

CONSULTATION RESPONSE FORM

This is a joint response from the Highlands and Islands European Partnership (HIEP), which includes Highlands and Islands Enterprise, the seven local authorities from the region, and the University of the Highlands and Islands. The Partnership welcomes the opportunity to feed in its views. We are committed to continuing to engage with Government to shape the future programmes and delivery mechanisms to ensure the best possible outcome for Scotland and our region's benefit. Our collective view is as follows:

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?

Overall, the investment priorities align with the activities set out in the proposals section, and should be capable of addressing Scotland's short as well as long-term opportunities and needs.

However, it is important that **sufficient flexibility is built into the Partnership Agreement and Operational Programmes** to tailor them:

1. To suit regional requirements and,
2. Reflect changes as the programmes evolve and economic circumstances change, either positively or negatively. The Highlands & Islands European Partners understand that the details of the activities proposed for each of the Strategic Interventions (SI's) remain to be finalised. There may therefore be a need to revisit the Investment Priorities to take account of any changes that emerge from this process, and from changing circumstances.

We hope **that an ITI will be implemented to reflect the Transition status of the region**. This will provide the necessary mechanism to tailor the Scotland-wide SI's to meet the specific needs of the Highlands & Islands region, while addressing the disparities between our region and the rest of Scotland.

Appropriate governance structure around the ITI is also clearly required. In light of the acknowledgement at paragraph 19 of the likelihood of an ITI being put in place to cover developments in the Highlands & Islands there is a requirement for the Government to ensure that the lead organisations for the SI's actively engage with relevant Highlands & Islands stakeholders to ensure that activity in the region aligns with the objectives of the ITI and that delivery is designed to ensure maximum impact in the Transition region.

An integrated approach to programme delivery is of great importance. Integration is key to avoiding duplication and ensuring maximum impact from the funds available. If this is to be delivered it is vital that Investment Priorities and Strategic Interventions align, e.g. developing the workforce and business competitiveness.

The commitment to Smart Specialisation is also welcomed – but again must have flexibility to allow tailoring to regional specificities. The focus and support must include new/existing businesses with potential for future growth, not just those which are already in successful areas, given the different economic circumstances and lower numbers in the Highlands & Islands.

HIEP welcomes the inclusion of the theme of Local Development and Social Inclusion and would hope that it permits and affords a high level of autonomy in terms of setting and addressing local priorities and challenges, support for target sectors with the greatest potential in terms of jobs and growth, and a high degree of local decision making.

It is disappointing that Sustainable Transport has not emerged as a thematic objective in its own right, given the number of respondents who raised this in the stage 1 consultation and the huge role it plays in addressing inclusion. One of the main priorities contained in the Highlands & Islands Regional Plan 2020 is Improved Connectivity – transport and communications.

We look forward to receiving further developed proposals on Poverty and Social Inclusion for consideration. Again a degree of flexibility to allow tailoring to local needs is required. Even in the Highlands & Islands area, there are differences in the nature of poverty in city neighbourhoods, rural towns and islands areas. Fuel poverty is particularly prevalent in parts of the Highlands & Islands. There must be recognition of the problem of youth outmigration in our area, which is acute in our islands.

It is disappointing to see that culture and heritage has been dropped from the list of Strategic Interventions. This is a concern given that culture is one of the pillars of a strong sustainable tourism industry, and underpins the creative industries sector which is a key growth sector for the Highlands & Islands.

We are concerned that under SME Competitiveness only Scotland's cities are mentioned. The focus on growth companies must respect the environment in which companies operate. Companies employing small numbers of skilled people can make a huge impact in smaller communities, resulting in vibrant, sustainable communities where schools, shops, village halls, ferry and air services can be retained and provide employment for others. Businesses in peripheral areas must also be assisted to exploit digital technology, innovation and develop leadership capacity.

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.

It is difficult to comment in detail as there is not enough information. In order to do so we would wish to have further information on all the Funds, ideally including the EMFF and EAFRD that will unfortunately not be operational before 2015.

We would wish to see **an integrated approach** to the selection of activities that will be supported across the ESI Funds. We support simplification of delivery, greater linkages and clearer demarcation between all the funds, which was not so apparent in the 2007-13 programmes and might be difficult to achieve with four Operational Programmes for each Fund Scotland-wide.

There must be clarity at the start about how these linkages would work, with good communications across the Managing Authority, Lead Partners in each of the funds and Delivery Agents. There needs to be some form of facilitation of this process, with signposting to opportunities and guidance on compliance, etc. A matrix is needed to identify the linkages between the funds so that it is clear what each fund will deliver, who will be responsible for delivery and at what level, and how these funds can be accessed. Once this is known, HIEP will be in a better position to identify where gaps and/or duplication exist. The audit requirements should also be made clear at the start of the programme.

We also consider that it is essential that there is some sort of regionalised management structure for EMFF delivery in Scotland given the size of Scotland's fisheries and marine sector. We urge the Scottish Government to pursue this as part of the EMFF programme development.

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?

This question requires further clarification in that it is not clear whether it refers to delivery agencies or beneficiaries.

As per Question 1 – **Several key principles have to be respected if the proposals are to have a positive impact and address issues of inclusion and participation properly.** The Partnership Agreement and Operational Programmes need to be flexible enough to suit regional and local specificities to enable delivery of 'on-the-ground' outcomes. Different regions and sectors will have different target groups and priorities. If there is insufficient flexibility in the proposals the impact will be limited, particularly in the more sparsely populated areas, where options are restricted. Early involvement of delivery agents is necessary to ensure maximum impacts can be realised from the Funds.

The revised proposals do not make specific reference to Article 174. In the absence of regional programmes, it may prove more challenging for a Scotland-wide programme to make an impact on reducing regional disparities. A Highlands & Islands ITI may go some way to ensuring the underlying disparities which qualified the region for Transition status can be addressed.

Whilst agreeing with support for high growth industry and business, we would like to see the proposals specifically include **micro businesses** which are a fundamental and economically important part of the economic make-up of remote communities. The current wording of the proposals seems to exclude this specific group in favour of those with high growth potential. In peripheral communities micro businesses are

important aspects of the business supply chain and are part of the economy which supports larger growth companies.

Another key issue is that of match funding. At a time of public sector funding constraints, match funding will be in short supply. That threatens the ability of national or local agencies to deliver programmes successfully. If they are unable to do so, that will have a knock-on effect on regional and local economies and end beneficiaries. There is little mention of match funding in this document.

The new proposals may have a negative impact on the smaller and most peripheral Local Authorities who will find it difficult to engage with all the relevant lead partners delivering Strategic Interventions in Scotland.

We are also of the view that the European Structural and Investment Fund should not be used to fund welfare measures.

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 question 3 above. Plus:

- Ensure regional flexibility and involvement of Delivery Agents early on in the process to maximise positive regional impact, taking account of regional disparities;
- Given the designation of the Highlands & Islands as a Transition region on the basis of regional disparities – lower GDP – ensure the proposals are delivered in ways that will reduce these disparities, addressing regional and institutional capacity limitations;
- Build on the tradition of partnership working in previous Structural Funds programmes, so that agencies are able to work together to address common targets, eg. support for micro businesses in rural areas, having FE/HE skills provision working alongside Business Gateway, including support for new business formation;
- Take account of external factors – eg. public access to services and restricted broadband coverage in the Highlands & Islands will limit skills provision, business development and competitiveness as well as social inclusion; delivery of the Strategic Initiatives must take such factors into consideration;
- **The TA Project ‘Lessons Learned in the Highlands & Islands 2007-13 Convergence Programmes’** provides a useful analysis of challenges from previous programmes and how these may be addressed in the new ones; &
- Specific proposals for micro businesses as well as the ITI which addresses relevant issues in more detail.

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

As regards delivery, it is essential to clarify responsibilities between lead partners and delivery agents, and ensure that local objectives can be delivered.

On the basis of delivery to date and audit reports, the use of unit cost methodologies has many advantages and contributes greatly in terms of simplification. However, it also holds many potential challenges and it will be imperative that Delivery Agents are fully aware of the detail of this new process and their differing responsibilities before taking it on.

The output-driven approach will allow Delivery Agents to focus on ultimate impact (and longer-term sustainable development) rather than process issues. However, there must be clarity from the start on roles and responsibilities, emphasising the difference compared to previous models. In particular, Delivery Agents must be aware of their audit and compliance responsibilities - although different in the new structure, they do not disappear altogether!

Programme integration is welcomed to maximise impacts and but may prove difficult in practice, particularly given the expected delays in EMFF and EAFRD implementation.

Monitoring and evaluation – audit should be proportionate to the scale of the funding award – eg a £25k project should not be subject to the same level of scrutiny as a £5m project.

It is hoped that membership of the SDPs and PAMC will not take a too-centralised approach and that membership will be geographically balanced, representing the interests of peripheral and island areas. We would also support reconvening the meetings of the Monitoring and Evaluation group with existing membership.

Governance, management and administrative structures need to be inclusive and responsive to take account of the differing needs and priorities throughout Scotland.

Again, some useful pointers are provided in the TA Project referred to above, particularly the option for an Integrated Territorial Investment (ITI).

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

Overall we regret the lack of substantive information on which to comment.

We feel it is imperative given that the European Commission has designated the Highlands and Islands as a Transition region, the ITI is adopted and a monitoring and evaluation system is put in place for Transition Funding together with appropriate governance structure around it. This will address

many of the concerns raised above and lead to maximum impact, as well as addressing requirements as a Transition region. We will build on the success and experience in the 2007-13 programmes.

We therefore welcome the acknowledgement by the Government of the use of an ITI as a vehicle for the delivery of the ESI funds in the Highlands & Islands. The Highlands & Islands European Partners in the development of this ITI view this as a means of providing integrated oversight as to the activities that will be supported to assist the further development of the region. To this end we urge the Government to ensure that the development opportunities of the Highlands & Islands are pro-actively taken into account in the development of strategic interventions and that this be done by ensuring regional representation on the SI partnerships. We would hope that this will enable Highlands and Islands partners to determine how Transition funds are spent in the region while also having a significant influence on how nationally delivered EU funds, through national delivery bodies, are spent in the region. **On that latter point, it is vital that there is a clear instruction from Government to national agencies, through the Strategic Delivery Partnerships, to ensure that there is proper dialogue with regional and local agencies so that a significant proportion of nationally delivered funds or programmes have a regional and intra-regional dimension to address specify regional and intra-regional priorities and challenges.**

We have previously commented to Government on the subject of simplification and wish to re-affirm our desire to see the delivery of the ESI funds simplified. Much can be gleaned from the range of lessons learned projects that have been funded from Technical Assistance and we would like to be assured that the findings of projects such as Technical Assistance Lesson Learned (TALL) will be used to inform future delivery.

We have some concerns about the Scottish Partnership Agreement which is not clear on the situation of islands and peripheral areas. It is hoped that the specific challenges facing these areas will be reflected in the finalised Operational Programmes.

We also have concerns about the concept of a single national Partnership Agreement Monitoring Committee and its composition. We would hope that local authorities and the Highlands and Islands have significant representation on this body and that use will be made of the intermediary governance arrangements outlined in the Highlands and Islands ITI model.

Finally, little mention has been made in this document about match funding, which will make or break the programmes and at a time of public sector austerity and will be a major challenge for delivery agencies. Scottish Government should consider therefore a flexible approach to higher intervention rates – regionally and sectorally, depending on prevailing circumstances.

We look forward to working with partners across Scotland to deliver successful programmes for 2014-20.