

West Midlands Response to the Green Paper on Territorial Cohesion¹

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Introduction

The **West Midlands European Strategy Board** welcomes this consultation and is pleased to respond on what it considers is a very important issue for the Region.

The West Midlands² was the birthplace of the industrial revolution and half a century ago was one of the most prosperous regions in the UK. The Region has, however, undergone a period of economic restructuring and is now engaging with rapid modernisation and responding to global challenges. This speed of modernisation is, however, currently threatened by the worsening economic crisis. Three areas stand out:

- **Knowledge economy and innovation** – Much investment has taken place in this field; however, research statistics indicate that the West Midlands still has a relatively low uptake of research funding. This figure is a sign that the West Midlands is lagging in the use of R&D to help shift the Region to a more innovative, knowledge-based economy;
- **Skills** – The West Midlands has over 100,000 higher education students but still needs to improve the skills levels of its population and increase graduate retention. The low skilled workforce creates problems of social exclusion and also hinders the development of an innovative knowledge-based economy;
- **Regeneration/quality of life** – Despite much investment and improvements negative perceptions of parts of the Region suffering from the effects of past industrialisation can still affect inward investment and encourage outward migration of skilled workers.

Overall today, the West Midlands underperforms relative to UK and international competitors. In 2007 output per head was 86% of the UK average which represented a €15 billion output gap with the rest of the UK.

Structural Funds can, and are, helping to close this gap with positive transformations in the Region in all of the above three areas. The West Midlands has invested significant EU resources in a strategic and effective manner. Flagship projects including the Millennium Point³ and the International Conference Centre (ICC)⁴ have led the way with investment all over the Region.

¹ COM(2008)616final

² The West Midlands region, with its population of 5.4 million, lies at the heart of the UK. The Region comprises the counties of Shropshire, Staffordshire, Warwickshire and Worcestershire, the unitary authorities of Herefordshire, Stoke-on-Trent and Telford and Wrekin and the seven metropolitan districts of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

³ <http://www.millenniumpoint.org.uk/>

⁴ <http://www.theicc.co.uk>

Key points:

- The Green Paper on Territorial Cohesion provides considerable scope to **streamline, simplify and integrate** Cohesion Policy interventions and other EU funding streams post-2013. More funding should be devoted to territorial cooperation programmes with greater emphasis on practical outcomes;
- It provides an opportunity to **rationalise and streamline** the strategic context for European programmes so that Cohesion Policy objectives are integrated into European, national and regional strategies from the outset;
- It allows the requirements for Operational Programme documents to be **simplified** through greater reliance on existing strategies, policies, evidence and analysis and stakeholder engagement;
- It can ensure that the Structural Funds can support more **integrated** regional economic development interventions by coordinating the ERDF, ESF and RDP under the umbrella of a regional strategy or possibly by creating a regional 'mono-fund';
- Radical change is needed to address many of the pressing global challenges such as demographic change, climate change and human capital development, therefore innovation in policy, project and product development must be at the heart of a Territorial Cohesion policy;
- The move towards developing Single Integrated Regional Strategies (SIRS) provides English regions with **a significant opportunity to integrate European programmes with both economic development and spatial priorities and challenges**. This shift not only reinforces the importance of strategic prioritisation of future cohesion policy interventions but also provides a greater opportunity for regions to embrace the concept of Territorial Cooperation.

1. Definition

Territorial cohesion brings new issues to the fore and puts a new emphasis on existing ones.

1.1 What is the most appropriate definition of territorial cohesion?

1.1.1 The Green Paper could have been improved by a clearer definition of Territorial Cohesion. Given the Commission's resources and experience in this field, it would have been helpful if one or more working definitions were produced in order to structure the responses to question 1 and subsequent questions more effectively.

1.1.2 An appropriate definition was set out in a discussion paper prepared for an informal EU ministerial meeting held in Rotterdam in November 2004.⁵ Concisely it provides the foundation for a more coherent approach to the development of European territory. In practical terms it recommends:

- focusing regional and national territorial development policies on better exploiting regional potentials and territorial capital – Europe's territorial and cultural diversity – as a potential for sustainable economic growth;
- better positioning of regions in Europe, both by strengthening their profile and by transnational and interregional cooperation aimed at facilitating the connectivity and territorial integration of regions;
- promoting the coherence of EU policies with a territorial impact, both horizontally (across sectors) and vertically (between levels of administration), so that they better support sustainable development at national and regional level.

1.1.3 Therefore, territorial cohesion is the promotion of sustainable balanced economic, environmental and social development across the union to ensure that the benefits of the single market are spread across all regions. This would mean that attention should be paid to ensuring a more pro-active approach to both lagging regions and regions that are over-heating.

1.1.4 A key element, therefore, is a proactive regional policy to ensure a more efficient, equal and sustainable allocation of resources (human, land, knowledge and capital) within the EU. The recent OECD Report (2008) on widening disparities of income in Europe⁶ emphasises the continued challenges to tackle poverty and address qualitative data around standards of living.

⁵ News release from EU Ministerial Rotterdam, November 2004

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/04/278&type=HTML&aged=0&language=EN&language=en>

⁶ OECD report on trends in incomes and poverty, "Growing Unequal?", 21 October 2008

http://www.oecd.org/document/45/0,3343,en_2649_201185_41502445_1_1_1_1,00.html

1.2 What additional elements would it bring to the current approach to economic and social cohesion as practised by the European Union?

The European Commission's 'Regions 2020' Communication⁷ identifies four key challenges:

- Globalisation and structural adjustment
- Demographic change, ageing and migration
- Climate change – e.g. increased flooding
- Energy – security of supply, and the shift to a low carbon economy.

1.2.1 We would agree with these key challenges/ priorities. In addition we have in this region a significant fifth challenge relating to improving human and social capital. The West Midlands is investing in the most vulnerable of workers, who during an economic downturn are the first to be hit by unemployment, under employment and falling economic activity rates. A higher skilled workforce, with enhanced education qualifications and competences is key to making the transition to the knowledge economy, an entrepreneurial society and to promoting active ageing.

1.2.2 Meeting these challenges requires a focus not only on the physical and the economic/business related policies but also on the people dimension. The Commission has noted the need for new skills as highly skilled employment opportunities are set to grow rapidly, as outlined in the Commission Communication on 'New Skills for New Jobs'⁸ which estimated the creation of around 100 million jobs between 2006 and 2020 – with almost three-quarters being in services by 2020 and an estimate of a rise in the number of jobs requiring graduate skills to over 30%. There is a need for a step change in skills policy and Territorial Cohesion policy can support that.

1.2.3 These challenges all have regional dimensions. Territorial Cohesion policy needs to look at how to help all regions tackle these key issues. The scale of these challenges emphasises the need for future policy to focus on innovation in all sectors of society. Radical change is needed to address many of these challenges and therefore innovation in policy, project and product development must be at the heart of a Territorial Cohesion policy. This therefore stresses the role of education and training and knowledge development and transfer and highlights the need for territorial cohesion to pay more attention to research and innovation and the role of higher education.

2. The scale and scope of territorial action

Territorial cohesion highlights the need for an integrated approach to addressing problems on an appropriate geographical scale which may require local, regional, national and European authorities to cooperate.

⁷ http://ec.europa.eu/regional_policy/sources/docoffic/working/regions2020/pdf/regions2020_en.pdf

⁸ <http://ec.europa.eu/social/main.jsp?catId=568&langId=en>

2.1 Is there a role for the EU in promoting territorial cohesion?

2.1.1 The role should not necessarily be through imposing new legislative requirements on Member States, but rather:

- providing motivation through resources, information, tools and strategic guidance that will help territories make the most of their endogenous potential;
- ensuring that EU institutions undertake systematic territorial impact assessments on their thematic programmes and policies in order to assess negative or positive effects on any given territory;
- ensuring that EU structural funds being spent in a region are co-ordinated at the regional level under an integrated regional strategy.

2.1.2 The need for an integrated approach is vital. In England, regions will be tasked to develop Single Regional Strategies integrating planning and spatial matters with economic, housing and transportation issues. There is a national and an EU dimension to these strategies, which revolve around funding, policy developments and best practice.

2.2 How could such a role be defined against the background of the principle of subsidiarity?

2.2.1 It is clear that whilst subsidiarity is a vital principle, decisions on policy and funding taken in Brussels can impact at a regional and local level and therefore policies and actions need to take into account that dimension. Downstream impacts of European decisions need also to be balanced with upstream consultations where regions are able to influence policy at an early stage.

2.2.2 While national authorities have a key role in approving regional strategies, there may be a role for the EU to comment on regional strategies and where funding is to be supplied from Europe – to agree on the more strategic elements. Local and regional knowledge should be exploited for detailed programmes.

2.3 How far should the territorial scale of policy intervention vary according to the nature of the problems addressed?

2.3.1 The main focus should be on policy working at a regional level⁹. There is however one proviso – increasingly across Europe urban areas are collaborating where there is economic and social rationale (city regions, contrats d'agglomération, etc.) This may formally be constituted or take the form of sub regional partnerships and may involve urban authorities, urban and/or rural areas working together. Where such significant joint arrangements/ partnerships apply there must be scope for some of the decision making relating to European issues to be delegated down.

⁹ Whilst acknowledging the primacy of regional (or potentially sub regional level) geographies, strategies developed at these levels need to recognise the partnership principle of including lower tiers of governance in the determination of priorities, etc.

2.4 Do areas with specific geographical features require special policy measures? If so, which measures?

2.4.1 Although attention should be paid to some regions with clear physical handicaps e.g. islands, mountainous areas, peripheral regions, this should not be a major feature of any territorial cohesion policy not only because of the scale of the population concerned but also due to the difficulty in some areas of actually achieving real progress. Territorial cohesion does not mean making all regions similar but rather that all regions are able to exploit to a maximum their endogenous potential.

3. Better cooperation

Increased cooperation across regional and national borders raises questions of governance.

3.1 What role should the Commission play in encouraging and supporting territorial cooperation?

3.1.1 For the European Union to reach its economic, social and environmental goals it is essential that its regions are able to learn from and build on good practices across Europe and to implement this learning in the best way for their region. One of the most important ways of doing this is through territorial cooperation, which provides clear EU added value to regional development. Increasingly, the level and intensity of co-operation activities across Europe will contribute significantly towards true European cohesion.

3.1.2 Cross-border funding within the EU 15 should be better targeted. The European Commission needs to reflect on its activity around cross-border cooperation and to refocus on the greater need of the newer Member States post 2013, especially where there is clear evidence of barriers to cooperation and mobility. Resources freed up by this refocus should be allocated to an enhanced Interreg VC approach – where regions are not constrained with who they should work by artificial boundaries and where real outcomes can be pursued.

3.1.3 The West Midlands would encourage the Commission to promote the strategic value of integrated regional strategies and encourage such strategies to work jointly across boundaries.

3.2 Is there a need for new forms of territorial cooperation?

3.2.1 Regional and local authorities and other actors should have more flexibility to cooperate with other regions that share their concerns and problems or where this can add value by sharing good practice or jointly developing new solutions, rather than being hemmed in by artificial regional groupings such as under the INTERREG IVB programme.

3.2.2 Regions should be free to choose the regions they wish to work with wherever they are in the EU as long as there are valid reasons for partnerships such as mentoring arrangements between regions with knowledge to exchange.

3.2.3 More funding should be devoted to interregional programmes but with more of an emphasis on practical outcomes and resources to help fund them. Some of this funding should be open to 'riskier' innovative ideas unconstrained by thematic frameworks. The Regions for Economic Change 'Fast Track' opportunities provide a speedier integration of best-practice within Operational Programmes and this initiative should be continued.

3.3 Is there a need to develop new legislative and management tools to facilitate cooperation, including along the external borders?

3.3.1 There will not be a need for new legislation if there is demonstrable progress through the European Grouping of Territorial Cooperation structure. A review of the EGTC is needed in order to assess if this measure has encouraged and facilitated territorial cooperation.

4. Better coordination

Improving territorial cohesion implies better coordination between sectoral and territorial policies and improved coherence between territorial interventions.

4.1 How can coordination between territorial and sectoral policies be improved?

4.1.1 There needs to be better evidence of the territorial impact of sectoral policies using the resources of ESPON to provide spatial intelligence. Territorial Cohesion needs to be linked to Lisbon to ensure coherence of policies at a framework level.

4.2 Which sectoral policies should give more consideration to their territorial impact when being designed? What tools could be developed in this regard?

4.2.1 There are a range of sectoral policies and programmes from CAP, LIFE+, etc where there will be a territorial impact. We believe it is important for all programmes and policies to have a impact assessment and for territorial considerations to affect the design of the programme and policy.

4.2.2 In some funding programmes such as (but not limited to) the research, development and innovation programmes (namely currently Seventh Framework Programme for Research and Technological Development, FP7 and Competitiveness and Innovation Programme) there is real scope to add regional dimensions beyond, for instance, the present FP7 Regions of Knowledge strand. It is recognized that these programmes are primarily focused on excellence/ EU wide goals but there should be a territorial dimension to the policy so that regions can build up capacity in order to compete more effectively in competitive calls for proposals. Regional dimensions of these funds should be co-ordinated at regional level through regional strategies.

4.3 How can the coherence of territorial policies be strengthened?

4.3.1 Single Integrated Regional Strategies will have a direct relevance to territorial cohesion. These strategies with a 15-20 year timeframe need to take into account EU policy development e.g. Lisbon and Gothenburg Strategies, the European Research Area, and increasingly climate change and Social Agenda strategies.

4.3.2 The West Midlands would encourage the introduction of a Single European Budget fund. This would combine ERDF, ESF and the Rural Development aspect of the CAP. In a model world EU and national funding should be co-ordinated under such a strategic approach. Therefore ERDF, ESF, CAP, R&D (regionalised funds) should all be co-ordinated under the umbrella of a regional strategy. Funding should be linked to strategies and not specifically to projects i.e. the European Commission would fund elements of the regional strategy – buying outcomes but not specifically supporting individual projects. The rules for spending EU resources would be the same as the matching regional/national funds.

4.3.3 The West Midlands invites the Commission to think radically about its range of transnational programmes (including Interreg 4C and Leonardo) and wherever possible and practically opt for regional delivery and ownership.

4.4 How can Community and national policies be better combined to contribute to territorial cohesion?

4.4.1 It is important that regions are not only aware of but can play into the development of EU policy and hence give the regions more ownership of EU policies that they have directly influenced. This would help to develop a top down/bottom up approach that would strengthen both the strategic and implementation dimensions. If EU and national resources were delivered through agreed regional strategies, this would help co-ordination.

4.4.2 One way would be to try in the longer term to get time coherence between EU and national policy frameworks and legislative timeframes. For example, the revised Lisbon Strategy will start in 2010 in the midst of the existing 2007-2013 budget. The current economic crisis has indicated that more attention is required to be paid to coherent, connected and co-ordinated policy at the EU level.

5. *New territorial partnerships*

The pursuit of territorial cohesion may also imply wider participation in the design and implementation of policies.

5.1 Does the pursuit of territorial cohesion require the participation of new actors in policymaking, such as representatives of the social economy, local stakeholders, voluntary organisations and NGOs?

5.1.1 At a regional level in the UK a wide range of representatives should and do input into regional strategies. The public, voluntary and private sectors need to work together to enhance a greater understanding of the policy issues and support the management process.

5.2 How can the desired level of participation be achieved?

5.2.1 Regions should be responsible for involving a wide range of participants but the EU might consider developing more publicity and possibly funding to help develop wider participation, especially from NGO groups where appropriate. The West Midlands encourages a stronger application of the partnership principle across Europe.

6. Improving understanding of territorial cohesion

6.1 What quantitative/qualitative indicators should be developed at EU level to monitor characteristics and trends in territorial cohesion?

6.1.1 GDP should still be the principal indicator for comparison between regions (with a small basket of other indicators supporting it such as unemployment/ worklessness, skills levels, measures of innovation). It is important to note that GDP is a rough indicator and there are issues in intra-regional diversity that are not always picked up as averages can hide wide disparities in income and wealth within regions. A wider range of 'well-being' indicators might be used for prioritising within regions and for better allocating out resources when allocating resources down from national allocations.

6.1.2 Regions should also be encouraged to benchmark themselves on a range of indicators with like regions in Europe. Where regions can identify regions with similar profiles and trajectories, there may be scope for assistance in more benchmarking exercises that would identify and monitor relevant indicators to measure progress to defined objectives.

6.1.3 More opportunities should be made available to regions to collaborate with ESPON regarding indicators that regions want to monitor.



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