Highlands and Islands European Partnership

‘Working together in Europe – on behalf of the Highlands and Islands of Scotland’

Highlands and Islands European Partnership Response to the Consultation on the Future of Cohesion Policy
I. Introduction

The Highlands & Islands European Partnership (HIEP) is a partnership between the key public agencies in the Highlands and Islands involved in the economic development of the Highlands and Islands of Scotland and the delivery of the Structural Funds Programmes. It is made up of the 7 local authorities within the Highlands and Islands, the UHI Millennium Institute (our future university) and Highlands and Islands Enterprise. The Highlands and Islands of Scotland is an area characterised by a number of socio-economic features combining peripherality, sparsity of population, insularity, a mountain terrain, a narrow economic base, low wages, out-migration, isolated communities and limited opportunities to diversify the economic base. The financial support that our area has received from the Structural Funds programmes has been instrumental in helping to address the serious structural challenges that it is facing and we wish to take this opportunity to express our gratitude.

The Highlands and Islands European Partnership welcomes the Fourth Cohesion report and the opportunity to have an input into the consultation launched at the Cohesion Forum. The Fourth Cohesion Report provides a valuable insight into the territorial state of the EU, the changes in disparities between countries and regions, and the key future challenges.

However, we express concern over the omission from the current report of the concept of areas with a permanent natural handicap that was usefully introduced in the Third Cohesion Report. This analysis remains valid as these areas require a focused response to their needs and potentials. We disagree with the analysis according to which “insularity does not seem to constitute in itself a major obstacle to development.” Of course, it is recognised that all insularity below Member States level involves incidents of higher costs although it must be recognised that those few islands with a critical mass of population, and therefore of economic activity, suffer comparatively less. For the rest insularity presents a formidable barrier and those suffering from dual insularity “the inhabitants of islands lying off other islands” experience severe obstacles to development.

II. Contribution from HIEP

The key points that HIEP wish to make are as follows:

- Territorial cohesion cannot be and must not be distinguished from cohesion policy. Territorial cohesion is a key plank of cohesion policy;

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1 The HIEP Partners are as follows: Argyll and Bute Council, Comhairle nan Eilean Siar, The Highland Council, Highlands and Islands Enterprise, North Ayrshire Council, Moray Council, Orkney Islands Council, Shetland Islands Council and UHI Millennium Institute.
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• A distinction must be made between cohesion policy and the Lisbon Strategy. A strong territorial dimension must prevail. In other words the initial allocation of cohesion funding should address primarily strict Territorial Cohesion Objectives but thereafter within each of the regional programmes earmarking for Lisbon Objectives is entirely appropriate. This is because in principle a 1% European economic growth achieved at disadvantaged area level is just as valuable as 1% growth achieved within a growth pole in economic terms but is much more valuable in social and environmental terms;

• Cohesion policy should adopt a multi-level regional approach i.e. below Member State level and e.g. in the case of Scotland below Scottish level and territorial indicators require to be taken into account to better reflect the socio-economic situation prevailing in remote, rural, island and peripheral regions. The polycentric, balanced approach serving the general objective of territorial cohesion will in the long term benefit all EU regions, and have a sustainable effect on the global competitiveness of the EU. This fundamental polycentric development approach must not focus exclusively on cities, growth poles, and secondary centres, it must also include smaller settlements as these are vital to the sustainable development of fragile rural areas;

• Not only should cohesion policy focus on territorial cohesion objectives but it also needs to be integrated with other related policies such as agriculture, transport, climate change, environment, research, energy, regional or minority languages, education, and information society. Cohesion policy must be truly integrated to succeed and this cannot be achieved within the confines of cohesion policy but must involve integration with these other policies.

Lessons to be drawn from the experience of preparing the 2007-2013 Programmes

Although our Partnership welcomes the support that our area is receiving from the Structural Funds we wish to highlight the lack of integration, degree of complexity and level of bureaucracy that the Structural Funds Programmes for the period running from 2007 to 2013 involve. Real integration and simplification need to be introduced into the future cohesion policy for the period post 2013.

The lack of effective integration between the funds and the burden of complexity have long been highlighted as hampering the delivery of cohesion policy but it is disappointing that these difficulties were significantly increased for the current programming period.

In the 2000-2006 programming period the Highlands and Islands of Scotland had one programme embracing ERDF, ESF, EAGGF and FIFG. For the 2007-2013 programming period, there are four separate programmes. This has created difficulties in developing an integrated strategy for the region and will hinder the delivery of integrated actions.

We are also concerned about the lack of integration between regional and rural development. We would welcome a truly integrated programme bringing together not only strategic measures under ERDF and ESF but also the Rural Development and Fisheries programmes.
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The Partnership is concerned about the danger of sectorisation of policies and wish to emphasise the need for an integrated holistic approach that identifies the synergies that are possible between regional development and other policies such as agriculture, transport, climate change, environment, research, energy, regional or minority languages, education and information society, in the development of the Structural Funds Programmes.

As regards involvement of the stakeholders, we are concerned by the change towards a more top-down approach, lack of transparency and the lack of a clear role for local authorities.

It is clear that cohesion policy must be integrated at EU level with other related European policies, in particular in the future Structural Funds Programmes. However, there must be integration and flexibility at the local level enabling bottom up strategies to be developed and delivered to suit local circumstances. It is becoming acknowledged that there is no One Size Fits All solution to regional development. In recognition of this there must be regional involvement in the initial development of the Structural Funds programmes and regional economic development strategies.

Is Cohesion policy adapted to the new challenges European regions will face in the coming years?

1.1.* Our Partnership is of the view that in order to face restructuring pressures from dynamic competitors in low and medium tech sectors regions must recognise their permanent loss of comparative advantage in these fields and instead focus investment on higher quality production based on innovation and niche markets. Innovation in niche sectors is a key element in overcoming restructuring pressures. Investment in human capital through training, education, and other appropriate measures should be continued.

There are, however, limits to what can be done. These limits are imposed by the geography of an area, its topography, its location at the centre or periphery of Europe, and real possibilities of diversification. For example, an area located at the periphery will find it more difficult to attract inward investment. Accessibility will always remain a problem for peripheral islands and mountain areas.

1.2’. Role of cohesion policy in responding to demographic change

We would like to emphasise the need to address out-migration from the fragile rural and island areas to urban centres and the fundamental need to maintain services for remote and island communities. One must emphasise the problem of rural depopulation. Services in fragile rural and island areas must be maintained to keep communities in place because they are the guardians of the last reservoirs of biodiversity and unique cultural heritage. This implies provision of employment opportunities, adequate education and training, waste recycling, transport links – in particular to islands, business support services to SMEs,

* The numbers correspond to the numbers of the questions asked in the consultation document
energy supplies, and affordable housing. Whilst previous policies have tended to address the stemming out-migration it is important that policies be developed that seek to entice native out-migrants back. Cognisance needs to be taken of the impact of migration on regional or minority languages.

It is clear that a better-focussed and more holistic cohesion policy is required. Greater efforts must be made in co-ordinating EU based policy. A case in point has been the geographic synchronisation of State Aid designation with the Highlands and Islands Convergence Objective area. This is a welcome innovation that must be continued and refined in future.

1.3. Climate change a challenge and cohesion policy
While there are significant divergences in the rate and profile of climate change predicted by experts, there is no debate on two points. Climate change is occurring and will continue. Climate change will affect different geographic areas in different ways and to different degrees of severity depending upon altitude, distance from a coast and position in the landmass. At the same time peripheral regions such as the Highlands and Islands of Scotland have well documented renewable energy resources which can at once both ameliorate climate change and provide good local economic opportunities. All this demands the development of a cohesion policy more sensitive to local territorial circumstances.2

2.1. How cohesion policy can 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?

Cohesion policy must be strengthened and receive more funding. It must have the financial means to address the difficulties of areas whose economies are lagging behind and areas with a permanent handicap such as mountain, island, coastal, and sparsely populated areas. HIEP would welcome a varied approach to addressing and delivering socio-economic territorial cohesion. Whilst there is a clear need to address the needs of the regions, greater emphasis should be placed on developing the opportunities of regions, particularly those where development is constrained by natural handicaps. It is often the case that such peripheral, mountain and island regions are rich in the linguistic, cultural, and environmental based attributes and positive externalities that are being rapidly lost in the face of globalisation and these can provide opportunities for development given appropriate support.

2 As defined by DG Regio in ‘Competitiveness, sustainable development and cohesion in Europe’ (2003) ‘…the aim of territorial cohesion is to contribute to the harmonious and balanced development of the Union as a whole’ and further defined in the Third report on economic and social cohesion as ensuring that Europe’s citizens shall not be disadvantaged by wherever they happen to live or work in the Union.
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Our Primary Point

Territorial cohesion is now one of the fundamental objectives of the European Union as it is enshrined in the new institutional Treaty, which was approved by the Heads of State and Government on 18 October 2007. This fully justifies and calls for the varied approach mentioned above.

There is an undoubted connection between rising Euroscepticism and widening territorial disparities. To respond to this crisis of meaning that is sweeping through Europe and to reconcile its citizens to the European project it is essential to recognise that a clear distinction exists between the Lisbon Strategy and cohesion policy. Cohesion policy is devoted to the specific objective of territorial cohesion which goes beyond the Lisbon Strategy and so cannot favour already dynamic regions, as would result from a strict earmarking of appropriations or from too broad a categorisation of the territorial priorities to which the concept of territorial cohesion can reasonably be expected to be extended. In particular the otherwise arbitrary inclusion of cities above should be qualified and justified by some specificity. Cohesion policy cannot be treated as a financial instrument of the Lisbon Strategy as that would mean that neither the objectives of the cohesion policy nor those of the Lisbon Strategy would be delivered. Cohesion policy cannot be seen as a mere tool for achieving the objectives of other sectoral policies; rather it is a Community policy of high European value whose fundamental objective must remain cohesion.

There is an unfortunate tendency to see development based on growth poles as efficient and investment based on territorial cohesion considerations as inefficient. This is reduced to a perception that a growth approach is efficient and equity approach inefficient and that, in reality, the second is dependent upon the first. Certainly it is beyond dispute that agglomeration produces growth efficiently in the short term but in the medium to long term it is inefficient socially and environmentally by producing congestion, pollution, and social friction and by encouraging the desertification of less central areas whose often fragile assets are reduced to dereliction. It is perverse that this process simply adds to the initial social (rather than structural) problems of the cities. By contrast investments based on territorial cohesion principles produce growth in the medium term and therefore economic efficiency but also secures populations and their cultures and has no similar potential to create negative externalities.

Other Key Points

Any cohesion policy guided by consideration of territorial cohesion would not adequately be served by orthodox criteria such as GDP per capita and unemployment. GDP is acknowledged as a blunt measure and could usefully be refined in the context of territorial cohesion by calculating the Purchasing Power Parity on a local, not national, basis. Other criteria must now be taken into consideration including demography, infrastructure endowment, ICT coverage, access to education and R&D and innovation capacity.

We have already highlighted the need for flexibility of state aid designation with regard to the challenge of demographic change and the need to ensure the means to maintain remote rural communities through the delivery of appropriate services.
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?

Cohesion must mean social as well as economic cohesion, across all the territory. It is of paramount importance to preserve the fundamental values of the EU, such as solidarity, diversity, equality and social cohesion in the face of globalisation and other challenges. A Europe that would be dictated mainly by trade liberalisation would miss its purpose and inevitably lead to a serious social crisis that would ultimately threaten its stability. The Fourth Cohesion Report quite rightly emphasises the current risk of poverty even in relatively wealthy countries.

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

Historically the Highlands and Islands have been restricted in terms of skills development because to date there is no university based in the region. The UHI model developing the new university for the region on a collegiate, partnership model has been able to address this problem over recent years with substantial support from the Structural Funds. It is envisaged that the new university will have a significant impact on skills, from basic level through to post graduate, R&D and continuing professional development, thus growing the economy and sustaining rural communities. However, there is an ongoing need to ensure that basic learning infrastructure in terms of physical facilities and IT connectivity are provided so that individuals and businesses across the region have access to skills, education and training, growing the knowledge economy of the region.

With this provision skills training in the sectoral priorities can be addressed. These priorities currently include the potential growth sectors of renewable energy, decommissioning, the creative industries, language and culture, life sciences, health, and tourism. Developing the necessary qualifications of the workforce in these sectors will be essential for sustainable economic and social growth in the Highlands & Islands.

We also wish to emphasize Europe’s varied cultural and environmental heritage and the opportunities that can be derived from these as well as the employment opportunities that can emerge from the commercialisation of public goods or positive externalities.

2.4. What are the critical competences that should be developed at the regional level to make regions globally competitive?

In areas that face similar challenges to those faced by the Highlands and Islands there is a need to concentrate on higher level qualifications in order to sustain more higher paid jobs and thus increase the GDP.

On the basis of the “no one cap fits all” theory, competences need to be developed to facilitate growth of the key social and economic sectors identified by regional partners as part of the process of development plan evolution. Again, the key challenge for the Highlands & Islands has been lack of access, particularly in more isolated and sparsely populated communities, to education and training, as outlined in the previous section.

3.1. Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national, regional levels within a multi-level governance system?
HIEP would refer here back to the “no one cap fits all” approach to policy and programme development and delivery. Whilst it is recognised that Structural Funds Programmes need to integrate with EU and national policies, a greater emphasis should be put on regional approaches which can be tailored to meet the specific needs of the region. It is however, difficult to give a precise percentage breakdown of the spread of responsibility. To an extent any allocation of responsibility will depend on the capacity of the partners involved to deliver programme content.

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 user-friendly?

By allowing a greater focus to be placed on national and regional policies. This could be delivered via tripartite arrangements for the development of regional development plans to deliver territorial cohesion. Such an approach, given good will on all sides, could deliver a programme of actions tailored to the needs of the region but with the support of both national and EU resources.

Experience derived in Scotland points to local delivery of such programmes. Performance can be delivered via the targets, outputs and outcomes expected from programmes.

Making programmes user friendly can best be addressed via local delivery and keeping processes and administration simple - a factor that is becoming increasingly lost with the 2007-13 programmes.

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?

As above, by promoting a quadri-partite approach to regional development programme preparation and delivery. In the case of the Highlands and Islands of Scotlands this means at Highlands and Islands, Scottish, UK and EU levels

3.3. New opportunities of co-operation between regions both within and outside the EU?

There will always be the opportunity to learn from others both in terms of how to address particular issues and in delivery mechanisms. No region has the monopoly on good ideas. This should build on the experience with previous inter-regional co-operation programmes, which have assisted cohesion. In looking to the future, opportunities should be facilitated to allow for co-operation on the new challenges facing the regions of Europe e.g. adaptation to climate change, energy conservation measures, energy reduction technologies for manufacturing, ageing populations and opportunities, sustaining linguistic and cultural minorities, maintaining services to local communities in particular island communities, solving the lack of affordable housing, social enterprises, access to education and transport.