EUROPEAN STRATEGY GROUP

Friday 25 January 2008

Response to the EU’s Fourth Cohesion Report and consultation on the review of the EU budget

Introductory remarks

1. The North East England European Strategy Group is a high-level regional group which provides strategic direction on European issues within North East England. It includes senior representation from the Regional Development Agency, Regional Assembly, local authorities, the Learning and Skills Council, European Parliament, Committee of the Regions, universities, the business community, trade unions and the voluntary and community sector.

2. We welcome the European Commission's Fourth Cohesion Report and invitation to reflect on the future of EU cohesion policy. Cohesion policy has brought significant benefits to North East England, including through funding for economic development including access to finance and support for SMEs, new and renewable energy, life sciences and process innovation in chemical industries, as well as cultural regeneration through public art and cultural spaces, support for local communities, training and entry to the labour market.

3. We welcome the opportunity to comment on the review of the EU budget and to work with partners in Europe to identify ways in which policies at the European level can be developed, to contribute to future improvements in prosperity, productivity and participation in North East England and other European regions. We also welcome the opportunity to consider regional policy in the round, alongside the review of the EU budget and the CAP healthcheck.

4. In order to implement its policies, the EU requires a budget that is fit-for-purpose and appropriate to the challenges of the 21st century. It should equip the Union and its citizens with the means to respond to and manage change, and also to effect and engineer change. The EU budget cannot and should not fund all areas where public intervention is justified, but should be decided on the basis of subsidiarity and where EU funds can be most effective as a lever for change.
5. The EU budget requires efficient financial and administrative management procedures to ensure that public funds are targeted on achieving results rather than on bureaucracy. And it requires effective communication so that people understand the role of the EU and the roles of national, regional and local authorities in addressing their concerns.

6. The review presents the opportunity for a new political approach to setting the EU budget. We look forward to a wide and open debate on the EU budget and to its re-orientation which should allocate EU expenditure towards the needs of Europe post-2013. In particular, the budget should address energy and climate change; economic and social inclusion, including migration and health; increasing research and technological development; increasing skills and adaptability based on anticipating future needs; increasing business competitiveness for growth and jobs, especially for SMEs; reducing regional and sub-regional disparities; and fostering an open-minded, flexible and international approach at all levels of society.

7. The EU and its regions need a skilled and healthy workforce capable of adapting to changes and engineering or contributing to positive developments in the global economy. Principles of flexicurity, including equality, partnership and dialogue, can provide valuable guidance for measures to promote active labour market policies and lifelong learning, and to address unlawful employment practices, labour market segmentation and precarious work.

8. EU cohesion policy should be targeted at specific interventions designed to enable the realization of opportunities by addressing those issues which are preventing regions from performing at their full potential, or which threaten to cause problems in the future. This requires an evidence-based approach which permits flexibility and maximum leverage of additional investment and encourages sharing of best practice. It should also increase the sophistication of all policies that impact at the regional and local levels and thereby their effectiveness. The involvement of regional and local partners in the design as well as the delivery of policies is therefore crucial, if those policies and associated funding instruments are to achieve their maximum potential return.

Specific comments

Anticipating change and adapting to new challenges

9. It has long been realized that European regions cannot compete on the basis of cost and must compete on quality. In regions like North East England, where new technologies offer opportunities for economic development, high job growth, increased economic and social inclusion, and environmental benefits, it is crucial that partnerships continue to be developed and strengthened with the public and private sector, to increase both the rate and demand for skills to enable people to benefit from these opportunities.
10. Fostering innovation to drive up competitiveness and productivity requires skills policies tailored to regional needs, which are capable of responding to the current and future demands of employers competing in the global economy. North East England exhibits different needs from those which might be indicated by national averages and from the more prosperous areas of London and South East England. Specifically, while the UK performs reasonably well on higher-level skills in an international comparison, significant regional disparities exist which constrain the development of the region's economy and the ability of its people to respond to new job opportunities. The Leitch review recommended that 40% of the UK workforce should hold a higher-level qualification by 2020. This is a tough target for North East England where only 22.7% of the working-age population held that level of qualification in 2005/06 (DFES, UK). There is also a continuing need to raise aspirations, life skills, soft skills and attitudes to work in order to provide for a platform for people to move forward. The EU has a role to play in supporting this transformation through cohesion policy as well as through employment, education and training policies and support for transnational opportunities to learn from experimental approaches to common challenges and sharing best practice.

Demographic change and migration

11. Demographic change and migration are EU-wide issues and the EU has a role to play in supporting regional initiatives to address specific challenges. With regard to North East England we would highlight the opportunity for cohesion policies and/or explicit migration policies to support an evidence-based approach to migration and the opportunities of migration for specific regions, including attracting and retaining highly-skilled workers. In addition it can support initiatives aimed at improving the integration of migrants, including work and training-related issues, and cohesive citizenship.

Climate change

12. Climate change is a challenge for all levels of policy-making. It is a particular challenge for cohesion policy because it is at the regional and local level that its impacts are felt, not only in terms of natural or environmental developments, but also in terms of challenges and opportunities for businesses and therefore jobs. A pro-active response to climate change is required which can identify regional opportunities and threats. North East England exhibits real strengths and potential for employment growth in new and renewable energy. Support should be available for the realization of this potential and the removal or targeting of barriers to success. As with other areas of cohesion policy, the debate should not be restricted to funding but requires working sectorally to ensure that regional issues are taken into account when developing policies around environment, emissions and industry, energy efficiency, research, state aid and skills.
13. Adapting to climate change and rising fuel prices presents a particular challenge for SMEs. Due to lower rates of business start-up and business stock in North East England, it is all the more important to develop adaptation measures for SMEs to avoid increasing the gap further. Similarly there are regional disparities in the accessibility and take-up of end-user energy efficiency mechanisms and there can be a role for the EU in supporting measures to reduce those disparities and enable cost-effective wide-ranging solutions.

A more integrated and flexible approach to growth and jobs

14. A more integrated and flexible approach requires strong partnership working at all levels between regional and local partners and the European and national level. In particular there should be concrete mechanisms and discussion fora to improve synergies between cohesion policy and other areas of Community policy, including competition policy and state aid rules, environmental policy and policies in the fields of energy, enterprise, R&D&I and skills. A sophisticated approach to those sectoral policy fields should be supported, in order to provide for greater alignment with regional needs and to achieve the maximum potential benefits from Community action. The EU should support increased scope for regional and local organisations to participate more actively in the open methods of co-ordination on employment and on education and training, and in the development, implementation and review of the Integrated Guidelines for Growth and Jobs.

15. The potential to recycle public investment through innovative financial instruments should support initiatives designed and delivered in the region. It is at the regional and local level that businesses are started and grown, clusters developed, venture capital invested and FDI attracted.

Recognising diversity and addressing disparities

16. Cohesion policy should support the research and recognition of the diversity of European regions and support the channelling of that evidence into the development of sectoral and thematic policies. The need to address regional disparities within Member States should be reinforced and mainstreamed across Community policies.

Social cohesion: inclusion, integration and opportunity for all

17. The potential for increased migration to regions like North East England presents opportunities for EU policies to support initiatives to promote cultural understanding and an outward-looking, open-minded approach. Successful approaches to integration are a key part of social cohesion. Regions like North East England, which stands to see increased migration in future, need to anticipate potential challenges. Working with regions which have developed successful strategies and with regions who are exporting migrants to our region could deliver real benefits in terms of
social cohesion. Wider issues of social inclusion still need to be addressed in order to ensure that people currently at risk of or experiencing social exclusion (for example disabled people, BME and LGTB individuals and groups) are afforded support and access to education and training, jobs and services.

Skills

18. Key future skills needs vary from one region to another and should be identified at regional and local levels. A demand-led approach, focusing on the needs of employers and of learners, is critical. The effective anticipation of future needs could lead to increased long term productivity as regions develop a talent pool, leading to the attraction of business from emerging industries.

19. In North East England, evidence demonstrates a specific need to develop management and leadership skills and capability, and the need to increase the proportion of the workforce with higher-level skills, including generic high-level technical skills.

20. In addition, there are specific sectoral skills needs in particular regions and sub-regions, depending on their industrial strengths. Particular sectors of importance for North East England include energy, life sciences, and chemical process industries. Moreover, an ageing population compounds potential future skills shortages which could constrain growth. The re-skilling of an increasingly ageing population will be essential, particularly given EU-wide moves to lengthen working life due to structural demands on the wider economy. There should be support for life-cycle approaches to training and work.

21. We need to equip people, especially young people, with the life skills and aspirations to go on and achieve. The foundation for a highly-skilled workforce should not be forgotten - the region, like others, suffers from low skills levels below the threshold for higher education. High literacy and numeracy are essential, and every citizen must be increasingly IT literate.

22. If we are to equip our citizens with the tools they need to benefit from emerging opportunities in those fields, then support for skills development should be targeted on the measures needed at the regional and sub-regional levels. There needs to be a more sophisticated approach to the development of skills and employability policies and better understanding of regional and sub-regional disparities, particularly on working with employers to develop successful demand-led systems.

Critical competencies at the regional level for global competitiveness

23. High-quality research, a strong regional evidence base and partnership working are necessary for policy interventions aimed at increasing competitiveness to succeed. Cohesion policy does not operate in isolation and nor do regional organizations. There should be support for
collaboration and employer engagement, with recognition that this may be more difficult in particular regions or sub-regions. Competencies in developing business clusters, supporting business start-ups and promoting entrepreneurship should be developed at the regional level, including access to finance mechanisms.

Assessing the policy management system and the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system

24. The Community has played a strong role in embedding the Lisbon agenda and principles of transparency and multi-annual programming in regional policy. There is potential to develop this through an open method of coordination approach, steered by the Commission, whereby regions can engage in sharing best practice on programme management, partnership working and policy delivery. This could be a route to a new more cost-effective approach to shared management.

25. Building on the Regional Economic Strategy, Regional Spatial Strategy and Integrated Regional Framework, North East England will be developing an integrated regional strategy to deliver the Lisbon agenda for the period post-2013. There is the potential for European support to be instrumental in delivering this strategy. There needs to be demonstrable potential added value in terms of critical mass, and financial management procedures should be streamlined with those operating at the domestic level.

26. It is fundamental that regional partners are closely involved in the design and development of guidelines, strategic frameworks and programmes in order to enable the greatest level of effectiveness and efficiency of investment.

Increasing the effectiveness of cohesion policy

27. We welcome the increased alignment of the European Regional Development Fund for 2007-13 with our Regional Economic Strategy. This enables more effective support for regional and local interventions to exploit and enhance innovation and to increase enterprise and business support. We would welcome a similar approach to the European Social Fund to allow for better targeting of investment on regional priorities in skills and employment, add greater value to domestic funding streams and ensure that training initiatives are aligned with business and technology initiatives.

28. We would welcome the opportunity to explore ways in which processes and procedures could be aligned as well as policies and strategies. Significant efficiency savings could be achieved through avoiding duplication of performance management systems and operating a single system of checks and balances.
Strengthening the relationship between cohesion policy and other national and Community policies

29. The relationship between cohesion policy and other national and Community policies should be strengthened by increasing the sophistication of other national and Community policies to take account of needs, opportunities and impacts in particular regions and local areas. We would welcome working with our European partners to consider the regional aspects of R&D&I policy, energy policy, enterprise policy, competition policy and state aid rules, rural development and agriculture policy and environmental policy, in order to maximise their positive impact on growth, jobs and quality of life for EU citizens in the regions and communities where they live and work. We would welcome the opportunity to explore further involvement in the Lisbon process through the open method of co-ordination and to engage in mutual learning, peer review and sharing best practice.

New opportunities for co-operation between regions

30. There are significant opportunities for co-operation between regions on thematic areas of common interest, particularly for regions sharing growing industrial or research strengths. North East England is particularly interested in collaborating with other regions on energy, health and life sciences, and chemical processing. We would also welcome opportunities to share best practices on preventing and tackling worklessness, increasing skills development, approaches to migration, entrepreneurship and business support. In addition there are opportunities to expand inter-regional co-operation beyond EU borders and into China, India, the US, Brazil and Russia. Such opportunities should not be restricted to border regions and their immediate neighbours but should be afforded to all regions where there is a demonstrable benefit to co-operation. The EU, its regions and all people need to think increasingly globally and flexibly, in order to give themselves maximum information and options so that they can find the best solutions and opportunities in a rapidly changing world.

Concluding remarks

31. We consider that the EU has an historic opportunity to reform its budget and to develop its cohesion policy and other policies, in order to align them with the most significant policy challenges where EU-funded interventions can have the greatest benefit to all people. We look forward to continuing to participate in the debate.

Contact details:
Sarah-Jane King
Director
North East England Office in Brussels
Centre for the Regions, Boulevard St Michel 80, B-1040 Brussels, Belgium
E-mail: info@northeastengland.eu Tel: +32 (0)2 735 35 47