

CONSULTATION RESPONSE FORM

Question 1 - The table in part 5 provides an overview of the proposals under each of the EU 2020 headings – Smart, Sustainable and Inclusive – matched against the relevant thematic objective and investment priorities. Do you think the investment priorities are the most appropriate ones for the activity suggested?

Yes. In broad terms the proposals identified align closely with the EU2020 objectives of smart, sustainable and inclusive growth and with the objectives of the Scottish Government Economic Strategy.

From the limited level of detail provided in the consultation document, it appears that proposed activities and investment priorities are appropriately matched. Having said that, it is important to recognise that in many cases, activity makes a contribution to, or is a pre-requisite for, activity in other investment priorities.

For example, ICT investment clearly enhances access to and use and quality of ICT. It does however, also play a significant role in enhancing business competitiveness and in addressing social cohesion and poverty.

Similarly, low carbon investment will make a contribution to both Business Competitiveness and (in the case of community based activity) to social inclusion and tackling poverty.

We note that the proposed strategic interventions (SI) require further detail and refinement and believe that this should be done, bearing in mind the following:

- a need to ensure that they are flexible in the way that they respond to territorial issues across the whole of Scotland, but in particular to those in the Highlands and Islands transition region. The integrated territorial approach proposed by regional stakeholders offers an effective mean of doing this.
- There is ample consideration of the interrelationships between interventions – the degree to which they are interdependent

Question 2 – Section 6 sets out the linkages between Structural, Rural and Fisheries Funds as well as linkages to other EU Funding Programmes. We would welcome stakeholder comments on these linkages in order to help us develop this thinking further

The level of fund integration appears to be considerably less than that envisaged at the start of the development process. While this may be for good reason, not least the different timings of programme development, it is a missed opportunity.

Most of the rural funds have been allocated to a set of activities where there is little opportunity for integrated development and delivery. Exception to this are:

- Small rural business support – this should be aligned with business competitiveness support, delivered through business gateway and enterprise agencies.
- Food and drink processing and co-operation – this should be delivered in an integrated manner alongside other support, principally from the enterprise agencies

and business gateway.

- LEADER – this programme will make a material contribution to local development activity, in particular to addressing social inclusion and poverty, as well as contributing to rural business development, and (community based) low carbon activity. A key component of developing these interventions is to identify where LEADER fits alongside ERDF and ESF funded activity in these policy areas
- Rural broadband (not specifically mentioned in section 6) can, potentially, be supported through ERDF and EAFRD. Consideration must be given to the nature and degree of support from each fund, alongside domestic funds, to deliver superfast broadband connectivity to those areas not covered by the current investment and to stimulate demand and usage by businesses and communities

It is not possible to comment on integration of fisheries funding as EU regulations are not yet agreed and funding priorities are not clear.

Linkages between the ESI funds (those which are allocated at regional level) and competitive funds (ETC, Horizon 2020, LIFE+ and so forth) have the potential to deliver positive benefits. Identifying and developing such linkages is resource intensive – requiring time and expertise – and success will be dependent on Scottish and regional stakeholders working closely together to share knowledge, expertise and ideas. The proposed EU funding portal has the potential to facilitate this process.

Question 3 - Do you think the new proposals will have a positive or negative impact on the protected characteristics and wider issues of inclusion and participation?

It is difficult to be definitive on this, given the broad nature of the strategic interventions and the need to translate these into deliverable projects. Some of the interventions are specifically focused on addressing protected characteristics, inclusion and participation, Others have the potential to do so.

An equalities impact assessment (EQIA) at programme level will help to identify how proposed interventions address these “horizontal” themes. Furthermore, EQIAs at strategic intervention and project level have the potential to identify how these may be modified and / or focused to deliver horizontal themes. HIE conducts EQIAs as part of its appraisal process.

Question 4 - If you think there will be a negative impact on the protected characteristics or inclusion and participation please provide suggestions as to what could be done differently to diminish this impact.

See Q3

Question 5 - Please provide your views for improving the process for design, procurement, delivery, monitoring and evaluation to strengthen delivery of sustainable development.

The consultation acknowledges that previous and current programmes have adopted a comprehensive approach to environmental sustainability – according to the SNH report on Mainstreaming Environmental Sustainability. This provides a strong platform to build sustainable principles into projects at the outset through, for example, development of carbon management plans.

A further consideration should be economic sustainability – creating long term economic benefits that contribute to economic and social cohesion and contribute to inclusion and equity.

Question 6 – Do you have any further comments on the proposals outlined in this document?

Territorial Approach

We welcome the recognition by Scottish Government that an Integrated Territorial Investment (ITI) or similar arrangement is an effective means of delivering ESI funds to address the particular demographic and territorial faced by the Highlands and Islands but not present in the rest of Scotland.

Such an approach can offer strategic oversight of all ESI funded activity in the region, maximising the possibilities for integration across funds and alignment with domestic funding.

Responding to territorial issues in the forthcoming development, refinement and resource allocation for each of the strategic interventions should be the next stage of the process.

Thereafter, a governance arrangement which facilitates an integrated approach at regional level and provides for the input of regional stakeholders, has the potential to strengthen overall governance. It will also maximise the impact of ESI funds at Scottish level and should be adopted.

Financial Instruments

We are aware that there is a proposal has been made to create a separate investment priority (in addition to the originally proposed 3 priorities) solely for Financial Engineering Instruments for undertaking Access to Finance measures to support SMEs, and that this was supported by the Competitiveness, Innovation and Jobs Shadow Strategic Delivery Body. This reflects a consensus by those bodies involved in reviewing Financial Instruments and Access to Finance for SMEs, including ourselves, Scottish Government, Scottish Enterprise and Local Authorities.

Given that access to finance for SMEs is a priority within Scottish Government economic strategy, a separate Priority may be appropriate strategically, but would also have practical benefits in terms of fund management. In addition, Scotland would then be seen to be responding to the European Commission's emphasis on using financial instruments for SMEs and it would further highlight the experience and expertise Scotland has in a European context in this field.

However, we would anticipate modest relative access to such an investment priority for transactions in the HIE region reflecting the composition and nature of the economy here, so would wish to see the creation of such a priority having only limited impact on the funds ring-fenced for the Highlands & Islands as a Transition Region.

Simplification

There has been considerable debate on simplification and in particular, the use of standard cost models. While we welcome the use of such models where appropriate, we believe that in some cases – particularly those where interventions are “bespoke” – the use of actual costs may be the simpler option.