

The Strathclyde European Partnership

July 1995

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Networking Scotland in Europe

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THE SCOTLAND EUROPA CENTRE PAPERS

The Scotland Europa Centre Papers are a series of occasional papers which have two objectives:

- to make a Scottish contribution to key issues that will effect the development of the European Union;
- to promote a wider understanding of European issues in Scotland.

The Scotland Europa Centre Papers are intended to provide a forum for interested parties in Scotland to promote ideas and perspectives on issues that are of importance to the development of Scotland and the EU. The papers will be given wide circulation. Contributions to the series are invited.

The views expressed in the Scotland Europa Centre Papers are those of the authors and do not necessarily represent the views of Scotland Europa or its members and partners.

We would be very pleased to have your views on any of the ideas raised in the papers or for you to arrange to receive further papers in the series. Please contact:

AN INTRODUCTION TO THE SCOTLAND EUROPA CENTRE, BRUSSELS

The Scotland Europa Centre works as an umbrella organisation promoting Scottish interests with the institutions of the European Union. It was opened in May 1992. Eight separate and independent Scottish organisations share the premises. It has become well-known as the Scottish centre in Brussels and aims to create a higher profile and coherent image for Scotland as a whole across the EU institutions.

As well as representing Scottish interests to the EU, the organisations within the Scotland Europa Centre share two other aims. Firstly we wish to contribute to the development of the EU by sharing our experiences of how its policies have operated in the diversity of situations in Scotland. We aim to do this by developing a regular, open dialogue with the European Commission, European Parliament, the Committee of the Regions, the Economic and Social Committee, other regional offices and others, across a range of issues. We believe that exchanges of this type are fundamental to determining the best policies for the future of the EU.

Secondly we hope to stimulate interest in and awareness of the EU and its policies amongst Scottish companies, institutions, local government and people. We aim to do this by building upon the established information service we provide to our member organisations in Scotland to stimulate thinking about the role of Scotland in Europe.

THE STRATHCLYDE EUROPEAN PARTNERSHIP

Laurie Russell, Director, Strathclyde European Partnership

The Experience Of Developing A Regional Partnership In Strathclyde To Manage An Economic Development Programme Supported By The European Structural Funds

Introduction

This paper is based on a presentation by the author at a conference in June 1995 in Leoben, Austria. The conference was arranged to discuss the management and implementation of an economic development programme involving Structural Funds in the new Objective 2 region of Austria. For most of the 150 or so representatives of local public agencies and private companies it was their first experience of the seemingly complex world of the European Structural Funds. However, Austrian regions, and similar regions in Finland and Sweden, that now qualify for EU support for economic regeneration, have the advantage of being able to learn from those regions that have a few years experience of managing similar Programmes. It was for this reason that Austria invited representatives of two established Objective 2 regions, Nord-Rhine Westphalia and Strathclyde, to explain their different approaches to the management of Structural Fund Programmes. They were particularly interested in how Strathclyde had developed the regional partnership and how it actually worked in practice. This paper describes the partnership approach adopted in Strathclyde, and considers some of the lessons that can be learned from the Strathclyde experience.

Previous EU Supported Programmes In Strathclyde

The EU has been involved in Strathclyde's regeneration programmes for the past 10 years or so. Strathclyde was one of the first UK local authorities to take Europe seriously in the early 1980's. At first this involved a presence in Brussels and as a result through the 1980's there was a steady but relatively small amount of finance, made available through the European Social Fund (ESF) for training courses in the region. In addition, some individual infrastructure projects received European Regional Development Fund (ERDF) assistance.

The 1988 reform of the Structural Funds moved the focus away from individual projects to negotiated Programmes of EU support. The four principles adopted by the Commission for the Structural Funds were:

- there should be a **concentration of effort** - the 5 ‘objectives’
- **programming** over a five-year period would allow for better strategic planning
- a regional **partnership** should be set up to implement Programmes
- the funds should be **additional** to national and regional government spending on economic development in the regions.

It was not until 1988 when Strathclyde became the first of the UK regions to negotiate a five-year Programme of integrated support that the EU became a major funding source for economic development projects. The Programme known as Strathclyde Integrated Development Operation (IDO), involved a package of grants from ERDF and ESF of £280 million (410 MECU), loans through the European Investment Bank (EIB) and the European Coal and Steel Community (ECSC) of £104m (155 MECU).

Its central aim was to build a sound base for long-term, self sustaining economic development in the region. ERDF was largely available for public sector infrastructure projects in transport, water, sewerage and industrial site development. In addition, workspace developments, tourism projects, environmental improvements, grants and loan schemes for businesses were supported. And vocational training projects funded through ESF provided 30,000 new training places

The region has also benefited from various Community Initiatives, such as RECHAR, RENAVAL and KONVER, and ESF support through Objective 3 national Programmes.

The Current Programme From 1994 To 1996

In July 1993, when the Council of Ministers approved the revised Regulations governing the Structural Funds, the budget had grown to around one third of the total Community budget. The changes for the six years, 1994 to 1999, were less far-reaching than the 1988 reform. Indeed the four main principles - concentration of effort, partnership, programming and additionality - were maintained or strengthened.

The remainder of the paper explores Strathclyde’s experience of both carrying out an internal review of the operation of the Programme and planning for the next funding period which for Objective 2 regions is for the period 1994 to 1996. It covers the following main areas

- the planning process
- what the Programme will deliver
- the partnership committees and decision-making process
- how the Programme is managed
- the project selection criteria and appraisal process
- the lessons from the Strathclyde experience of managing a regional economic development partnership

The Planning Process

The planning process for Objective 2 Programmes was in two stages.

The first stage involved the preparation of a six-year Regional Plan which included

- an economic profile of the region - its strengths, weaknesses, opportunities and threats
- an environmental profile
- an assessment of the impact of previous Programmes
- development of a strategy based on the external factors and internal factors that influence the regional economy
- indicative actions
- the key operating principles and project selection criteria
- indicative measures of performance targets, outputs and evaluation arrangements
- a financial plan.

The Regional Plan was prepared by a team of eight representatives of the key economic development agencies in the region and chaired by The Scottish Office.

Consultation with the full partnership - 180 or so agencies involved in economic development in the region - was a vital component of the Plan's development. Various workshops were held and draft documents circulated for comments. We also made every effort to involve Commission officials during the Plan's preparation.

The Regional Plan was submitted to the Commission in March 1994. The Commission then appointed external evaluators to assess groups of Plans and began discussions with the Plan Team about preparation of the second document - the Single Programming Document (SPD), which becomes the formal agreement with the Commission for the first three years funding - 1994/96.

The SPD is based on the Regional Plan, but provides more detail on

- the measures, that is, types of activity that will be supported
- the financial plan with a breakdown between measures
- complementarity with other socio-economic policies of national government and regional authorities
- the conditions of implementation, that is, the Commission's requirements for financial administration, policy compliance, publicity and monitoring.

What The 1994/1996 Programme For Western Scotland Will Deliver

The main **strategic aim** of the Programme is

- to work together to strengthen Western Scotland's capacity to create and sustain wealth, and to achieve convergence with other Community regions, without damaging the quality of the environment

The strategic aim was translated into two **strategic objectives**:

- to enhance the competitiveness of the Western Scotland economy in order to improve economic growth, job prospects and the quality of life of the region's population

- to improve economic and social cohesion within the region in order to increase economic development opportunities for individuals and communities faced with growing social and economic exclusion.

The key factors to achieving these strategic objectives for the economic regeneration of the region are:

- an expanding small business sector, which has the capability to generate self-sustaining growth from within the region
- the attraction of investment from outside the region to help re-build the economy
- a flexible industrial base capable of adapting to technological developments, the need for innovation and changes in global markets
- a confident, flexible and skilled workforce
- a competitive environment and a high standard of physical infrastructure.

The specific measures that can be supported through the Programme are grouped into four Priorities for Action each with a number of more specific measures.

Business Development

Approx. 33% of budget

- Improvement to access to capital
- Applied research, technology development & innovation
- Provision of consultancy services in management, marketing, design, quality and environmental competitiveness
- Skills development for employees of small and medium-sized enterprises and business sustainability
- Human resource development - emerging workforce/potential workforce.

Business Infrastructure

Approx. 39% of budget

- Provision of industrial & commercial infrastructure
- Transport & communications
- Improvement of the regional environment & image.

Tourism

Approx. 13% of budget

- Provision of visitor attractions & facilities
- Information, marketing, promotion & festivals
- Vocational training

Economic & Social Cohesion

Approx. 14% of budget

This is a new feature of the current Programme aimed at targeting more Structural Fund resources into the 20 or so areas in the region with the greatest need that have local economic initiatives actively pursuing a local regeneration strategy.

- Development & creation of small and medium sized enterprises
- Human resource development

Technical Assistance

Approx. 1% of budget

- Programme management, marketing, publicity & research

The overall split between ERDF and ESF is 80:20. The agreed budget from the Structural Funds is £225m (286 MECU) for the 3 years 1994/96. An anticipated £256m (344 MECU) can be added to this as the contributions from the national and regional public sector and private leverage.

The Partnership Committees And Decision-Making Process

Around 180 organisations have accessed Structural Funds in previous Programmes. These are referred to as partners and are involved in a locally-based decision-making process on which projects should receive support.

The partners are:

- The European Commission DGXVI and DGV
- The Scottish Office
- Strathclyde Regional Council
- 18 District Councils
- 3 New Town Development Corporations
- Government Departments and Agencies
- Scottish Enterprise
- 5 Local Enterprise Companies
- 4 Universities
- 20 Colleges of Further Education
- Voluntary Organisations (60 approx.)
- Local Enterprise Initiatives (40 approx.)
- Area Tourist Boards

The principle that has been adopted for the Committees has been to maximise the involvement of partners and at the same time ensure the Committees are effective, accountable and operate transparently. The partnership committees have evolved over the past few years into a three-tier committee structure. A survey of partners' views was carried out last year as part of a review of the local management arrangements. There was general satisfaction with the committee structure.

SPD Monitoring Committee

The Monitoring Committee is the only committee required by the Regulations and is responsible for the implementation of all Structural Fund Programmes in the region. It is chaired by The Scottish Office and responsible for overall strategy and policy decisions, the approval of project selection procedures and criteria, the development of new policies, publicity, and monitoring and evaluation. It meets at least twice a year and has up to 20 members, drawn from appropriate European Commission DGs, The Scottish Office Industry Department and representatives of the various 'constituencies' of partners - Local Authorities, Scottish Enterprise Network, Voluntary Organisations, Local Economic Initiatives and Higher and Further Education. It has one sub-committee - the **Joint Management Board** - which is responsible for overseeing the Technical Assistance budget for the programme management and the work of the Programme Executive.

Programme Management Committee (PMC)

It is responsible for decisions on individual ERDF and ESF applications based on recommendations from the advisory groups, oversight of regular monitoring, progress reports, annual reports and interim appraisals, and oversight of the Programme publicity and research budgets. It meets 3 or 4 times a year. It has up to 30 representatives of the partnership. The partnership representatives include at least one member from each advisory group and reflects the various constituencies of partners.

Advisory Groups

There are advisory groups for:

- Business Development
- Business Infrastructure
- Tourism
- Vocational Training
- Research & Technological Development
- Economic & Social Cohesion

The advisory groups have responsibility for producing more detailed strategies, establishing a project selection procedures and criteria, including scoring systems, appraising ERDF and ESF project applications and making recommendations to the PMC on their suitability and priority. Each advisory group has about 10-12 members. They are selected for their experience of the issues involved as well as being representatives. Some outside advisers are involved.

How The Programme Is Managed

Until last year, one of the unique features of the Strathclyde Programme was the existence of a Programme Executive, financed through Technical Assistance from the Commission and from contributions from the partnership. Three other Scottish Programmes - Highlands & Islands, Eastern Scotland and Dumfries & Galloway - have recently set up similar Executives. The Programme Executive is responsible for coordinating, managing and administering those elements of the Programme which can be delegated by The Scottish Office and most effectively carried out in the region.

Its main purpose is to ensure the efficient and effective management of the Structural Fund Programmes in the best interests of the partnership. Its specific functions are

- servicing and administering all the partnership committees.
- offering advice to potential applicants on the Structural Funds and assisting with the development of ERDF and ESF applications. It is not the function of the Executive to promote economic development in itself but rather to act as agents of the partners to ensure that the objectives of its various Structural Fund Programme are met.
- undertaking the initial appraisal of applications. This includes assessing technical eligibility, and ensuring that applications are fully justified and provide all the required information to permit appraisal.
- submitting recommendations from advisory groups on applications to the PMC with any additional information/commentary.

- monitoring physical and financial progress of all approved projects.
- consulting the Partnership in developing new or refined policies or strategies to improve the quality of the Programme.
- promoting the Programme generally within the region and ensuring partners give appropriate publicity to the Structural Funds for supporting individual projects.
- managing the Technical Assistance budget.
- contributing to the development of and ensuring compliance with guidance on technical, procedural, and finance matters which may be issued by the Commission or The Scottish Office.

Projects Selection Criteria And The Appraisal Process

Following the Programme Executive's initial appraisal, applications are submitted to the appropriate advisory group to be assessed and scored against agreed criteria. Each advisory group uses general criteria which apply to all projects and specific criteria developed for each measure. The general criteria assess how a project:

- fits with the objectives and scope of a measure.
- can demonstrate genuine additional economic impact.
- can achieve leverage of private investments.
- complements national, regional and Community policies.
- integrates with other measures and involves a partnership between agencies.
- has a positive environmental impact and promotes sustainability.
- promotes a favourable living and working environment.
- demonstrates innovatory use of the Structural Funds.
- provides evidence of long-term viability and good value for money.
- has clear targets against which performance and outputs can be assessed.
- has clear evidence of demand.
- demonstrates that the project would not be undertaken without ERDF or ESF grant aid or implemented at a reduced form or slower pace than could be achieved with ERDF or ESF grant aid.

The Lessons From The Strathclyde Experience Of Managing A Regional Economic Development Partnership

In this final section I want to draw some general conclusions from our experience, in particular, about the issues that affect the success of regional economic development partnerships. Although every region operates in a unique local economy and with different economic structures, some of these may be relevant to other regions considering how to set up a partnership.

Firstly, we need to consider what the funders want, in this case, the European Commission, and what the applicants want to achieve.

Generally the Commission wants to see:

- additionality - the EU funds should provide additional outputs or impact.

- value for money.
- viable and effective partnerships.
- appropriate and relevant activity to take place on the ground.
- clear economic benefits achieved that can be quantified and used to justify the impact of the Structural Funds Europe-wide.
- positive outcomes from projects.
- positive publicity and to be acknowledged publicly as supporting economic development in the region.

The applicants have a slightly different set of needs. They want:

- autonomy over their area of interest or expertise.
- generosity from the funders and a relatively simple process for getting payments made.
- flexibility to allow local approaches and more imaginative projects to be supported.
- support and advice in developing project proposals and in getting through the application maze.
- consistency of policy and decision making.
- their intended activity and outcomes to take place and to achieve the project's objectives.
- they also want positive publicity and to be acknowledged publicly for supporting economic development in the region.
- to be involved in the policy discussions and in the partnership committees

We have been conscious of our role in facilitating this relationship and therefore have developed a management style that tries to reflect the needs of both the funders and applicants. The regional partnership has to be able to satisfy both the funders and applicants - not just in a formal legislative sense - but also in terms of what they want from the Programme. In managing this complex relationship, we have realised the need to:

- promote the belief that there is added value from co-operation and co-ordination.
- ensure that partners know the Programme objectives and that they are communicated clearly.
- establish consistent operational policies and practices.
- encourage open, active two-way communication.
- establish good monitoring systems that are linked to the decision-making process.
- ensure regular, open and objective evaluation.
- be willing to learn from experience - both from good practice and from mistakes
- have a commitment to consistent improvement.
- accept that change in the external environment is inevitable.

There is no magic formula that ensures different agencies, sometimes in competition with each other, will co-operate and develop into a cohesive and effective regional economic development partnership, however, our view is that the essential ingredients of a successful partnership are:

- there has to be commitment to an agreed strategy.

- all participating agencies should support the principles of partnership. This means that strong or major partners should not dominate weaker or less principal partners.
- it should not be dominated by, but has to remain sensitive to political influences.
- it has to have relevance to local initiatives and projects on the ground.
- a balance between a top down & bottom up approach needs to be achieved. A Brussels based approach should only provide the framework to stimulate local solutions to the region's economic problems.
- the partnership must be enabling and empowering and not restrictive and controlling.
- the ability to survive institutional change.

ANNEX:

Background To Strathclyde Region

Around 2.2 million people live in the Strathclyde area - almost half the population of Scotland. The city of Glasgow is the heart of the region with about 700,000 living within its boundaries. The urban industrial core of the region includes a further ten or so towns with populations of over 40,000. Glasgow is the business, commercial, cultural and increasingly tourism centre of the region.

Like many of Europe's Objective 2 regions, Strathclyde has experienced a severe and deep decline in its former dominant industries - coal, steel, shipbuilding, railway and vehicle manufacturing, textiles and other heavy engineering industries. Since the late 1960's manufacturing's share of total employment has fallen from over 40% to 20% in 1994. The decline still continues at a faster rate than in Scotland or the UK as a whole.

In the mid 1970's, the problems of unemployment had combined with the failure to complete the inner city clearance and the failure to achieve the quality of life people desired in the new housing estates built in the 1950's and 1960's. The result was that Glasgow became notorious for having some of the worst examples of economically and socially deprived areas in the UK. Poor quality housing, inadequate public services, and few amenities, re-inforced the feelings of alienation, isolation and despair in those evicted from the economy.

The worst effects of unemployment were felt between 1981 and 1988 in the region. Total unemployment rates stayed between 17% and 19.5% during that period. Male unemployment reached 25% in 1986. Pockets of unemployment of over 60% were experienced in the worst hit communities. The regional average registered unemployed is currently 12% and male unemployment is 16%. These figures however disguise local concentrations of over 20% in some large inner city areas, outer estates and towns outwith Glasgow, particularly those hit by job losses in coal, steel and shipbuilding.

Average figures also disguise the problems of long-term unemployment - 34% of the region's unemployed have been out of work for over a year and 20% for over two years. 41% of households in the region claim state benefits and therefore can be regarded as living in poverty with the resultant debt and other problems. The main groups claiming state benefits are the unemployed, the elderly and single parents.

The Policy Framework

The reform of local government in Scotland in 1975 provided the impetus for a radical rethink in the urban regeneration and economic policy in Strathclyde with the creation of a regional authority. The new Regional Council responded to the increasing problems with two key objectives - **to promote economic regeneration** and **to tackle urban deprivation**.

Four complementary policies have been developed as the basis for development:

- Social Strategy
- Economic Strategy
- Physical Development Strategy
- Transport

These are based on the following guiding objectives:

- to develop a strong metropolitan heart - Glasgow
- to develop the infrastructure in established urban areas
- to increase the attractiveness of the region for inward investment
- to concentrate services to improve living conditions in designated Priority Areas
- to empower communities to give local people a strong voice in the planning and management of services
- to work with public agencies and the private sector.

Partnerships in Strathclyde have been recognised as a successful approach to regeneration. Mainly because there has been broad agreement on the regeneration strategy and on the need to work together to achieve change. Initially this involved the local authorities and some public sector agencies, but now central government and the private sector are fully involved.

The European Commission has been an increasingly important partner since 1982 through assistance from the Structural Funds.

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