This response is submitted by the East Midlands Development Agency on behalf of the English RDAs, however, because of London's unique governance arrangements; this response does not encompass the views of the London Development Agency.

1) Background and Context

The Regional Development Agencies (RDAs) were established in 1999, as part of the Government's commitment to devolution and to strengthen the coordination of regional economic development in England. The RDAs have a common mission statement which is ‘to transform England’s regions through sustainable economic development’.

With responsibility for coordinating the Regional Economic Strategies and driving forward the economies of our respective regions, the RDAs are key players in the delivery of regional economic development in the UK and make a significant contribution to the European Union's goal of increasing growth and creating more and better jobs in a way that is sustainable.

“Growing Regions, growing Europe”, the Fourth Report on Economic and Social Cohesion highlights a number of issues that strongly reflect many of the key themes addressed in the Regional Economic Strategies (RESs), which focus on the main economic drivers of skills, innovation, enterprise and investment. The RESs seek to build on the distinctive strengths of each of the individual English regions to ensure that our economic growth creates prosperous and sustainable regions, where everyone has the opportunity to achieve their potential.

The RDAs are responsible for the management and delivery of the 2007-13 ERDF Competitiveness (and Convergence in the South West) Programmes under delegated authority from the Department for Communities and Local Government (CLG). Therefore, the RDAs - in collaboration with CLG, the regional Government Offices (GOs) and colleagues in DG Regio - are currently focused on the launch and implementation of the 2007-13 ERDF Programmes across the English regions. Whilst this work is extremely important, the activities of the RDAs cut across a whole range of policy areas and RDAs are keen to ensure that their collective activities and contribution to European policy and funding developments are not seen as restricted to the Structural Funds, and in particular the delivery of ERDF Competitiveness and Convergence Programmes.

The RDAs recognise that the Fourth Report on Economic and Social Cohesion represents an important contribution to the debate on the future of Cohesion Policy and will clearly feed into the forthcoming EU Budget review. The RDAs are extremely keen to proactively contribute to European-level discussions on Cohesion Policy and to ensure that the potential contribution of the RDAs to this agenda can be fully exploited.

The RDAs developed a strong and effective strategic dialogue and working relationship with both the European Commission and the UK Government regarding
the future of Regional Policy throughout the previous (2000-2006) Programming Period.

Whilst recognising that we are one voice amongst many on these issues, we are pleased nonetheless to see some key aspects of our contribution to this debate reflected in the 2007-13 Programming arrangements at both national and European level, for example:

- The RDAs strongly support a more flexible, substantially simplified and coherent approach to the implementation of Structural Funds, in particular closer alignment with domestic policies at a regional level. This is in line with the UK Government’s aspiration – stated in the UK NSRF - that the Regional Economic Strategies should provide the guiding framework for the Structural Funds post 2006.
- The RDAs also support Commission moves towards streamlining and simplifying the rules surrounding programming and management, which we hope will translate into greater flexibility for regions in terms of Programme implementation and ongoing Programme management.

The commencement of the RDAs’ new role in the management and delivery of the 2007-13 ERDF Programmes coincides with the UK Government’s recent (July 2007) announcement of the proposals emerging from its Sub-National Review of Economic Development and Regeneration (SNR), which, in addition to enhancing RDAs’ responsibilities across a range of policy areas, places RDAs at the centre of the regional institutional infrastructure in support of economic development at the sub-national level. More specifically, the SNR proposed that:

- RDAs will be responsible for the development of a new Single Regional Strategy which will set out the economic, land use, social and environmental objectives for each region and will have at its core a new overarching growth objective for the region;
- Responsibility for planning, transport and housing will transfer from the Regional Assemblies to the RDAs; and
- Local Authorities will have a new economic development duty that the RDAs will support through greater delegation of funding.

These changes will be underpinned by a renewed scrutiny framework and enhanced Parliamentary scrutiny of regional institutions and regional economic policy. Therefore, the RDAs are, and will continue to be, extremely well placed to bring together our extensive knowledge and experience of Regional Policy, from both a strategic and delivery perspective, to provide a constructive and informed contribution to the post 2013 Cohesion debate.

2) Key Messages

The principles underpinning the Structural Funds and the EU programming approach have had a positive influence on English regional policy development by supporting its move to become more integrated and coherent and opening up sub-national economic development activity to a broadly based partnership approach. In addition, the seven-year Structural Funds’ cycle has had a stabilising effect on regional economic development. The Structural Funds have therefore played a pivotal role in developing successful regional partnership working and in the identification of shared objectives for the deployment of European funding in line with regional priorities.

Regional Structural Funds’ allocations have also levered in valuable additional investment in the English regions and have in some places facilitated more innovative or experimental approaches to projects. It is, however, important to
highlight that the strength of feeling across the RDA network in relation to various aspects of the post 2013 Cohesion debate varies, and that this may, in some instances, be a reflection of the relative size and value of the Programmes in the different English regions, along with the practical experience of their operation and impact.

The positive effects of the Structural Funds have been particularly felt in the Objective 1 / Convergence regions. For example, in Cornwall and the Isles of Scilly, Merseyside, and South Yorkshire Objective 1 / Convergence funding has enabled a step-change not only in hard economic terms, including a marked improvement in economic activity and a rise in GDP over last programming period, but also in terms of the level of confidence and the aspirations of the sub-region. Moreover, the flexibility offered by Objective 1 / Convergence in terms of eligibility of expenditure (particularly with regards to infrastructure investment) and intervention rates, means that the Funds have succeeded in achieving clear added value through projects which domestic investment alone would not have been able to deliver.

The Objective 2 / Competitiveness regions equally welcome the investment that Structural Funds programmes have enabled in support of regionally agreed priorities, but there remain strong concerns regarding the bureaucracy associated with drawing down and delivering the Funds (particularly for comparatively small Programmes), and as such would be keen to engage in a debate to consider the most appropriate and efficient mechanism for deploying and administering Funds in the future Programmes.

The RDAs strongly support the principle of territorial cooperation and agree that the opportunity to work with and learn from other EU Member States and exchange best practice brings real added value. However, we are keen to see increased flexibility and simplification of the cooperation programmes – in particular, we feel that the existence of programming areas and separation of activities between different strands of the programme makes it difficult to develop coherent and integrated projects and can often result in a fragmented and protracted process.

We feel that this diverse range of perspectives stimulates a well-informed and robust debate amongst the RDA network, and we are keen to share our views on these issues in order to inform the debate regarding the future of Cohesion Policy post 2013. The RDA network has identified a series of key points for consideration and debate at this stage in the Cohesion Policy development cycle.

**a) Role of the RES in delivering Lisbon / No one-size-fits-all**

The Regional Economic Strategies constitute the blueprint for sustainable economic growth in the English regions and their resonance with the priorities of the Lisbon and Gothenburg Agendas is clear. Each RES is underpinned and informed by a comprehensive, credible and robust evidence base, which has been generated within the region and which addresses many of the challenges put forward in the Cohesion Report such as the impact of globalisation or climate and demographic change, from a regional perspective. This approach enables regions to develop a regionally tailored, long-term, strategic and well-evidenced approach to economic development, which prioritises the issues and challenges of greatest relevance within the region.

It will be increasingly important for regions to have sufficient freedom and flexibility to identify and tackle their own issues, challenges and priorities – lessons must, therefore, be learnt from the recent experience of programme development. Future
Cohesion Policy instruments must, consequently, be sufficiently flexible to meet these differing needs across an EU of 27 Member States. This may, for example, be a mixture of approaches dependant on the issues and challenges identified by the region - some Member States or regions requiring a direct allocation of funding and others having access to policies and programmes of relevance to their regionally determined needs.

RDAs are already delivering on the Lisbon and Gothenburg agendas, reacting and adapting to the market forces imposed by globalisation at the regional and national level and we welcome the strategic approach to Cohesion taken during the current programming period, with the Lisbon / Gothenburg focus on growth and jobs within environmental limits.

b) Integration with domestic and regional policies and funding streams

As part of the SNR, the UK Government also announced a second Regional Funding Allocations (RFA) exercise, building on the first exercise in 2005/06 which saw regions agreeing priorities for transport, housing and economic development within realistic funding constraints. It is likely that the next RFA exercise may include ERDF, skills funding and other aspects of regeneration funding.

Although the Structural Funds represent a valuable source of investment for the English regions, it is important to put this allocation into context alongside other domestic (and more substantial) streams of investment. In addition, it should be recognised that for almost all English regions the value of their Structural Funds' Programmes has reduced considerably for 2007-13. It is therefore extremely important to consider its deployment as part of a wider discussion on regional economic development expenditure. The RDAs believe, therefore, that the successful alignment of Structural Funds with other regional and domestic policies and funding streams is critical.

c) Impact Evaluation

The need for robust impact evaluation of public sector policy and funding interventions has increased in priority for the UK Government and the RDAs over the duration of the previous programming period. RDA investment in economic development activity is, therefore, increasingly scrutinised and assessed in terms of its impact. This is an approach which the RDAs wholly endorse and regard as an essential tool for improving the quality and impact of future interventions.

To date, the evaluation of Structural Funds’ activity has tended to focus on Programme implementation and outputs rather than impact. Whilst we acknowledge that these will continue to be important aspects of Programme monitoring and evaluation, we strongly believe that the principle of robust impact evaluation must be applied to all future Structural Funds’ interventions in order to be in a better position to assess the impact of the Funds in both quantitative and qualitative terms and inform discussions regarding post 2013 arrangements.

d) Concentrated Focus

The shape, focus and aim of Structural Funds’ interventions for Member States such as the UK has changed radically over the last 20 years and activity increasingly transcends a range of policy areas and issues. The Fourth Cohesion Report clearly identifies and illustrates the key challenges and policy issues facing the EU in the
future (globalisation, climate change, rising energy prices, demographic change and social tensions). The key issue, therefore, in relation to the Structural Funds is what impact can the Structural Funds make on these issues in an EU of 27 Member States?

Cohesion Policy cannot be expected to effectively tackle such a broad and in-depth range of issues in an EU of 27 Member States given the budget constraints within which EU regional policy operates. It will need to have an even more concentrated focus in the future in order to be able to demonstrate real impact. The time is right to consider the precise focus for future Cohesion Policy.

The ‘new challenges’ highlighted in the Report are seismic social, economic and environmental phenomena occurring as a result of globalisation and climate change – they illustrate the wider global context within which the EU now operates. If the scope of Cohesion Policy were widened, this could result in a shift in resources away from addressing disparities in economic development, which should remain the primary aim of Cohesion Policy. The challenge must now be to identify the specific and focused issues that Cohesion Policy interventions could effectively, or should realistically, seek to tackle if Funds continue to reduce, and within a strategic framework that focuses on jobs and growth.

Whilst Convergence funding is a key component of Cohesion Policy, we feel that the Competitiveness focus is becoming increasingly important for English regions. Regional competitiveness is a fundamental element of economic growth and all RDAs have economic development at the core of their statutory obligations. As such, the RDAs would strongly support a continued alignment of EU regional policy with the aims and objectives of the Lisbon and Gothenburg Agendas.

It is clear that continued economic growth and increased productivity will come through innovation, and whilst we recognise that there are existing EU Funding streams which focus on research and development, there will continue to be a need to invest in the wider innovation agenda in order to make economies more competitive. There remains a need to ensure that R&D readiness support is available to those poorer performing regions. Future Cohesion Policy should focus on building a stronger bridge and progression route from mainstream Structural Funds’ interventions through to the more specialist and technical R&D programmes, such as the Framework Programmes.

e) Subsidiarity, Proportionality and Flexibility

The RDAs support the argument made by the UK Minister for Competitiveness, Stephen Timms MP, at the Fourth Cohesion Forum in September 2007 which set out some overarching principles with regards the future rationale behind EU intervention.

- The principle of subsidiarity should be considered at all times – the EU should only seek to act where collective action by Member States brings clear and additional benefits.

- Where collective EU intervention is deemed appropriate, the principles of proportionality and flexibility should apply, and with this in mind, the level of requirement for independent audit should be adapted accordingly. In particular, we would welcome a discussion regarding the scope to extend the use of national audit rules in Member States with a proven track record in Structural Funds’ delivery.
The principles of subsidiarity, proportionality and flexibility are principles which are also echoed in the Commission’s recently published consultation paper ‘Reforming the Budget, Changing Europe’ which seeks to initiate an EU wide debate on the direction of EU spending policies to meet the challenges of the next decade and beyond. It is critical, therefore, that this response is viewed within the wider context of the overall EU Budget review.

f) Appropriate allocation of functions at EU, national and sub-national level

The RDAs are committed to a constructive engagement with the European Commission across a range of policy areas which directly reflect EU policy priorities and impact upon economic development and cohesion. RDAs are at the forefront of policy development and implementation at the sub-national level and we believe that there is significant scope to deepen and extend our partnership with the European Commission. In particular, we would welcome further dialogue with DG Regio to explore how the regional dimension can be more strongly factored into thematic or sectoral policy areas such as Research and Development, State Aid, the Common Agricultural Policy and Employment Policy.

With regard to Cohesion Policy and, as stated above, the RDAs strongly support the underpinning principles of multi-annual programming, partnership, added value and concentration at regional level. The question that we would like to explore - in dialogue with the European Commission and partners - is whether, in order to ensure that these principles are adhered to in the implementation of sub-national approaches to regional economic development, they require a role for the European Commission in directly funding activity or whether they could be achieved through a new approach to the EU regulatory and coordination function.

The RDAs therefore feel it would be helpful to explore the appropriate allocation of responsibilities, in particular financial responsibilities, within the context of the ongoing implementation of a common EU cohesion policy. For example, given the breadth of challenges highlighted within the Cohesion report and the reality of the budget constraints within which EU cohesion policy will operate post 2013, could an approach that involves a concentration of EU financial resources upon poorer parts of the Union and those policy areas where the EU clearly adds value, be combined with a refashioned coordinating role at EU level?

Such an approach could continue to provide for the establishment of Community Level Guidelines whilst also promoting best practice and exchange of experience between regions. In essence, it is not whether an EU framed approach to regional policy is being implemented, it is more a question of which Institution is most appropriately placed to finance and implement economic development at sub-national level in line with an over-arching EU framework, as expressed in, for example, the Community Strategic Guidelines.

We believe consideration of this issue is important, although the RDAs remain committed to working with all levels – local, national and European – to secure the most appropriate policy and funding frameworks to deliver sustainable economic growth.
4) Conclusion

The consultation on the Fourth Cohesion Report offers a real opportunity to consider some of these questions in more depth, take a fresh look at the EU’s approach to its interventions in these policy areas and perhaps test some more innovative / transnational approaches to tackling them. We are committed to ensuring that the 2007-13 Programmes are a success, and are also keen to participate in a wider debate which seeks to assess the impact of interventions to date and undertakes a ‘back to basics’ style review with the aim of identifying a post 2013 approach which reflects the principles set out above and is robust and fit for purpose in an EU of 27 Member States.

We agree with the European Commission that the time is right to have a fresh look at EU Cohesion Policy. We look forward to having more detailed discussions on the lessons learnt during past programming periods and to making a constructive contribution to the debate surrounding the future of EU Cohesion Policy.

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