INTRODUCTORY REMARKS

For many years the West of Scotland has been a significant recipient of structural fund support. This has been due to the extensive deindustrialisation which the regional economy suffered in the 1970s and 1980s. For this reason the region was among the first to be designated as an “Objective Two” region when the approach to structural fund policy was radically modernised in 1988. Although economic conditions began to improve from the mid 1990s (in absolute if not in relative terms) most of the region maintained Objective 2 status for the 200-2006 period.

The West of Scotland European Forum brings together a wide range of organisations, including local authorities, local regeneration agencies, further/higher education institutions and the voluntary sector. These organisations have acquired extensive experience of using the structural funds as a means of supporting economic and social regeneration efforts in the region.

GENERAL COMMENTS

Based on their actual experience of the structural funds the member organisations of the Forum would wish to stress that the main objectives of the structural funds should be as laid down in the relevant articles of the EU Treaties, namely the narrowing of regional economic disparities and the tackling of labour market inequalities. There is a concern that to some extent at least the commitment to achieving these objectives risks being diluted by the refocusing of the funds’ priorities towards other EU priorities, in particular the Lisbon and Gothenburg agendas.

While not disputing the rationale of these high level policy priorities it is important that structural funds remain targeted at areas of need rather than being viewed as an instrument to deliver “Lisbon” and “Gothenburg” in all parts of the EU. The structural funds can best be used to support the macro economic objectives of the EU if they are clearly targeted at those parts of the EU territory that exhibit economic or labour market weaknesses and where EU financial intervention can make a measurable and meaningful impact on key socio-economic indicators at the relevant spatial level. In addition the structural funds have for many years supported the exchange of experience together with crossborder, transnational and interregional cooperation and this should remain a continuing part of the overall EU framework for Cohesion Policy.

RESPONSE TO SPECIFIC ISSUES RAISED BY THE CONSULTATION

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?
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?

1.3. To what extent is climate change a challenge for cohesion policy?

**ANSWER**

All three of the phenomena referred to have a clear impact on the cohesion challenge facing the EU. That is not to say however that cohesion policy of itself will provide the means of successfully overcoming these challenges. In most cases solutions, including regulatory/legislative change and financial resources, will have to come from Member State and/or other EU funding programmes.

In relation to globalisation, competition is likely to intensify in economic activities higher up the value chain so that today’s high tech sectors will not be immune from emerging competitors elsewhere in the world. In addition future employment growth is likely to be concentrated in knowledge intensive sectors. This implies a need for continuing investment in human capital and the creation of a business environment conducive to innovation. The specific role of Cohesion Policy should be on improving the skills base of the labour force and promoting enterprise and innovation in those parts of the EU that are lagging in comparison to EU/relevant national averages.

Demographic change will also produce challenges at regional level. Below the “headline” figures a key issue in many regions is the need to retain highly qualified people. In the absence of suitable employment opportunities, this could lead to them being employed in posts for which they are “overqualified” with consequent loss of productive potential or else encourage migration to another region (whether within the Member State or elsewhere) where appropriate job prospects are better. These are often in regions that are already heavily congested. The role of Cohesion Policy should therefore be to stimulate demand for high quality jobs in those regions that are underendowed in this respect so promoting balanced territorial development.

Addressing the subject of climate change is rightly a priority for the EU and is a classic example of a “cross cutting” issue. Cohesion policy can play a role but cannot be expected to be the main element of the solution. As the Fourth Cohesion Report indicates the impact of climate change is asymmetric. Regions therefore need to be allowed to assess for themselves the nature and extent of the specific climate change challenge they face and decide if this has potential impacts on their sustainable economic development and also whether, if appropriate, structural fund intervention can make a significant contribution to tackling this challenge. However it should be stressed that the purpose of cohesion policy is not to resource the response of every region to climate change; rather it should be one of the possible options for the use of structural funds in regions whose economic performance is poorer than EU or national averages.

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?
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?

**ANSWER**

The basis of Cohesion Policy should indeed be to promote balanced and sustainable development. Given that the resources likely to be available for Cohesion Policy are likely to remain constrained, then it is important that they are applied effectively (and selectively) in those parts of the EU whose economic performance is lagging, in comparison to either EU or national trends.

What is important in this context is not whether the regions are urban or rural, insular or mountainous etc as such but whether the regions exhibit signs of socio-economic underperformance. It is this that should provide the rationale for Cohesion Policy support.

Cohesion Policy has played and will continue to play an important role in promoting inclusion, integration and opportunity for all. However the limits to its capacity to carry out these tasks should be recognised. Cohesion Policy cannot be expected to be able to provide the means to tackle these issues in all parts of the EU; rather it should be concentrated on those parts of the EU where issues of economic and labour market integration are particularly acute. There should however also be a role for Cohesion Policy throughout the EU in promoting the exchange of best practice and testing new approaches to tackling social exclusion.

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?

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?

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?

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

**ANSWER**

It is difficult to give a precise response to the first part of the question given the diversity of institutional systems (and capacities) in the various EU Member States. However the general principle of decision making being taken at the lowest level practical remains valid.
important that the partnership principle is respected in substance as well as in form and that the main decisions on programme design, implementation and evaluation are taken by the partnership as whole and not solely by the managing authority.

The problem about “performance” in recent years is that this has been understood almost exclusively in terms of financial performance. The introduction of the “N+2” rules in the 2000-2006 programmes certainly made a substantial improvement in the rate of spend; what is not known is whether this was achieved at the expense of the quality of spend – and only the ex post evaluations of the 2000-2006 programmes will be able to examine this question.

Despite the high level commitment to simplification, at operational level this is simply not happening. This is particularly apparent at the audit stage where compliance requirements have necessitated the maintenance of vast amounts of documentation for long periods of time – in many cases in excess of 10 years after the cessation of actual project activity. One recent example in the West of Scotland related to an ESF project where the mandatory documentation to accompany the final claim amounted to more than 1,000 pages. It should also be noted that the proper storage of this quantity of documentation can give rise to significant property costs.

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. EU programmes should seek to add value to regional and local strategies rather than impose a “top down” view as to how the socio-economic challenges faced by the region should be addressed. The centralised “earmarking” of resources at EU level on a limited number of activities (especially outwith “Convergence” Regions) while superficially attractive, may in fact lead to a misallocation of resources if other key actions required for socio-economic cohesion face severe limitations in terms of accessing structural fund support.

In terms of opportunities for cooperation between, the arrangements for 2007-2013 represent an evolution from previous programming periods rather than a radical shift. In addition the available resources are broadly comparable. The increased flexibility under the cross border and transnational strands to allow participation by agencies located adjacent to but not actually within the programme area is a positive step, albeit one whose use should be selective.

ML
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