Growing Regions, growing Europe
consultation response

31 January 2008
The East of Scotland European Consortium (ESEC) was formed in 1992 to represent the European interests of local authorities in Eastern Scotland. We have membership from all 14 local authorities within this area who co-operate on European issues. With a population of just over 2.34 million (46% of Scotland's total), this is an area of contrasting industrial, rural and urban landscapes.

ESEC welcomes this opportunity to feed into the debate on the future of cohesion policy. The East of Scotland has many years experience in utilising structural funds to undertake social and economic regeneration and development activities. Consequently the network has a wealth of knowledge and practical experience in this field and hope that our input will help shape the future of this important policy.

Due to the nature of our meeting cycle, this response is still subject to political approval on the 25 February 2008, but reflects the views of European officers.

**Group 1 – Global developments impacting on EU economy**

1. What lessons can be drawn from the experience of preparing the 2007-2013 programmes? In this context and in the light of the analysis provided by this report, how far is Cohesion Policy adapted to the new challenges European regions will face in the coming years? For example:

1.1 *How can the regions react to restructuring pressures from dynamic competitors in low and medium tech sectors?*

The strength of the European economy is dependent upon flexible and diverse ranging economic policies, which should include a well financed EU cohesion policy. A successful policy should be responsive to the wide differences in social and economic trends which have been highlighted in the Fourth Cohesion report. As each region faces unique challenges and situations it is therefore difficult to develop a ‘one size fits all’ approach to restructuring. A flexible ‘bottom-up’ approach to meeting this challenge should therefore be facilitated through the next generation of cohesion policy. There will be a continuing need for investment in human capital (improving the skills base of the labour force) and to create a business environment
conducive to innovation (defined in its widest possible sense). Also worth bearing in mind is that whilst Europe's economic quest for firms that provide high-value added returns and for the development of high-tech industries continues, these are also the very industries which are likely to be exposed to increasing competition from other markets during the next programming period. In other words the pressure of restructuring and for continued competitiveness extends to all sectors/levels of industry.

1.2 Given wide differences in birth rates, death rates and migratory flows at regional level, what is the role of Cohesion Policy in responding to demographic change?

With regard to Europe’s demographic trends, it is clear that whilst trends are diverse across Europe, that many regions are experiencing commonalities (e.g. depopulation of skilled workers, ageing populations, low fertility rates, high rates of immigration etc). Cohesion policy can have a dual role to play in this arena; transnationally and regionally. Real added value can be gained from addressing migratory issues at the EU level where similar or linked issues can be tackled jointly. However, demographic change is often symptomatic of wider structural changes in the economy and society. Cohesion policy has a continued role to help address those structural issues such as by the stimulation of high quality jobs in regions that are depopulating. Maintaining the viability and effectiveness of key services in areas facing significant inward or outward migration or indeed depopulation should also be prioritised.

Representing a region which has been receiving high numbers of EU-nationals from Eastern European member states in recent years, it is curious to us that other than the 2006 European year, there has not been a specific fund directed at supporting infrastructure for both intra-EU migrants and employers. Migrants have been filling crucial labour market gaps in our region and is a trend set to continue in future years. Handling this migratory flow (from the perspective of both the destination and origin of migrants) requires additional unprecedented policy responses from local government in the fields of information provision, education (support in schools, language, qualifications and with training), health and housing to name but a few areas. Cohesion policy should support this type of activity as it can have an
important role in addressing common issues, demonstrating the connectedness of the EU economy.

1.3 To what extent is climate change a challenge for Cohesion Policy?

It is certainly easy to see the link that climate change has to the various areas of cohesion policy. It is also clearly one of the themes that affects the whole EU, albeit in various forms, thus requiring different mitigation and adaptation responses. It also easy to argue that cooperation on climate change at the European level could have real value-added and in theory there are a plethora of various ways which cohesion policy could help to mitigate the effects of climate change. The problem is simply that the costs associated with some of this type of activity, such as coastal defences, could most likely not be financed through cohesion policy, even if this was targeted at the poorest regions. This is a priority of the EU and therefore national member states should make available budgets to this type of activity.

Having said that, there are a number of areas, such as the reduction of demand for energy and the supply of renewable energy which has a strong relationship to climate change, where cohesion policy could have a role in removing some of the barriers to their development and eventual mainstreaming. There is also a role for cohesion policy to identify and exploit the economic opportunities which arise from climate change, such as support to help with the development of innovative technology. Another such linked area is bio-diversity where cohesion policy could be used as an effective tool to mitigate the effects of climate change. In some areas to encourage bio-diversity could be a cost-effective way of dealing with climate change and doubles as a preventative measure.

One of the successes of the structural funds in previous programmes is that it has incentivised the mainstreaming of wider policy issues, such as sustainable development in the Eastern Scotland Programmes, through making them horizontal themes in the regional programmes. The Lowlands and Uplands Scotland 2007-13 now has environmental sustainability as a horizontal theme. Consideration could be taken of the carbon impact of a project or perhaps the inclusion of climate change as a horizontal theme to the programmes, rather than making core activity per se.
Group 2 – How can Cohesion Policy foster growth and development?

2. How can Cohesion Policy further develop an integrated and more flexible approach to development/growth and jobs in this new context?

2.1. How can Cohesion Policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?

We would have concerns about the implications of developing a cohesion policy that considers geographic characteristics as basis for its framework. Whist it may be the case that there is a correlation between the most under-performing areas with classifications such as peripheral, rural, urban, or deindustrialising regions, the rationale for cohesion policy support should be socio-economic performance. Fundamentally this approach fails to work when attempts are made to define these types of areas using statistics.

For instance, the urban/rural dichotomy is an area of particular concern, as interpretations of how to classify urban and rural areas vary greatly around Europe. Inevitably large sectors of the population fall outside of these classifications. Implementation of this form of geographic targeting also places significant restraint on Managing Authorities. We have concerns that this approach could lead to cohesion policy being considered an “urban” issue and the EAGFF purely “rural”. Small towns can be considered integral in both camps and such an approach could be very divisive.

The diversity of Europe’s regions, towns and cities should be explicitly recognised in the cohesion policy and this can be done on a thematic basis, such as through socio and economic performance.

We do however recognise that peripheral and the least accessible regions of Europe face additional obstacles in addressing competitiveness issues. Many of the current Convergence programmes are located on the periphery of the EU where increased distance and obstacles to market are a difficult obstacle to overcome. Equally, this also applies for their ability to participate fully in...
the Territorial Cohesion objective, as this requires a much greater effort in terms of resources compared to centrally located regions.

2.2. What are the impacts of the challenges identified in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?

The report identifies the main cohesion issues and their accompanying EU strategies and action plans. The main areas include; gender mainstreaming/equality, disabilities mainstreaming, flexicurity, free movement of workers, demographic change and equal access to knowledge and learning.

2.3. What are the key future skills that are essential for our citizens in facing new challenges?

- Stimulating entrepreneurship will continue to be an important skill to drive forward in future years.
- Deficits of the availability of employees in certain sectors/professions, such as traditional trades, which would benefit from apprenticeship schemes being encouraged.
- There is also still a need for basic skills to be supported, covering mainstream education and those who fall outside of it. Creativity, motivation, and responsible citizenship are important principles in this regard.
- New challenges implicitly implies a need for creating adaptable and transferable skills.
- As the EU moves further towards a knowledge-based economy, citizens are likely to require new skills related to information and communications technologies and management skills.
- Lastly the use of foreign languages will become increasingly important in future years and with rates of students learning foreign languages falling in the UK, this will put UK and other European countries with similar patterns, at a huge disadvantage in business.
2.4. **What are the critical competencies that should be developed at the regional level to make regions globally competitive?**

At a regional/local strategic level, it is important that focus is directed to a limited number of key industries. These should be supported through the development of clusters, facilitating a cross-sectoral approach to challenges and bridging gaps between research institutions and enterprises. Improving research and development capacity and profitability of key sectors should be prioritised. The Cohesion Policy could encourage this through supporting projects which facilitate clusters and cross-sectoral working. In addition, projects which equip individuals with the necessary technical knowledge to work in the prioritised industries and more general entrepreneurial skills should be supported by the Cohesion Policy.

**Group 3 – Future operation of Cohesion Policy**

3. Following the appraisal of the previous questions, what is the assessment of the policy management system for the period 2007-2013?

3.1. **Given the need for efficient management of Cohesion Policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?**

The fact that a multi-level governance system exists within the EU, implies by definition that a ‘one size fits all’ approach cannot be used. Scotland illustrates this case well as it has a dual role; being considered a region in terms of cohesion policy as well as a nation (albeit stateless). A related situation occurs in Denmark, Slovenia, Malta and Cyprus where the Member State and region boundaries are coterminous.

Therefore the principle of subsidiarity, whereby decision making on the programmes is taken at the lowest practical level, should continue to guide the management of the Programmes. There should be recognition of the local level through the Programme partnerships. Decisions on the design, implementation and evaluation of the Programmes should be taken by the partnership.
It is also possible that more targeted sub-programmes, meeting the needs of local communities, could be set up. These sub-programmes would allow each and every region of the EU to contribute to the overarching aims of the Programme and key EU strategies in their own way. In addition, this would enable EU policies to better meet the needs of EU citizens and could improve public perceptions of EU actions.

3.2 How can Cohesion Policy become more effective in supporting public policies in Member States and regions? What mechanisms of delivery could make the policy more performance-based and more user-friendly?

Public Policies

It is important that programmes supported by Cohesion policy should complement regional and local strategies in addition to those operating at national or EU level. Whilst the Commission should have more of a focus on what they want to achieve with the cohesion funding, we have some concern about the extent of so-called Lisbon earmarking that was required in the development of the 2007-13 Programmes. We are supportive of the aims of the Lisbon and Gothenburg Strategies but the use of the earmarking has resulted in a very top-down approach to programme development and resulted in programmes that place significant constraints on the type of eligible activity.

Further devolution of responsibility and funds to the national, regional and local levels could help Cohesion Policy to become more effective in supporting public policies at these levels. The success of the LEADER model in allowing EU support to meet local needs and common goals could be replicated to achieve this.

Performance

Our current experiences suggest that Managing Authorities are too fixated with financial performance to the detriment of ensuring quality projects. The ‘n+2’ rule together with an excessive financial monitoring and reporting regime distract those from delivering the Programme away from the overall aims of the projects. Projects are measured on their ability to accurately predict expenditure and spend money within a given timescale rather on their contribution to the aims of the Cohesion Policy.
We would also like to raise concerns about the current regime of audit requirements. The various levels of different audits required are much too onerous. A single final audit should suffice and be recognised by the European Court of Auditors (Audit Scotland is our national agency and should be recognised as competent to sign off projects). When auditing rules and requirements change during the lifespan of a project, a project should be audited on the rules that were in place when it was approved. There is a need to ensure monitoring of projects occurs at the right times and within more reasonable timeframes. We believe that the auditable life of a project could vary depending upon its size and impact. Differentiated standards could be developed for small and large projects. The associated historical storage of European projects incurs significant property costs for a number of years after the project’s justifiable shelf-life.

At present, the performance indicators of the programme are easy to monitor statistically, but rigid and difficult to compile in some cases, adding to the administrative burden imposed. Where practical, more subjective ‘soft’ outcomes should be recognised as well as objective ‘hard’ objectives.

*User-friendly*

Significant reductions in administration, monitoring and reporting requirements are necessary for the delivery of the Programmes to be more user-friendly as outlined above.

The accessibility and level of administration of certain programmes needs to be significantly improved. There is a cut off point, where the extent of the complexity and work load associated with EU projects, requires too much effort, and thus becomes an opportunity cost.

**3.3. How can we further strengthen the relationship between Cohesion Policy and other national and Community policies to achieve more and better synergies and complementarities?**

The Lisbon and Gothenburg strategies were used as strategic objectives in developing cohesion activities in the 2007-13 programming period. Whilst we are not supportive of the extent of the associated ‘Lisbon earmarking’, it offers a means of demonstrating that projects have strategic fit with important EU strategies. Our preference however is for more flexibility for
Managing Authorities/partnerships to develop their programmes. Compatibility of EU policies in projects could be built into project scoring criteria or horizontal themes as opposed to earmarking.

The Cohesion Policy should therefore not be overly prescriptive, but instead provide minimal but focussed strategic aims at EU level. National, regional and local strategies should be supported through programmes which reflect the distinct needs of particular regions. Local, regional and national strategies should also fit with EU policies if they are considered important in the delivery of the programmes on the ground.

One of the ways that Europe’s citizens often relate the EU in their communities is through European funded projects (identified by signage where funding has been secured and publicly advertised). Cohesion policy therefore has an important role in promoting the visibility of the EU at local level. There is a real danger in some regions which are expected to have significantly reduced access, or no access, to structural funds beyond 2013, that the EU will appear even more remote to its citizens without that visible link to projects. Access to project support from the EU plays an important role not just in terms of economic cohesion but also in promoting a more general citizen based cohesion that should be kept in mind. With reduced or no access to structural funds, it could also act as a threat to cohesion as national governments are likely to claw money back to support local regeneration of their own. Therefore, it is important that cohesion policy is well supported in consideration of the forthcoming budget review.

Joint working across different Directorate Generals of the Commission should be encouraged when developing the Cohesion Policy to ensure that any potential synergies between European policies are developed and that conflicting policies are minimised.

3.4. What are the new opportunities for co-operation between regions, both within and outside the EU?

The 2007-2013 Structural Funds Programmes in Scotland have placed emphasis on the development of strategic partnerships among local authorities and other organisations. This builds upon successful national efforts to encourage joint-working between regions in Scotland. Networks of
local and regional authorities are proving successful in bringing together different areas both within and across national boundaries.

The Transnational Co-operation programmes supported through Cohesion Policy have proved a valuable and effective tool in reducing borders and enhancing the Single Market. We would like to see support for Transnational Programmes significantly enhanced in the future cohesion policy. Often it is within these programmes that the European value-added is the most obvious. However, uptake of these Programmes has tended to be concentrated on certain areas and regions with the administrative capacity to manage the extensive administration required. Were the administrative burdens of such programmes to be reduced, the Programmes could become more accessible. In regions on the periphery of Europe it is more problematic to participate in these projects, both from a geographical perspective and resource perspective. We would like to see support (political and financial) from national Governments to encourage this type of cooperation. In addition, regions on the periphery have very limited opportunities to participate in cross-border Programmes. The cross-border programmes should be revaluated so that all regions have an opportunity to participate.

There are a great deal of thematic opportunities for cooperation within the regions of Europe (and beyond). Some likely areas include energy creation and reduction (where the link to TEN-T could be made stronger), and water management. Work should continue on joint projects on social, environmental and economic best-practice/solutions.

Further Information

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