

TRANSPORT PROJECTShave benefited hugely from ERDF over the last 30 years

What future for Euro-funding for the Highlands?

Dr CALUM MACLEOD focus



DR CALUM
MACLEOD assesses
the role European
structural funds
have played in the
socio-economic
development of the
HIghlands and
Islands, and warns
against centralising
"command and
control" of these
funds.

UROPEAN STRUCTURAL funds may not be a topic guaranteed to set many pulses racing but they are central to the EU's efforts to promote economic development within its Member States.

The most prominent of these funds — the European Regional Development Fund and European Social Fund — provide targeted assistance to improve competitiveness and increase employment in the EU's most disadvantaged regions through a combination of infrastructure investments, business support, education and skills development. Their role in lubricating the economic and social cogs of cohesion is therefore politically significant in demonstrating the practical benefits which EU membership can bring at the regional level.

These benefits are readily apparent in the Highlands and Islands where, since 1989, successive structural fund programmes have helped boost the prospects of an economy literally on the edge of Europe.

Recently-published research conducted by ADE Consulting and partners on behalf of the European Commission shows just how important ERDF has been in supporting economic development in the Highlands and Islands and in other EU regions containing islands, mountains and sparse populations. The study focused on six so-called NUTS3 regions which can be classified as demonstrating one or more of these features; the Western Isles, Cuenca (Spain), Norrbotten (Sweden), Lesbos (Greece), Bornholm (Denmark) and Ardèche (France).

Findings from the available data and interviews with government officials, public-sector representatives and industry stakeholders show that, while diverse in certain respects, these regions share many characteristics linked to their geographical features. Some of these characteristics — such as remoteness from major markets, low population densities and physical constraints — act as a drag on development. Others, most notably outstanding natural and cultural heritage, can and do drive key niche industries in the individual regions. All of the regions are united in facing the same serious demographic challenges of out-migration of young people and aging populations.

Structural funds have not been a panacea for all of the socio-economic ills confronting the case-study regions. Nevertheless, our study found that ERDF has played a significant part in helping to shape the focus and pace of economic development in each of the regions during the 2000-06 funding period and the current 2007-13 phase. All have benefited from ERDF contributions to substantial "hard" infrastructure investments with transport links, environmental initiatives and information and communications technology representing particular funding priorities. Infrastructure gaps remain in each of the regions, especially in relation to broadband provision, but there is also

recognition of the need to shift future investment to "softer" measures which encourage productive business, innovation and green technology projects.

ERDF support has been notable too in helping develop "asset-based" economic sectors especially in relation to tourism, culture and the environment; niche markets which are linked to a greater or lesser extent to particular geographical features in the respective regions. Interestingly, this activity has been underpinned by shifting perspectives regarding some geographical features which are increasingly seen more as development opportunities to seize rather than hurdles to overcome. Higher education provision, to which ERDF and ESF have made substantial contributions, is also viewed as critical to attracting and retaining young people within some of the studied regions.

THESE GENERAL FINDINGS are borne out in relation to ERDF support for the Highlands and Islands.

For 2000-06 EU funding as a whole comprised around 4.5 per cent of total public spending in the region for basic infrastructure, human resources and productive investment. Viewed within that context, ERDF was a small but highly significant proportion of such spending. A total of 193 projects were approved with ERDF grant awards of £129.7 million, matched with domestic funding mainly from Highlands and Islands Enterprise and local authorities. Many of these projects had a "pan-Highland" dimension with a particular focus on keystone projects for road, air and harbour links, along with significant support for capital and associated investments for UHI, designed to spread economic benefits throughout the region

throughout the region.

"Pan-Highland" projects accounted for almost a quarter of overall ERDF spend for the 2000-06 programme period. However, the share of investment in exclusively Western Isles projects — notably in relation to the spinal road route, Arnish marine fabrication yard, broadband development and Leverburgh harbour — was also substantial, accounting for 12 per cent of the total pot of available ERDF funding.

The 2007-13 Highlands and Islands ERDF programme is considerably smaller than its predecessor programme, €122 million compared to €190 million in 2000-06 — a share that reflects the re-directing of structural funds by the European Commission towards economically underperforming regions in an enlarged EU of 27 Member

It is not possible to arrive at overall conclusions as to the programme's effectiveness at this stage as it is still ongoing. That said, the ERDF support which has been allocated is adding considerable value to economic development within the region. As with the 2000-06 programme, much of this activity has a "pan-Highland" focus and accounts for around half of ERDF-

funded projects to date

In the Western Isles ERDF, in conjunction with other public funding sources, is supporting a wide variety of activity. This includes key niche economic sectors through the Harris Tweed Investment Fund and the Creative Industries and Media Centre in Stornoway; business support via the Outer Hebrides Small Business Assistance Scheme; gap-filling of the spinal route; and Stòras Uibhist's expansive and ambitious regeneration plans for Lochboisdale harbour, business renewables and wind farm development.

Other aspects of added value from structural funds are less tangible but no less significant. Of these the most important relates to planning and management of the 2000-06 ERDF programme through a distinctive partnership of public and third-sector organisations in the Highlands and Islands. This approach, under the highly-respected stewardship of HIPP Ltd, was instrumental in generating a shared sense amongst these stakeholders of the region's development priorities and facilitating a collaborative approach to their pursuit.

The competitive challenge-fund approach to allocating ERDF during the 2000-06 programme also enabled the development of robust projects and a shared understanding of partners' individual priorities as a result of funding bids being "peer assessed" by the partnership's specialist advisory groups. This peer assessment was commended by the European Commission for promoting environmental sustainability and equal opportunities as cross-cutting themes to include in funded projects' design and delivery.

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The 2007-13 programme differs from the exclusively competitive challenge-fund approach of the earlier programme in that Highlands and Islands Enterprise and UHI are designated strategic delivery bodies. This means that Highlands and Islands Enterprise receives a direct ERDF allocation for revenue and capital business support while UHI has a similar arrangement for building research capacity and capital infrastructure investments. Both organisations appear to have found that to be helpful in terms of providing a more stable financial basis upon which to undertake forward planning.

A further innovation for the 2007-13 programme has been to set aside ERDF for community planning partnerships to provide a more integrated approach to supporting growth in the region's most peripheral and fragile areas.

Our study findings illustrate both the continuing importance of geographical features in the territorial cohesion debate and the role of ERDF in ameliorating or exploiting these features for sustainable regional development. The key overarching messages emerging from the research are clear. ERDF adds value to economic development in regions with islands, mountains and sparse populations by helping

to close key infrastructure and skills gaps, enhancing partnership working at the regional level and supporting projects which might otherwise never have got off the ground. The Western Isles have benefited in all of

The Western Isles have benefited in all of these respects. And as the resurgence of the Harris Tweed industry and activity in other niche sectors such as tourism, creative industries, aquaculture and fish farming demonstrates, some geographical features and associated aspects of provenance can help nurture and sustain what remains a fragile local economy.

N LIGHT OF the value of structural funds to the Highlands and Islands, the Scottish Government's decision to assume responsibility from HIPP Ltd, as of 1st April, for administering the remainder of the 2007-13 ERDF and ESF programmes for the Highlands and Islands has been greeted with considerable surprise and unease. HIPP's imminent demise has intensified concerns within the region as to what, if any, future structural funds will be provided to the Highlands and Islands for 2014-20 and the basis on which any such funding will be allocated.

It would be disingenuous to dismiss these concerns as much ado about very little. The high-water mark of structural funds support in the Highlands and Islands may have been and gone. However, the challenges which geography exacerbates for the region in terms of accessing goods and services, ensuring affordable transport costs, promoting economic diversification and addressing negative demographic trends are all still very much in evidence. In an austere economic climate every euro of financial assistance counts. It is therefore vital that an appropriate share of whatever structural funds are available to Scotland after 2013 finds its way to the places and people in the Highlands and Islands that need these funds most.

More generally, there is much to be said for tempering any centralising "command and control" ambitions which the Scottish Government may harbour for regional development per se; particularly if that infringes upon the devolved approach which has served the Highlands and Islands well since the creation of the HIDB in 1965. Of rather greater importance is finding ways to fuse territorial cohesion with the sustainable development of the Highlands and Islands' most peripheral and fragile areas. That is the principal challenge for policy-makers in Edinburgh and Inverness, whether structural funds are part of the equation or not.

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