3.2 Background of the proposed action

At present Welsh Government business Innovation support offering is on a pan Wales basis where Innovation Specialist staff are based regionally but currently do not target their business support to specific geographical strength areas.

This Action Plan has been informed by a number of learning points through our participation in the Cohes3ion project:

A key metric of the Cohes3ion project was the STM activity. This exercise was completed using a wide range of input from multiple stakeholders. The following areas for improvement in the Welsh multi-level governance process being identified:

- The need for improved co-ordination between UK (National), Wales (Regional) and sub-regional levels.
- Numerous actors providing business support at a National, Regional and sub-regional level – including UK Agencies, WG, City Deals and Local Authorities. Simplification and increased is collaboration required. The aim is to make the business innovation support landscape less confusing, more readily accessible and a more effective business intervention.



- One of the key themes of the EAP is its focus on regional strengths. Innovation support is currently delivered on a pan Wales approach. By working within these new institutional arrangements as above the Innovation Team could target its Innovation support to regional strengths and requirements.

Taking into consideration the identified common approaches and Good Practices of the Cohes3ion project and partners, Welsh Government has identified a number of areas which could support a better delivery of innovation and smart specialisation at the sub-regional level – including:

- Seeking ways for better co-ordination at local and regional level in combination with national level,
- Increasing the knowledge and capability of owners and managers of local / regional SMEs in relation to Innovation through a bespoke Innovation support program at regional level,
- Developing a regionally focused place based Innovation response based on assessment of the needs and strengths of regional firms.

With reference to the Welsh Government Peer Review report (December 2020), authored by other Cohes3ion partners and experts highlighted that in Wales:

- There is scope to develop a more formal, structured co-ordination of Innovation support for SMEs based on regional strengths.
- Existing business innovation support is currently delivered pan-Wales; there is scope to better reflect the “needs” of regional SMEs through Innovation support at a sub-regional level.
- There are some gaps at the sub-regional level in awareness-raising regarding business innovation support.

- There could be more co-ordination and integration with sub-regional and local stakeholders, and better connections to sub-regional infrastructure and support structures.

Additionally, in a report produced to support Welsh Government’s participation in Cohes3ion (Phase 1), Bable Consultancy GmbH picked up a number of these identified areas for development. Amongst the recommendations to address these were:

- Adopting a more targeted approach when offering Innovation support, leveraging on the region-specific innovation capabilities
- Adopting RIS3’s evidence-based and agile approach
- Putting businesses front and centre by enabling Entrepreneurial Discovery Process

Learning from partner regions during the course of the project has underscored the importance of strategic collaboration at national, regional and sub-regional levels. We have observed this through the role, responsibility and influence of multi-level collaboration from partner regions, particularly Warsaw, Basque Country and Southern region of Ireland where political leads and local authorities collaborate to improve RIS3 policy development and economic activity in this area.

3.2.1 Mazovia Poland

Integrated Territorial Investment (ITI) – are targeted investments in the city of Warsaw and its surrounding municipalities by identifying and agreeing common development goals. Such investments foster co-operation across various levels of government in functional urban areas (local, regional and national). These investments also provide a vehicle to increase the influence of the local authorities on the policies and economic development activities that are delivered in their local areas.

3.2.2 Basque Country

BIC BIZKAIA – Business Incubator presented an effective MLG approach incorporating differing regional entities through a clearly defined reporting structure. **Bizkaia Orekan – Biscay at Balance** promotes a place-based approach to innovation analysing the “strengths of the region” at municipal level aligning to the Priorities of the Economic Development Department of the Provincial Council of Biscay for the term 2015 – 2019. This place-based approach is also reflected in the governance resulting in a better allocation of resources and implementation of policies. The adoption of a multi-level governance approach to collaboration and engagement with stakeholders and collaboration, has led to improvements to communications with stakeholders at sub-regional level, and space for policy experimentation.

3.2.3 Southern region of Ireland

The Southern region of Ireland presented the **Southern Ireland Regional Spatial and Economic Strategy (RSES)** consultation process, involving a wide range of multi-level stakeholders from a sub-regional level, on an equal basis. Additionally they presented the **Cyber Ireland Regional Chapters** and how this provided a sub-regional forum for quadruple helix stakeholders to focus and collaborate on a nationally important identified strength.

In summary, our participation so far in Cohes3ion has shown that there is potential to strengthen our innovation support offer, by adopting a more place-based focus to delivery with linkages to regional and local stakeholders, infrastructure and support ecosystem, and our pilot action is a step towards achieving this.

3.3 Objectives of action

The key objective of this proposed action is to:

- Develop a regionally focused place based Innovation response based on assessment of the needs and strengths of a region
- Combine the regional resources available (where appropriate), to achieve the best outcomes for the engaging businesses.

- Improve the communication and collaboration of regional partners / stakeholders at national, regional and sub-regional levels.

3.4 Proposed activities

To better inform its Innovation support delivery in line with the Economic Action Plan, Welsh Government’s Business Innovation Team has recently undertaken analysis to identify Innovation strengths within Wales’ three sub-regions. This analysis has identified microelectronics and Compound Semiconductors as a strength area in South East Wales.

The manufacture of electronic, optical and electrical products sector in Wales in 2019 created a total GVA of £1,264 M, with £820 M (65%) in the South East region of Wales generated by 130 companies supporting over six thousand jobs.

The sector has also demonstrated the greatest growth of any Welsh sector over the 5-year period 2014-19, a GVA increase of 34.8%. This is a key emerging sector for Wales, which with specific targeted support, will sustain and accelerate this growth establishing the SE region of Wales a centre for advanced electronics. Both UK and Welsh Governments have also recognised this with the recent investment and establishment of the Compound Semiconductor Catapult in Newport.

To support this growth and investment the WG IS team will develop (in liaison with relevant stakeholder’s representative of the multi-level governance in the SE region), manage and deliver this “pilot” to provide *a dedicated package of regional support, focussed on the needs of this sector.* Thus supporting indigenous electronics companies to take advantage of the opportunities presented by the increasing global demand for advanced electronics components and products utilising Compound Semiconductors.

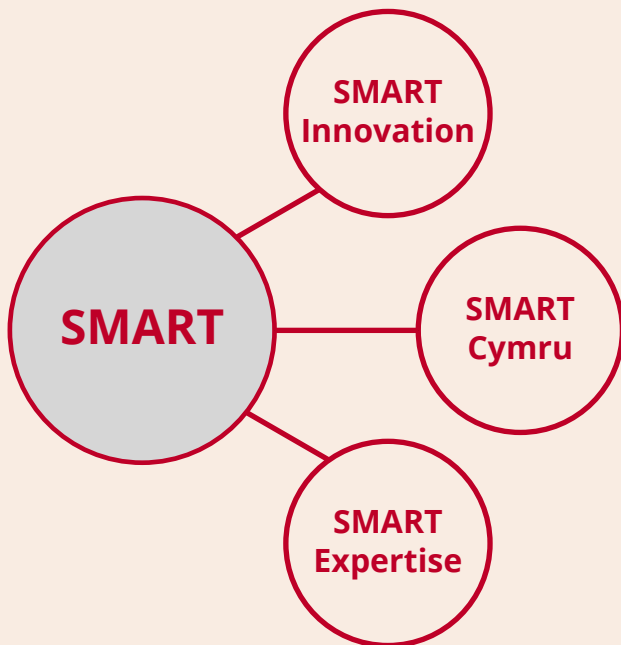


3.4.1 What will the regional “pilot” offer the companies?

By utilising the WG current SMART suite of Innovation support, it is proposed that a new “Call” for SMART Cymru Feasibility Studies will be arranged with enhanced intervention rates to support the development of new products and sustainability within the sector.

How we support Innovation Research & Development

SMART – advice and funding for businesses and research organisations



Overcomes barriers to Innovation and R&D.

SMART Innovation – a field force of industry experts delivering advice and guidance on R&D, technical consultancy, advanced manufacturing, innovative design, open innovation and intellectual property.

Shares the risk of innovation and R&D.

SMART Cymru – co investment for businesses to implement innovative processes and undertake R&D including technical feasibility, industrial research and experimental development.

Supports industry-led collaborative R&D.

SMART Expertise– collaborative projects between businesses and research organisations, translating research into commercial solutions.

These Feasibility Studies will be led by individual businesses within the SE Wales supply chain but the call will also encourage applications from multiple businesses seeking to work collaboratively in the form of Open Innovation Projects.

Additionally, this new regional proposal will offer an enhanced productivity service through SMART Productivity and Design – up to 8 days free consultancy in each discipline offering free support to Welsh businesses to improve productivity through better processes and better products.

This support will provide a practical, flexible approach that will help planning and preparation for the Fourth Industrial Revolution (Industry 4.0) and optimise processes for the future.

Our staff will use a two stage process to provide free practical assistance to businesses:

- Initial flexible support up to three days to produce a plan focussed on priorities for productivity and design improvements.
- Followed by focussed support for up to five days to implement actions identified. These could include:-
 - Reviewing the efficiency of the company’s operations
 - Lean manufacturing / Continuous Improvement
 - New and innovative manufacturing technologies and techniques
 - Rapid Prototyping

In addition free SMART Digital Adoption support will be included utilising:

- Digital Simulation – including Augmented Reality (AR) /Virtual Reality (VR) technologies.
- Automation – including robotics, enablers of mass customisation. Industrial Digital Technologies – including Artificial Intelligence (AI), Big Data, Internet of Things (IoT).

- Connectivity – Use of 5G and other technologies to create connected, intelligent processes.

To link the technical strengths / expertise already existing in the SE Wales region, we will provide an enhanced SMART Partnership programme, which will provide financial support to Innovative collaboration projects. Such projects will have a clear focus to increase the capacity and capabilities of the SE region businesses, linking them with Research Organisations, such as the Compound Semiconductor Catapult, to work on a specific project.

3.4.2 How will the pilot be managed and delivered within Welsh Government?

- Allocation of a dedicated Project Manager from Innovation Team and to liaise with stakeholders and partners.
- Allocation of dedicated Innovation Specialists to support the SE region businesses to scope feasibility projects using the SMART Cymru funding mechanism.
- Support of the SMART Innovation Open Innovation Manager.
- Support of the SMART Partnership Manager.
- Full engagement of the Innovation teams Manufacturing and Design consultants.

3.4.3 Pilot Metrics / KPIs

- Initial measures to support a minimum of 4 Productivity Decarbonisation / Sustainability Projects. As these are early, stage projects that will hopefully lead to long-term R&D and productivity improvement.
- Longer term establishment of an “Open Innovation” cluster in advanced electronics and compound semiconductors in SE Wales.
- Learning from pilot will become part of evidence base to support development of a more place-based innovation strategy, which can be adapted to suit the situation of Wales’ sub-regions.

3.5 Partners involved

We will establish a working group consisting of key partners to develop, direct and monitor the proposed regionally-focussed business innovation pilot. These partners will be representative of the multi-level governance levels in the SE region. We would anticipate the following partners and roles / responsibilities:

Partners	Role
Welsh Government: <ul style="list-style-type: none"> • Senior Innovation Management, Innovation Specialists, Consultants • SE Regional Team – Account Managers 	Develop, manage and deliver the focussed Innovation Support pilot. Provide support and liaison with WG Innovation Specialists and regional SME's.
<i>CS Connected</i>	Provide input and knowledge regarding Compound Semiconductor technology into the focussed pilot.
<i>Cardiff Capital Region operational team</i>	Be part of the working group and liaison with Local Authorities in SE region.
<i>Business based in SE Wales</i>	Provide input into design and content of focussed innovation support package.
<i>Local Authorities</i>	Provide economic development support to client business in SE region.
<i>Innovation Advisory Council for Wales (IACW)</i>	Receive updates on action delivery to inform development of the new innovation strategy for Wales – provide recommendations and observations to guide the roll-out of the activity.

In addition, there will be regular updates and invite recommendations and observations from the Innovation Advisory Council for Wales (IACW). IACW was formed to advise Welsh Government on a broad range of matters to help drive research, collaboration and facilitate innovation to solve our greatest challenges and support delivery against the goals set by the Wellbeing of Future Generations Act.

IACW will assist in the development and delivery of the new cross Government innovation strategy for Wales, by providing advice on emerging trends and approaches, identifying areas of existing strengths and future opportunities using the 'smart specialisation' approach identified by the European Commission.

The working group identified above will update the council on the pilot action activities when they meet, in order to ensure that the learning from the pilot action can help to inform the development of the new innovation strategy – in turn IACW can provide guidance and recommendations to help gain the maximum benefit and outcomes from the pilot activity.

3.6 Timeframe

It is estimated that the pilot will last between 6 to 12 months depending on business engagement and take up in the SE region. At the end of pilot period and evaluation is planned including all relevant partners. This will give an opportunity both for feedback and implementation of any proposed updates to the pilot in line with client needs, prior to considering "roll out" across other regions of Wales. With Policy improvement to be implemented by the end 2022, the key activities and estimated timeframes are outlined below:

Proposed Activity	Estimate Timeframe (Month No.)
Establish working group	1
Working group to agree resources to engage with target SME's	1
Agree implementation plan – clarify roles / activities.	1
Develop and test coordinated marketing campaign – raise awareness of new "Call"	2
Train WG IS team in new "pilot" business Innovation package	2
WG IS team target client SMEs to discuss projects	3 & 4
Regional delivery of "pilot" Innovation support package	4 – 8
Monitor and Review progress – Feedback to WG senior management, working group and IACW	8 – 12

3.7 Costs

- The costs to be incurred with the implementation of the action will be internalised in the current activities of the Welsh Government and any different organisations involved.

3.8 Funding sources

- Funding from existing committed Welsh Government budgets.

3.9 Expected benefits / Impacts of the policy improvement

We expect the adoption of a place based innovation support intervention based on the strengths of a region to include:

- Improved liaison between the multi-level governance levels in Wales (including Welsh Government, regional / local stakeholders, and Innovation eco-system).
- WG Innovation support focussed on the strengths of a region as outlined in the EAP and Cohes3ion peer review.
- Continued awareness raising around the benefits of a targeted RIS3 approach through the publication of a re-written Welsh Government innovation strategy during 2022.
- Increased level of Gross Value Added (GVA) for the SE region and national economy by assisting business increase performance through targeted Innovation support interventions.
- Long term sustainability within the SE Wales Electronics sector and supply chain with the development of new products and processes that will serve the future needs of the industry.



4. Potential next steps beyond the pilot action

We anticipate the longer term sustainability of this action will be achieved by embedding targeted and focused business Innovation support, through our communication and collaboration approach amongst all stakeholders, partners and their activities. This pilot is an example of that targeted approach towards sub-regional strengths and, depending on the outcome of this action, could inform future delivery of business innovation support in the context of the revised innovation strategy.

Date: December 2021

Signature:

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