



Response to Scottish Executive's Consultation Papers on the Lowland and Upland Scotland's European Regional Development and European Social Fund Programmes 2007–2013

1. INTRODUCTION

- 1.1** This paper sets out the response of the South of Scotland Alliance to the Scottish Executive's Consultation Papers on the Lowland and Upland Scotland's European Regional Development and European Social Fund Programmes 2007–2013. In Appendix 1 responses are given to questions highlighted in the Consultation Paper. The South of Scotland Alliance comprises Scottish Borders Council, Dumfries and Galloway Council, Scottish Enterprise Borders and Scottish Enterprise Dumfries and Galloway.

2. BACKGROUND

- 2.1** The European Structural Funds have made important contributions to economic development in the South of Scotland. The most significant of these programmes have been the Scottish Borders and Dumfries and Galloway 5(b) programmes 1994–99 and under the current provisions, the South of Scotland Objective 2 Programme (A European Regional Development Fund programme valued at approximately £50 million) and the Scottish Objective 3 Programme (covering the Scotland outside the Highlands and Islands Enterprise administrative area and which is an European Social Fund programme valued at £350 million). There has also been involvement in Community Initiative programmes such as PESCA and LEADER.
- 2.2** In preparation for next period of European Structural Funds the South of Scotland Alliance produced the South of Scotland Competitiveness Strategy 2007–2013 which was agreed in May 2006. This document was developed from the economic development strategies of both Scottish Borders and Dumfries and Galloway.
- 2.3** It provides an analysis of the strengths and weaknesses together with the issues and challenges facing the economy of the South of Scotland and sets out a vision, a series of priorities and an action plan for taking the forward the development of the region. The strategy envisages resources to support the action plan coming from a variety of sources including European, national government and agencies, local authorities and other local public agencies, businesses, communities and voluntary groups.

- 2.4** The South of Scotland Competitiveness Strategy 2007-2013 is designed to meet the requirements European Council of Ministers Lisbon Agenda on economic competitiveness and the UK Government's National Strategic Reference Framework for European Union's Structural Funds. The Competitive Strategy 'sits within' the Scottish National Economic Development Framework and Scottish Enterprise's Smart Successful Scotland and 'sits above' the Economic Development Strategies on both Scottish Borders and Dumfries and Galloway which are due to be reviewed in the next eighteen months.
- 2.5** On the 24th October, the Scottish Executive published a consultation document, outlining the Executive's plans to use Lowlands and Uplands Scotland for European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes 2007–2013. The allocation to these programmes is 573 million euros or approximately £384 million. The programmes are to be delivered either by the commissioning of national agencies and other bodies or by the provision of challenge funding to community planning partnerships and other bodies.
- 2.6** The overall vision of the Lowlands and Uplands Scotland ERDF programme is to contribute towards the sustainable growth of this area's economy by balancing support for underlying sources of national as well as regional competitiveness. The programme has three priorities:
- Priority One – This supports enterprise development, concentrating on innovation, research and development and addressing barriers to enterprise development such as the availability of finance. This priority is to be delivered on both a commissioning and challenge funding basis.
 - Priority Two – This supports community regeneration and recognises the distinctive problems arising from concentrations of severe deprivation in parts of the region. This priority is to be delivered on a challenge funding basis involving selected Community Planning Partnerships
 - Priority Three – This supports the particular economic needs of rural areas. The paper states that ' a portion of the funds under this priority would be allocated on a commissioning basis for rural areas in the Scottish Borders and Dumfries and Galloway, reflecting the scope for supporting significant, region-wide projects of strategic importance. Partners here would be invited to develop an annual plan for spending the funding by identifying key strategic projects that would support the region as a whole in line with the region's Competitiveness strategy'
- 2.7** The overall vision of the Lowland and Uplands Scotland ESF programme is to contribute towards sustainable growth in the size and skills of the area's workforce within the context of the European Council of Ministers' Lisbon competitive strategy. The programme has three priorities:
- Priority One – This supports groups facing employability challenges in entering the labour market and staying in work.
 - Priority Two – This supports improvements to the quality of the skills base within the area's workforce with a particular focus on both ensuring sustainable employment and progression for vulnerable low skilled groups and offering support for entrepreneurship and company growth.

- Priority Three – This supports efforts to increase access to post school learning by developing innovative approaches to participation in learning and training’.

2.8 The proposed financial allocations proportions for the programmes are as follows:

LOWLAND AND UPLANDS SCOTLAND ERDF PROGRAMME

Proposed ERDF Priorities	Proposed Annual Allocation (%)
1. Enterprise Development	48%
2. Community Regeneration	29%
3. Rural Development	23%

LOWLAND AND UPLANDS SCOTLAND ESF PROGRAMME

Proposed ESF Priorities	Proposed Annual Allocation (%)
1. Progressing into Employment	43%
2. Progressing through Employment	35%
3. Access to Lifelong Learning	22%

3. GENERAL

3.1 The Alliance is supportive of the overall proposals contained within the Lowland and Upland Scotland’s European Regional Development and European Social Fund Programmes 2007–2013. The Alliance’s responses to the questions raised in the Consultation Papers are shown in Appendix One. The Alliance considers the South of Scotland Competitiveness Strategy provides the basis of future European support to both the Scottish Borders and Dumfries and Galloway.

3.2 In particular, the Alliance strongly welcomes the proposal that one of the ERDF priorities is to be Rural Development and that “a portion of the funds under this priority would be allocated on a commissioning basis for rural areas in the Scottish Borders and Dumfries & Galloway, reflecting the scope

for supporting significant, region-wide projects of strategic importance. Partners here would be invited to develop an annual plan for spending the funding by identifying key strategic projects that would support the region as a whole in line with the region's Competitiveness Strategy".

- 3.3** The Alliance believes that support for the Competitiveness Strategy needs to come also from the other priority areas especially Priority One ERDF and all of the European Social Fund priorities.
- 3.4** The need for a special allocation to the South of Scotland is justified by: the point made in the case for NUTS 2 statistical status to the UK Government by the South of Scotland Alliance, in which the South of Scotland was described as a large rural area with similar issues and challenges to the Highlands and Islands (Indeed the South of Scotland programme 2000–2006 was the only wholly rural European Objective 2 programme area) ; the work on the South of Scotland Competitiveness Strategy which sets out how the South of Scotland intends to take forward its development over the period 2007-2013; and the encouragement given to the development of the Competitiveness Strategy by the European Commission together with the ways in which the strategy has been positively received by both the Scottish Executive and Scottish Enterprise.

4. LOWLAND AND UPLANDS SCOTLAND EUROPEAN REGIONAL DEVELOPMENT FUND PROGRAMME 2007-2013

- 4.1** With respect to the Lowland and Uplands Scotland European Regional Development Fund Programme 2007-2013 the Alliance has the following specific comments to make:
- There is a need for more recognition of the South of Scotland Competitiveness Strategy in the analysis and linkages to the strategy
 - In Priority One ERDF, there should be flexibility in the approach to innovation. This means the inclusion of the regional industrial sectors such as a textiles and a focus industrial innovation in rural areas with particular reference to micro and small businesses. Rural areas such as the South of Scotland where the academic and research base linked to local and national industries has not yet been fully developed will need significant investment to be able to make a meaningful contribution to this priority.
 - In Priority Two ERDF, there should be a rural indicator to supplement the Scottish Index of Multiple Deprivation for the identification of community regeneration areas and needs of small towns should be recognised.
 - In Priority Three ERDF, there should be more flexibility on the type of interventions that can be undertaken. This is important for the delivery of the seven priority themes in the South of Scotland Competitiveness Strategy. The definition of rurality also needs to be tightly defined and should only cover those rural local authorities with a population density of less than 50 people per sq kilometre.

5. LOWLAND AND UPLANDS SCOTLAND EUROPEAN SOCIAL FUND PROGRAMME 2007-2013

- 5.1** With respect to the Lowland and Uplands Scotland European Social Fund Programme 2007-2013, the Alliance welcomes the three objectives of the programme i.e. Progressing into Employment, Progress through Employment and Access to Lifelong Learning as these fit well with the South of Scotland Competitive Strategy and builds on previous ESF programmes.
- 5.2** It is vital that the South of Scotland gains access to all of the ESF priorities to deliver the priorities contained in the South of Scotland Competitiveness Strategy 2007-2013.

6. MONITORING AND MANAGEMENT OF PROGRAMMES

- 6.1** For the two programmes the Alliance believes the Committee Structure should include advisory structures which recognise the need to communicate advice from the different regions of Scotland. This would involve the establishment of a South of Scotland Advisory Committee to provide feedback on applications, advice on progress with the implementation of the programme and support the development of policies and procedures. This advisory group would link closely to South of Scotland intermediary body responsible for the delivery of the South of Scotland's sub-programme. The Alliance should also be represented on the Programme Monitoring and Management Committees established to oversee the operation of the programmes.

CONSULTATION QUESTIONS AND RESPONSE

Question 1: Are there any additional socio-economic factors to be considered - and which Structural Funds can address - in assessing the strengths, weaknesses and opportunities of Lowlands & Uplands Scotland?

The South of Scotland Competitiveness Strategy 2007-2013 clearly sets out the socio-economic factors facing the area. In the analysis used in the draft programmes the South of Scotland has not been recognised as a regional area. This means that the particular issues and challenges experienced in the South of Scotland which have been set out in the Competitiveness Strategy have not been highlighted in the draft programmes. These include the region's low Gross Domestic Product per head, relatively low wages, relative dependence on land based and traditional manufacturing industries, ageing and geographical dispersed population and shortfalls in physical infrastructure. It is important that this regional analysis is included in the new programmes because the South of Scotland is to be commissioned to develop a programme of projects to support its Competitiveness Strategy.

Question 2: Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands & Uplands Scotland address the strengths, weaknesses and opportunities of the region?

The identification of the need for South of Scotland to have a programme of strategic projects is vital to address the strengths, weaknesses and opportunities in its area. The programme must be flexible and cover the whole geographic area of the South of Scotland. It would tackle the issues and challenges facing the region and cover the main priorities as set out in the next Competitiveness Strategy using both ERDF and ESF support as follows:

- Retain and attract more people of working age (ERDF and ESF)
- Grow a knowledge economy in the South of Scotland (ERDF and ESF)
- Increase the demand for learning and skills development amongst the workforce and wider community (ESF)
- Maximise the benefits of connections to City Regions and other economic centres including mainland Europe (ERDF)
- Realise the full potential of the indigenous business sectors and maximise the contribution of Scotland's priority industries and in particular the food, tourism, textiles and renewable industries (ERDF and ESF)
- Build a distinctive high quality place to live, work and visit (ERDF)
- Develop the coastal and land based assets of the South of Scotland (ERDF).

Question 3: Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands & Uplands Scotland show appropriate coherence and concentration?

The priorities show coherence and concentration in a general sense. However there needs to be recognition in:

- **Priority One ERDF** – there should be flexibility in the approach to innovation. This means the inclusion of the regional industrial sectors such as a textiles and a focus industrial innovation in rural areas with particular reference to micro and small businesses. Rural areas such as the South of Scotland where the academic and research base linked to local and national industries has not yet been fully developed will need significant investment to be able to make a meaningful contribution to this priority.

- **Priority Two ERDF** – that a strong rural indicator is required to supplement the Scottish Index of Multiple Deprivation to identify deprived areas. The needs of small towns also need to be considered for assistance within this priority.
- **Priority Three** – the South of Scotland programme is welcomed. There needs to be flexibility in this programme to cover the seven key priorities of the South of Scotland Competitiveness Strategy as set out in response to question 2 above. The definition of rurality also needs to be tightly defined and should only cover those rural local authorities with a population density of less than 50 people per sq kilometre.

Question 4: Do the proposed priorities for the 2007-2013 ESF programme in Lowlands & Uplands Scotland address the strengths, weaknesses and opportunities of the region?

The identification of the need for South of Scotland to have a programme of strategic projects is vital to address the strengths, weaknesses and opportunities in its area. The programme must be flexible and cover the whole geographic area of the South of Scotland, tackle the issues and challenges facing the region and provide assistance for the main priorities as set out in the Competitive Strategy using both ERDF and ESF support as follows:

- Retain and attract more people of working age (ERDF and ESF)
- Grow a knowledge economy in the South of Scotland (ERDF and ESF)
- Increase the demand for learning and skills development amongst the workforce and wider community (ESF)
- Maximise the benefits of connections to City Regions and other economic centres including mainland Europe (ERDF)
- Realise the full potential of the indigenous business sectors and maximise the contribution of Scotland's priority industries and in particular the food, tourism, textiles and renewable industries (ERDF and ESF)
- Build a distinctive high quality place to live, work and visit (ERDF)
- Develop the coastal and land based assets of the South of Scotland (ERDF).

It should also be recognised in Priority One that employability is both an urban and rural issue (see response to Question 5).

Question 5: Do the proposed priorities for the 2007-2013 ESF programme in Lowlands & Uplands Scotland show appropriate coherence and concentration?

There needs to be recognition in:

- **Priority One ESF** – Employability is both an urban and rural issue. This type of ESF assistance is required to support the South of Scotland Competitiveness Strategy priority to increase the demand for learning and skills development amongst the workforce and wider community which includes a measure to support local programmes to assist people who are socially excluded to get back into work
- **Priorities Two and Three ESF** – Assistance from these priorities will be important in supporting the South of Scotland Competitiveness Strategy priorities as set out in response to Question 3.

Question 6: What are your views on the proposed balance of funding between priorities for the future ERDF programme in Lowlands & Uplands Scotland?

The proposed balance of funding between the priorities is appropriate.

Question 7: What are your views on the proposed balance of funding between priorities for the future ESF programme in Lowlands & Uplands Scotland?

Given the importance of assisting the needs of the existing workforce and supporting more people in post school learning, it is considered that more resources should be allocated to Priorities Two and Three ESF. This would be in line with the thrust of the South of Scotland Competitiveness Strategy 2007 – 2013.

Question 8: Do the proposed priorities outlined in the draft Operational Programmes focus sufficiently on the right priorities in Scottish domestic policy?

The proposed priorities are linked to Scottish Domestic Policy. It is considered that there is a need to say more about the linkage to Scottish Rural Policies.

Question 9: What are your views on how the principle of environmental sustainability has been integrated into the Operational Programmes?

The principle of environmental sustainability is important to the delivery of the South of Scotland Competitiveness Strategy and has been adequately integrated into the operational programmes.

Question 10: What are your views on how the principle of equal opportunities has been integrated into the Operational Programmes?

The principle of equal opportunities and the need to address the six equal opportunities strands is fundamental and has been addressed by the South of Scotland Competitiveness Strategy. It has been adequately integrated into the operational programmes.

Question 11: What are your views on how the Operational Programmes will ensure complementarity between Structural Funds and other EU funding streams?

By supporting the implementation of the South of Scotland Competitiveness Strategy which is seeking funding support from both European and national sources the operational programmes will be taking action to ensuring complementarity with other EU funding streams.

Question 12: How can the challenge-fund approach be improved to make it more effective in delivering outcomes and more efficient in operation?

The challenge funding approach can be improved if there is enough flexibility to support the outcomes of the South of Scotland Competitiveness Strategy 2007-2013.

Question 13: What would be the most effective approach to using Community Planning Partnerships and other local partnerships for the delivery of elements of the programmes?

This is being shown by supporting the South of Scotland Competitiveness Strategy 2007–2013 which has been developed from the Community Plan Economic Development Strategies of both the Scottish Borders and Dumfries and Galloway.

Question 14: What are your views on spatial targeting for community regeneration under ERDF Priority 2 and ESF Priority 1?

This type of spatial targeting is appropriate if both a rural indicator to supplement the Scottish Index of Multiple Deprivation and the needs of small towns are included.

Question 15: What are your views on spatial targeting for rural development under ERDF Priority 3?

The South of Scotland Alliance strongly welcomes the statement in the programme that:

“A portion of the funds under this priority would be allocated on a commissioning basis for rural areas in the Scottish Borders and Dumfries & Galloway, reflecting the scope for supporting significant, region-wide projects of strategic importance. Partners here would be invited to develop an annual plan for spending the funding by identifying key strategic projects that would support the region as a whole in line with the region’s Competitiveness Strategy”.

This statement recognises the similarity of the issues and challenges in the South of Scotland to those in the Highlands and Islands and the special role of the South of Scotland Competitiveness Strategy in tackling these.

Question 16: Do you have any additional comments on the draft Structural Funds Operational Programmes for Lowlands & Uplands Scotland?

As mentioned above, support needs to be available from both the ERDF and ESF Lowland and Uplands programmes to support the main priorities of the South of Scotland programme as set out in the South of Scotland Competitiveness Strategy 2007–2013 using both ERDF and ESF support as follows:

- Retain and attract more people of working age (ERDF and ESF)
- Grow a knowledge economy in the South of Scotland (ERDF and ESF)
- Increase the demand for learning and skills development amongst the workforce and wider community (ESF)
- Maximise the benefits of connections to City Regions and other economic centres including mainland Europe (ERDF)
- Realise the full potential of the indigenous business sectors and maximise the contribution of Scotland’s priority industries and in particular the food, tourism, textiles and renewable industries (ERDF and ESF)
- Build a distinctive high quality place to live, work and visit (ERDF)
- Develop the coastal and land based assets of the South of Scotland (ERDF).

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