

# **Comparative Case Study UK: Highlands & Islands Special Transitional Programme (Scotland, Objective 1) – Rural Enterprise Scheme (England)** ---

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## 1. Programme Descriptions

### 1.1 Highlands and Islands Special Transitional Programme (HISTP) – “Leader-type” programme

This case focuses on the **Sub-Priority 4b for Community Economic Development (CED)** which sits within Priority 4 – Assisting Rural Communities of the HISTP which is co-funded by the EU for the period 2000-06 as a transitional Objective 1 programme for the Highlands and Islands region of Scotland within the UK. The **paying authority** is the **European Structural Funds Division of the Development Department of the Scottish Executive**, the government service for Scotland accountable to the Scottish Parliament which was re-established in 1998 with substantially devolved powers from the UK government in Westminster. The routine **administration** of the programme is delegated to a **Programme Management Executive (PME)** established in 1994 for the previous Objective 1 programme in the region; the PME operates under the umbrella of the Highlands and Islands Programmes Partnership (HIPP). The HIPP-PME services a number of groups set up for the management and monitoring of the HISTP. These are:

- The Programme Monitoring Committee (PMC) – chaired by the Scottish Executive Development Department and with 16 members drawn from public, private and voluntary/community sectors
- The Programme Management Committee (PMANC) – also chaired by the Scottish Executive Development Department, which considers a range of operational issues and makes decisions on projects based on recommendations of the
- Advisory Groups (one for each of the four Priorities) and also:
  - Horizontal Themes and Integration Group
  - Rural Development Regulation Group
  - Fisheries Group

In respect of management and administration of Priority 4b, an important ‘intermediary’ role is played by **Highlands and Islands Enterprise (HIE)**, a non-departmental government body based in Inverness, which services a network of Local Enterprise Companies across the region, and for Priority 4b a number of local partnership groups corresponding to the same local areas. During the first 3 year phase of HISTP, blocs of funding have been channelled via HIE as applicant for each of the Priority 4b action measures (see below) for further allocation to local partnerships for use according to action plans first approved by the PME.

The HISTP was formally adopted by the Commission in July 2000 and has a total of 308 million Euros across four Structural Funds (ERDF – 59% of total, ESF – 19%, EAGGF-Guidance – 13%, and FIG – 9 %) to be committed by December 2006. The **Priorities** are as follows:

- PRIORITY 1: Increasing Business Competitiveness, Creating Employment and Increasing Incomes
- PRIORITY 2: Creating the Conditions for Regional Competitiveness
- PRIORITY 3: Human Resource Development
- PRIORITY 4A: Rural Development and Fisheries
- 4B: Community Economic Development
- PRIORITY 5: Technical Assistance

The **allocation of funds** between Priorities and by funding sources is set out below (in millions of Euros):

Priority	ERDF	ESF	EAGGF	FIFG	National Public	Private	Total
1	66.4	0.0	0.0	0.0	87.2	34.0	187.6
2	106.0	0.0	0.0	0.0	175.2	34.5	315.7
3	0.0	58.1	0.0	0.0	57.1	4.0	119.2
4A	0.0	0.0	37.4	26.7	32.9	103.2	200.2
4B	6.0	0.5	2.0	0.7	9.2	1.6	20.0
5	2.9	1.0	0.4	0.4	4.7	0.0	9.4
<b>Total</b>	<b>181.4</b>	<b>59.5</b>	<b>39.8</b>	<b>27.8</b>	<b>367.3</b>	<b>177.3</b>	<b>853.1</b>

Thus CED Priority 4B has been allocated a total of **18.43 million Euros** (all public funding sources) equivalent to **2.7 %** of the programme total. At the time of the mid-term evaluation study (May 2003) some 65.6% of the Priority 4B funds had been committed to projects, but only 11.3% spent. *By 31 December 2003, the commitment rate had risen to 84.5 % of the CED Phase 1 budget, and the spend rate to 35.5 % – a three-fold increase within 7 months.*

The **aims** of Priority 4B are to:

- facilitate 'bottom-up' community development through investment in integrated packages of small-scale actions at the local level targeting geographic communities, especially the remotest, and 'communities of interest' of greatest need
- promote integration of local sectors and activities through actions financed under each of the four structural funds deployed for HISTP.
- support capacity building of local groups/ organisations to enable local communities to identify and prioritise actions
- build on but not necessarily replicate examples of best 'bottom-up' practice from LEADER II

The **action measures** of Priority 4B are as follows:

- MEASURE 1: Investment in Community Capacity and Planning  
– ERDF revenue – 19% of total resources
- MEASURE 2: Investment in Local Services, Business and Infrastructure  
– ERDF capital – 46%
- MEASURE 3: Developing Natural and Cultural Resource Based Activity  
– EAGGF – 22% (integrates Indents 5,6 and 10 of Article 33 of RDR)
- MEASURE 4: Support for the Creation of New Structures for Co-operation between Training Providers, Local Agencies and Local Labour Market – ESF– 5%
- MEASURE 5: Locally-developed Fisheries Support Measures  
– FIFG-Axis 4 – 8%

## Beneficiaries

Each local area partnership group is responsible for identifying communities of place and interest of greatest need to target, using a structured methodology (applying sets of both deprivation and competence criteria), and the capacity building measure to support the process. In addition, after the mid-term evaluation, there will be further adjustment of targeting at the regional level in order to take account of i) changing economic and social circumstances and ii) the issue of peripherality. There will be three sub-regional bands for targeting:

- inner Moray Firth – maximum of 15% of population at any point in programme
- central and eastern mainland, mainland Argyll, and major settlements of western mainland (e.g. Fort William) – maximum of 50%
- remote north west coasts and islands (inc. Argyll islands / Kintyre) – max of 75%

## Linkages

There are several programmes of a territorial and thematic nature operating at both national (Scottish) and regional (Highlands and Islands) levels to which CED Priority 4B is, or should be complementary. The most important ones supporting integrated rural development operating across all or nearly all of the HISTP local areas are the **Scotland LEADER +** and **Scottish Rural Partnership Fund** – managed by the Scottish Executive Development Department and Environment and Rural Affairs Department respectively. Other key nationally funded programmes by are **Iomairt aig an Oir / Initiative at the Edge** supporting integrated RD for rural communities of greatest fragility and peripherality in 8 sub-areas within 3 of the HISTP local areas (Caithness and Sutherland, Orkney and Western Isles) and **Social Inclusion Partnerships** – multi-agency but community-led ethos, and of thematic and area-based types, operating in Argyll and Bute and across Highlands, Western Isles and Orkney (Highland Well-being Alliance for 14-25 year olds) and Moray Youthstart . In principle, there should be close linkages too of 4B Measures 2-5 with schemes under **Priority 4A corresponding to RDR measures**, especially the Agricultural Business Diversification Scheme, the Promotion and Marketing Grant Scheme and Co-operative Developments, and with **Priority 2** (Investment in Local Services, Business and Infrastructure) **Measure 5 – Community and Social Infrastructure** where 4B supports *community-led* initiatives.

### 1.2 The Rural Enterprise Scheme (RES) – “non-LEADER” programme

The **Rural Enterprise Scheme (RES)** under **England Rural Development Programme** is the major scheme packaging a wide range of measures under **Articles 33 and 4-7** of the RDR 1257/99 for the **England Rural Development Programme (ERDP)** over **2000-06** for which the **paying and overall managing authority** is the **Department of Environment, Food and Rural Affairs (DEFRA)** of the UK government based at Westminster, London. DEFRA was established in June 2001 effectively subsuming the remit of the former **Ministry of Agriculture, Fisheries and Food (MAFF)**, and is now the leading arm of government for agriculture, land management and rural development in England (but not for the rest of the UK, except in a few reserved matters, e.g. CAP negotiations). DEFRA is also responsible for the England LEADER + Programme, and it is relevant to note that MAFF managed agri-food and related farm diversification measures under LEADER II and Objective 5b programmes in England.

## Management and Administration

RES was conceived and developed during 1999-2000 by MAFF, and continues to be funded, monitored and evaluated by DEFRA within a national policy framework underpinning the England

RDP, which is supported by a National Steering Group comprising other government departments, Forestry Commission, Countryside Agency, Environment Agency, English Nature, English Heritage, RDAs, and a wider consultative body, the National Rural Development Forum. However, RES is one of several ERDP schemes whose administration has been devolved to the 8 regional offices of the **Rural Development Service (RDS)**, which forms part of DEFRA and succeeds the former Farming and Rural Conservation Agency (FRCA). Latitude has been given for **regional targeting** of RES within the nationally determined set of measures on regional strategic priorities and activities as set out in the Regional Annexes to the ERDP, which were drawn up by Regional Planning / Programming Groups with input from broader-based RD Consultation Groups.

DEFRA / RDS will consider support of schemes for facilitation or promotion of RES or specific sub-measures by public or private bodies or partnerships acting as intermediaries for themes, sectors or geographic areas; also delegated grant schemes. But RES does not provide for decentralized project appraisal, approval and financial management functions to any such intermediaries.

### **Aims**

RES is therefore a national scheme with regional delivery and targeting which allocates most of its resources as 'pump-priming' support for on or close to farm projects that can demonstrate potential viability and thus will contribute to:

- more sustainable, diversified and enterprising rural economies and communities
- assisting their regeneration and adjustment to the declining importance of agriculture and to the new demands of the rural economy.

Its thematic coverage is wide-ranging and also embraces off-farm rural enterprise and infrastructure, including social and community facilities/services and village, environment and heritage conservation and enhancements, but the primary aim is to help farmers adapt to changing markets and develop new business opportunities.

### **Measures under Articles 33 and 4-7 and Funding Allocations**

RES supports 9 out of the 13 measures available under Article 33 and the diversification of agricultural holdings covered by Articles 4-7 of the RDR 1257/99. A total of **222.6 million** Euros of EU and UK government money has been allocated to the RES for the period 2000-06. The large majority of the funding has been allocated to 8 regional budgets. A small proportion has been reserved for national projects on the marketing of quality agricultural products. Due to the complex formula for funding of the ERDP linked to CAP modulation receipts, the yearly budget allocations progressively increase over the lifetime of the scheme. Another policy linked to Article 33 implementation is to target some 40% of the overall budget on Objective 2 rural areas. Aid rates for individual projects vary between 50-100% for projects with minimal economic return and 30-50% where the primary objective is to achieve an economic return.

Chapt. Article Indent	RDR Measures Adopted for RES	National Public	EU - EAGGF	Total
		Millions of Euros		
<b>1) 4 – 7</b>	<b>Investment in agricultural holdings</b> (diversification into alternative on-farm activities – links to Article 33 vii measure below)			
<b>9) 33</b>	<b>Promote adaptation &amp; development of rural areas</b>			
iii)	Setting up farm relief & management services	5.20	4.50	<b>9.70</b>
iv)	Marketing of quality agricultural products	24.70	21.50	<b>46.20</b>
v)	Basic services for rural economy & population	5.60	5.00	<b>10.60</b>
vi)	Renovation & development of villages protection conservation of environment and heritage	9.50	8.40	<b>17.90</b>
vii)	Diversification of agricultural activities – into non-agricultural or off-farm activities	23.10	20.00	<b>43.10</b>
viii)	Agricultural water resources management	6.10	5.40	<b>11.50</b>
ix)	Development and improvement of infrastructure for agricultural development	6.60	5.70	<b>12.30</b>
x)	Encouragement for tourism and craft activities	25.00	21.60	<b>46.60</b>
xi)	Protection of environment for agriculture, forestry, landscape conservation, animal welfare	13.30	11.40	<b>24.70</b>
	<b>TOTAL</b>	<b>119.10</b>	<b>103.50</b>	<b>222.60</b>

% Weighting of Funds between RES Measures (Article 33)								
<b>x)</b>	<b>iv)</b>	<b>vii)</b>	<b>xi)</b>	<b>vi)</b>	<b>ix)</b>	<b>viii)</b>	<b>v)</b>	<b>iii)</b>
<b>20.9</b>	<b>20.7</b>	<b>19.4</b>	<b>11.1</b>	<b>8.0</b>	<b>5.5</b>	<b>5.2</b>	<b>4.8</b>	<b>4.4</b>

RES Budget by Year – Total Public (EU & National) Funding (Millions of Euro)							
<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total</b>
0.0	0.3	11.0	27.8	45.4	52.7	83.6	327.0
<b>0.0%</b>	<b>0.1%</b>	<b>4.9%</b>	<b>12.5%</b>	<b>20.4%</b>	<b>23.7%</b>	<b>37.6%</b>	<b>100.0%</b>

### Beneficiaries

The final beneficiaries are non-public sector – farm businesses including all primary producers, production, distribution and marketing co-operatives and groups, agricultural and other rural sector associations, farmers markets, service and other businesses close to agriculture, off-farm tourism and craft businesses, voluntary and community organisations and charities, landowners and individual property owners.

### Linkages

- **Within ERDP** – other regionally targeted schemes, viz. **Vocational Training, Processing and Marketing Grant** – and national schemes with some regional priorities viz. **Farm Woodland Grant** schemes, **Energy Crops**, and **Countryside Stewardship** (agri-environment)

- **Other Structural Fund programmes** targeting sub-regions and local areas of rural England, including **LEADER +**, **Objective 2 Rural Strands**, including ERDF measures for tourism, craft, village and environmental enhancement projects potentially overlapping RES measures.
- **RDA and Countryside Agency** main programmes and pilot initiatives for integrated rural development, enterprise and sector support

## **2. Starting conditions**

### **2.1 Starting conditions and initiation of HISTP**

The initiative and momentum for mainstreaming the LEADER approach into the anticipated transitional Objective 1 programme came very much from the local and regional levels of governance in the Highlands and Islands back in 1999, and specifically the group of 9 LEADER II LAGs from the Highlands and Islands (several also veterans of LEADER 1). This group was networking effectively and lobbying actively at national and regional levels via the Scottish LEADER Network and the regular regional meetings convened by the H&I LEADER II programme intermediary body, Highlands and Islands Enterprise, for both the continuation of LEADER as a Community Initiative and its mainstreaming into other Scottish rural development programmes. HIE was by then a well established and reputable regional organisation directing various funding streams and other infrastructural support to the Local Enterprise Companies who were the administrative leaders of the LAGs, and so it was natural for it to champion the case within and outwith the region for a wider application of the LEADER approach. There were three main justifications:

- LEADER structures, methods and many projects had matured over 8 years in H&I and proved to be effective, especially in reaching and mobilising relatively excluded communities and social groups to participate in local rural development (this was to be broadly corroborated by the 2001 ex post evaluation)
- It was felt that the 1994-99 H&I Objective 1 Programme had operated too much 'top down' and in isolation from other programmes, including LEADER and PESCA, and resources had not been easily accessible at the local area and community levels; some 'Leaderisation' would help remedy this and invigorate it;
- The LAGs had invested much effort and resources in building up local planning, delivery and support capacity, and in the final year were working up new forward strategies for the sustainable development of their localities and anticipating a national policy shift towards a new Community Planning system which could involve mainstreaming of LAG partnerships / plans; HISTP seemed to offer LAGs an opportunity to consolidate or expand what was a flexible but essentially limited resource base under LEADER II – especially if LEADER + could be secured too.

In summary, there was a certain expectation underlying the mainstreaming initiative that Objective 1, and Scottish Executive programmes too, should adapt to the LEADER model of greater community-orientation, facilitation and simplified administration, rather than the other way round. What happened in practice was a rather protracted process over 2000-01 brokered by HIE firstly to negotiate a 'space' within the SPD for a CED Priority with the scope easily to integrate a broad range of activities targeting different communities and giving some autonomy of decision-making to local partnerships, similar to that enjoyed under the Global Grant system of LEADER II, and secondly to accommodate the Commission's insistence on adoption of a multi-fund framework for CED.



Although HIE did initially gain support from the Scottish Executive Development Department for its proposals to operate as intermediary on a fully decentralised basis with a global grant allocation, this did not prove acceptable to the European Commission for various reasons. As a result, a compromise involving a more complex implementation arrangement was worked out whereby HIE acted as intermediary to develop and operate umbrella schemes for each of the five measures of Priority 4b. This required HIE to draw down funds from the Scottish Executive via the Highlands & Islands Programmes Partnership (Programme Management Executive) following approval of the Programme Management Committee for each umbrella scheme. Each scheme enabled HIE to administer and monitor HISTP funding on behalf of each of 10 local CED Partnerships whose proposed activities, target areas and groups of each local partnership were set out in a Local Development Plan for 2001-2003, which had to be approved by the PManC.

As the above description and Time Line at 3.1 indicate, the starting conditions for the Priority 4b CED were contested and difficult, and exemplify the barriers in practice to adapting established larger-scale systems to the LEADER model, or vice-versa.

## **2.2 Starting conditions and initiation of RES**

The England RES originated in 1999-2000 as a key component of the main programming response (ERDP) of the UK government to the progressive shift of policy and resources envisaged under Agenda 2000 and the new RDR, including the use of modulation, away from CAP 'Pillar 1' production subsidies into 'Pillar 2' support for restructuring of agriculture towards greater consumer market orientation, diversification, and wider rural development objectives. Thus RES was conceived by the then Ministry of Agriculture Fisheries and Food (MAFF) as a multi-purpose but conventional economic assistance scheme packaging most of the Article 33 measures of the RDR and operating under a national strategic framework but with regional operation and targeting of priorities according to regional issues. MAFF Rural Division national officials assisted by a senior economist worked up the RES budget within ERDP, agreed it with HM Treasury and then prepared the selection of Article 33 measures. Regional Programming Groups, comprising regional MAFF and other government and statutory agency partners, were then consulted on regional priorities and budgets for each measure. Some formal consultation of wider stakeholders was undertaken during summer of 2000 via a National Strategy Group and a linked National RD Forum, and there was a similar process at regional level

As RES aims were primarily to encourage and assist farmers to diversify into alternative agriculture, other on and off-farm activities, increase their consumer market orientation and adopt more environmentally sustainable practices, a lesser weighting of resources was given to support of other rural enterprise actors and sectors, improve rural community services and village infrastructure, environment, and heritage. The background was of course the growing agricultural crisis marked by loss of competitiveness, falling farm incomes, and the loss of public confidence due to BSE and other food scares over several years in the 90s. This was already acute in remoter and upland areas of western and northern England, and was to be greatly exacerbated by the national outbreak of Foot and Mouth Disease in 2001 at an early stage in the programme.

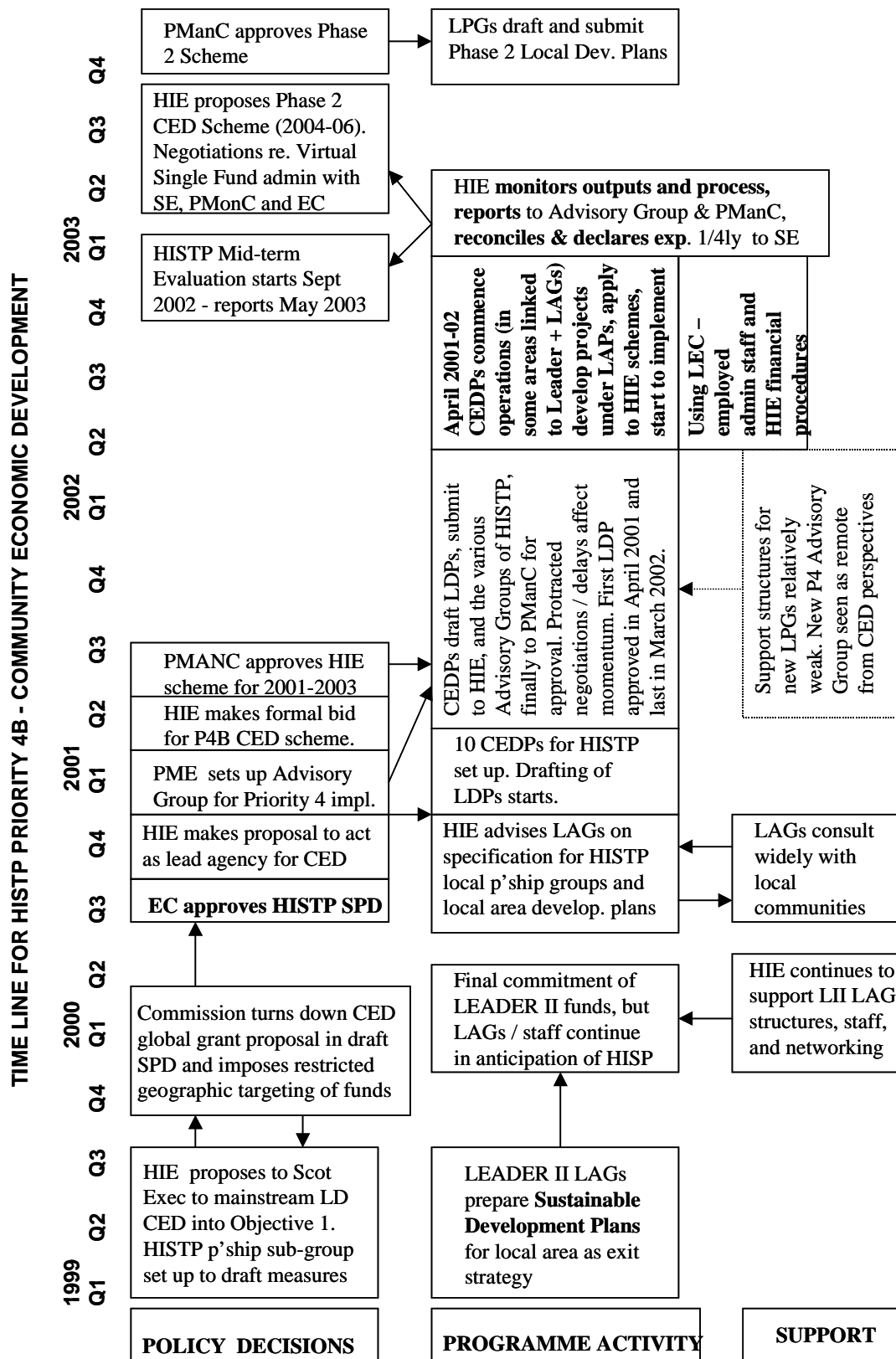
Although policy makers in or close to MAFF would have been generally aware of LEADER, since the department administered the EAGGF-Guidance measure of LEADER II for exploitation of agricultural and forestry products, there is no clear evidence that the LEADER 'model' of integrated rural development had any real influence on the design or implementation of RES – in comparison to the much larger regional or sub-regional Objective 5b programmes across England, and constituent projects which were larger in scale and judged successful in promoting on and off farm diversification, rural tourism etc. Given the constraint on resources available for the England RDP and RES and that

MAFF was under considerable pressure from farming and rural lobby groups to deliver effective national schemes to assist diversification and support struggling communities, it seems that any mainstreaming of LEADER with its local partnership tiers, animation and facilitation structures, if ever considered, was perceived as too expensive and/or too risky for a department which was used to retaining a tight central control over policy and funding mechanisms. Another factor was that LEADER II started relatively late in England and was lower profile than in other UK regions. Nor was any strong case put by the England LEADER Network, which, at the time, was more concerned with securing a continuation of the LEADER programme post 1999.

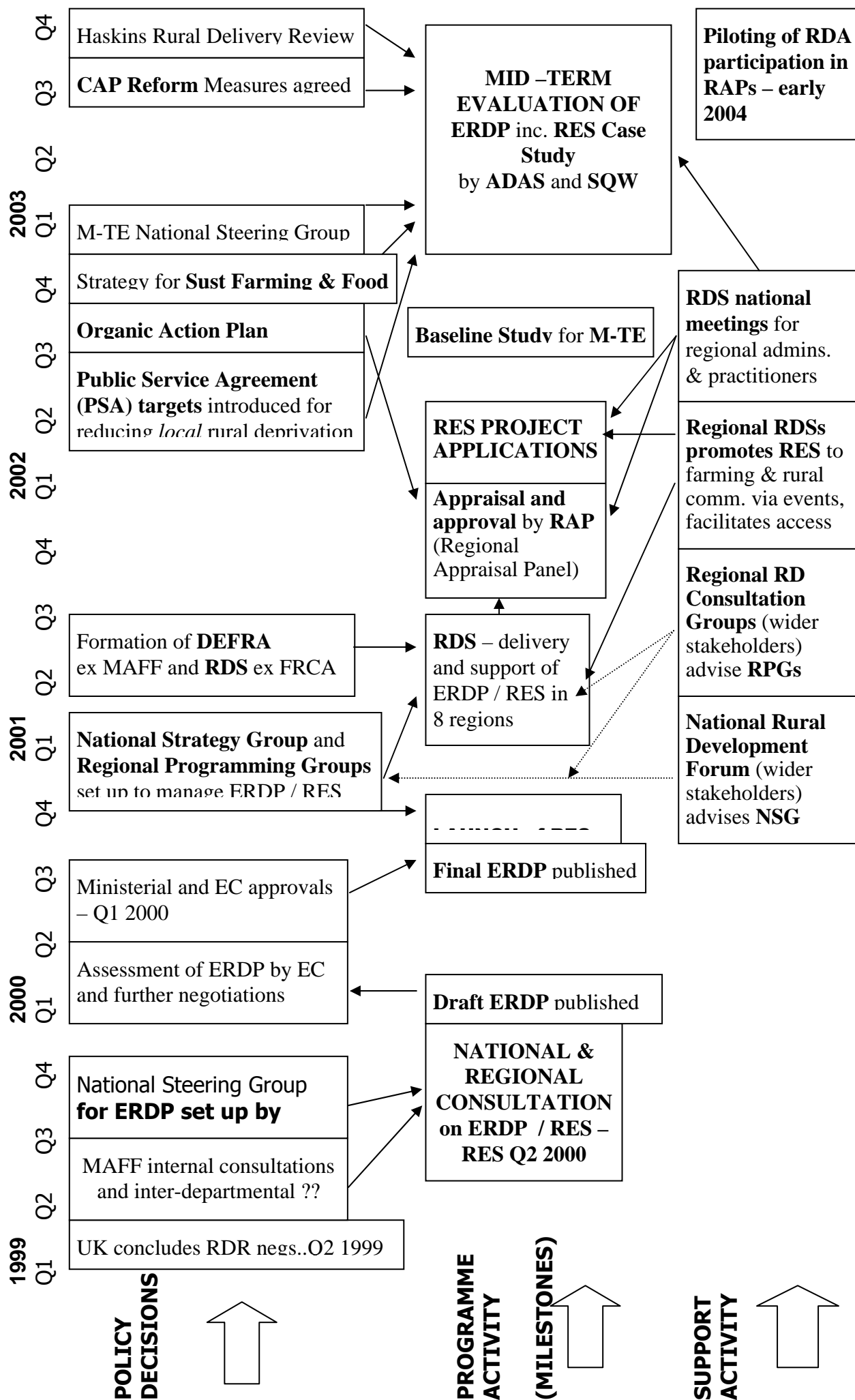
However, DEFRA staff maintain that RES has, at least indirectly, incorporated some key lessons and strengths from both the previous Objective 5b and LEADER II experience. But, the very broad intervention scope of its measures and 'horizontal' national delivery, meant that adoption of any single programming model was not appropriate.

### 3. Time line reconstruction

#### 3.1 Time line of the "leader-type" programme (HISTP)



### 3.2 Time line of the “non-LEADER” programme (RES)



## **4. Description of mainstreamed features in HISTP Priority 4B for CED**

### **4.1 Concerning the eight LEADER features**

#### **Area-based Approach**

All of the resources under the four applicable Structural Funds for Priority 4B CED, (other than ERDF for central co-ordination by Highlands and Islands Enterprise in its role as a financial intermediary), the development activities to be financed, target beneficiaries etc have been organised in 10 Local Development Plans drawn up by CED Partnerships (CEDPs) corresponding to the 10 local areas of the H&I region. These are: *Argyll and the Islands; Caithness and Sutherland; Inverness and Nairn; Lochaber; Moray, Badenoch and Strathspey; Orkney; Shetland; Skye and Lochalsh; and the Western Isles*. These local areas are also co-terminous with the Local Enterprise Companies (LECs) which are autonomous bodies networked and serviced by HIE, and are effectively the same geographic structure as was used for LEADER II with one exception – under LEADER II the two LEC areas of Western Isles and Skye and Lochalsh were combined under one LAG strategy, and this remains the case for LEADER +. Another key aspect of the Priority 4b area structure is that it is fully aligned with new Community Planning structures introduced into Scottish local governance effectively to mainstream cross-sectoral partnership working and an integrated approach to local strategic planning. However, for the purpose of LEADER + thematic strategies the area structures are generally larger than HISTP and LEC areas. Orkney and Shetland islands are combined as the Northern Isles, Argyll and the Islands are combined with Lochaber, a new North Highland partnership embraces Ross & Cromarty, Caithness and Sutherland, rural Inverness and Nairn and parts of Skye and Lochalsh, whereas Moray, Badenoch and Strathspey sub-divides into Moray and Cairngorms (latter corresponding to the newly designated National Park).

#### **Bottom-up Approach**

Again this is very much derived from the LEADER model in so far as a significant ERDF revenue resource under Measure 1 for Community Capacity and Planning (3.49 million Euros, or 17% of total 4B resources) is dedicated to building local organisational capacity to lead or participate in area planning, community needs appraisal, project development and management, as well as to general facilitation, animation and support functions in each local area. As was the case for other Measures, HIE co-ordinated a 'scheme' application for 10 Local Project Officers to service the local CEDPs and associated community groups and agents. These have been initially employed for 3 years until end 2003 by a local partner, usually the LEC or local authority, with recruitment and work planning at the discretion of the CEDP. In addition to the Project Officers and administration, each CEDP has a budget for animation and capacity building activity (about 50% of total costs). Measure 1 is thus aimed at motivating and mobilising communities of place and interest within the local area firstly to work with each other and local / regional agencies in the preparation of the LDP (initially for 3 years) on the basis of the local budget allocation negotiated via HIE and the HISTP PME. Each LDP defines sub-areas / communities of greatest need for targeting of resources under the other four action measures (following criteria laid down in the SPD / Complement), as well as priority social groups and sectors, which are the main focus of the animation and capacity building effort. Certain LEADER II animation schemes have been influential, including the use of Community Agents in several areas and the Local Project Fund in Argyll and the Islands. At the time of the mid-term evaluation study (March 2003) 73% of Measure 1 had been committed, but only 19% claimed – indicative of the delays and problems firstly to approve all the LDPs and then to put human and financial resources in place.

## Local Partnership

As stated above, a multi-sectoral local partnership (CEDP) has been established for each local area designated for Priority 4B. In almost all cases this involved utilising the partnership structures led by LECs which operated the LEADER I / II programmes but reviewing and widening the representation, where necessary, especially to include more community, voluntary and local business sector interests. Also the same criterion as applies to LEADER + partnerships has been adopted, i.e. at least 50% of members should be from community / voluntary sectors with the balance being from the public sector, including the LEC, local authority, and national / regional organisations, e.g. Scottish Natural Heritage, University of Highlands and Islands, Crofters Commission, Forest Enterprise. The mix of national / regional agencies will vary from area to area according to capacity to provide local representation, but one key aspect continued and deepened from LEADER II is the local involvement of Scottish Natural Heritage, also integrally involved with some LEADER + partnerships, to advise on and monitor environmental sustainability. Although there is no consistent symmetry with LEADER + partnerships, which are tailored to particular thematic foci, it is understood that a substantial overlap in the organisational and individual representation on both programme partnerships in most areas, which has theoretical advantages for co-ordination and synergy but often leads to an overload of management commitments.

## Innovation

Whilst there is an implicit encouragement of local innovation in content and process of development activities in the SPD criteria for Priority 4B, the emphasis of both strategy and administrative procedures has been, as one would expect of an Objective 1 programme, much more weighted towards the exigencies of the Structural Funds regulations and ensuring the economic viability and sustainability of projects and linkage to 'hard' outcomes rather than supporting pilot initiatives involving greater risk and community-led activity 'per se'. The general view seems to be that the room for manoeuvre is limited by 'top-down' regulation, and so there has only been a relatively weak mainstreaming of this feature and its application more to local organisational methods allied to economic development, e.g. use of co-operative, community and social ownership models<sup>1</sup>, than to re-creating the kind of experimental 'space' and flexible interpretation of eligible activities that existed under LEADER II and continue under LEADER +. Theoretically, at least one HISTP measure, Priority 1.3 – development of innovation and R&D, including industry-academic links, aimed at encouraging and supporting market and sector-based innovations, which could be harnessed to support LDP actions to grow local business sectors, but there is little evidence of such linkages being made to date.

## Multi-sectoral integration

It is arguable how far this was substantially achieved in local area strategies under LEADER II in the Highlands & Islands (as elsewhere in the UK). However, for Priority 4B this is certainly an important objective, where the SPD Programme Complement (chapter 7.6.3) refers to 'integrated packages of actions at local level' and the need for LDPs to demonstrate 'linkages between funds' (each of ESF, EAGGF, FIFG financing a separate measure and ERDF financing two measures, revenue and capital) and also 'groupings of actions to deliver synergy and added value'. The Commission also strongly insisted on the adoption of separate measures within 4B for each of the Structural Funds and that 4B LDPs should seek links and synergies with activity under other Priorities, especially 4A – rural development and fisheries and 2.5 – community and social infrastructure. As with innovation, it is probably still too early to tell if integration via project packaging under LDPs is being achieved – at

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<sup>1</sup> ESF Measure 4 supports 'creation of new structures for co-operation between training providers, local agencies and the local labour market' and FIFG Measure 5 supports 'locally developed fisheries support measures' which emphasises 'bottom-up' approach to working with fishing communities

March 2003, rates of expenditure for 4B Measures 2-5 varied from 12.3% to just 1.5%. Certainly, some interviewees, including the Mid Term Evaluator, consider there is further strategic and pro-active planning work needed to facilitate integration.

### **Trans-national Co-operation**

This was not considered appropriate for mainstreaming into Priority 4B. It was only a partially successful dimension of LEADER II and some local areas did not ever fully implement a TNC project beyond exchanges of experience. It was also anticipated that LEADER+ would provide sufficient and flexible resources for those areas of Highlands and Islands who wanted to use this tool. There was also a perception of its high cost and operational complexity, especially for peripheral and island areas, in relation to tangible benefits, which served to weaken any case for mainstreaming it.

However, intra-regional 'proximity' co-operation, e.g. joint tourism promotions or other product marketing or distribution projects, are potentially eligible for support, although no projects have progressed beyond outline proposals to date.

### **Networking**

There has not been mainstreaming of any formal or semi-autonomous structures for the systematic networking of local partnerships such as existed in the national and regional networks under LEADER II. But networking meetings as a on-going process for exchange of ideas and experience, mutual support, problem-solving and learning has been facilitated and supported firstly by HIE, to a limited extent, between local area teams, as part of its core support functions for Priority 4B, and secondly, to a greater extent, by the CEDPs for organisations and communities within their areas as part of their animation work. These intra-area activities are funded for each area under Measure 1, whereas the cost of inter-area networking meetings are largely borne by HIE from their own corporate resources. To our knowledge there has not yet been a programme of workshops or seminars organised across the H&I region for CEDPs.

### **Decentralised Management and Financing**

The special arrangements for Priority 4B which have evolved since the start of the programme are complex, and are examined in more depth in section 5. In brief, the request of HIE at the outset to undertake the role of an independent single intermediary body acting as a global grant holder channelling funds to and monitoring the activities of local partnerships empowered to select and approve projects against integrated local area plans was refused by the Scottish Executive and Commission, who wanted to exercise a closer scrutiny and control over how funds were used than the decentralised model adopted for LEADER II would allow. Instead HIE has still acted as a financial intermediary administering project funds for the CEDPs, monitoring progress and reporting outcomes, but only after first submitting 3 year 'delivery scheme' applications to the PManC via the PME for each of the five measures in order to draw down an envelope of the corresponding structural fund. The CEDPs have enjoyed some autonomy to identify local action priorities and target groups within the scope of each Measure and package all together in a LDP, but these too have had to gain approval from a Priority 4 Advisory Group and the PManC before funds can flow from HIE. There is therefore some decentralisation of the administration of funds to a body (HIE) closer to the CEDPs but not in any real sense of management decision-making about their use.

## **4.2 Specific EC requirements for LEADER+<sup>2</sup>**

Other than the requirement for at least 50% non-statutory sector membership of the local partnership, and the fact that the CEDPs have the prerogative to identify the beneficiary social target groups for their areas, there are no other parallels with LEADER + criteria. There is no comparable thematic approach.

## **4.3 Concerning the enlargement or multiplication of projects initiated under LEADER**

According to interviewees there are relatively few examples of this except in the field of animation, consultation and capacity building work at community level where methods pioneered under LEADER have been widely replicated. One reason for the lack of enlargement or multiplication of thematic activities has been the gap between the end of LEADER II in 2000 in most areas and the start of Priority 4B.

# **5. Concerning the features described for HISTP**

## **5.1 What has furthered mainstreaming?**

Without a doubt, the pro-active influencing roles of Highlands and Islands Enterprise – as both a well established regional economic development agency and the global grant holder and intermediary body for LEADER II – and also the Scotland LEADER Network, an informal association of the LAGs who undertook lobbying at a political and administrative level, were instrumental during 1999-2000 in promoting the LEADER 'model', or at least some key features of it, as an agenda for reforming the approach taken to the Objective 1 programme in the region over the 1994-99 period. It was widely perceived at the time, and later confirmed by ex post evaluations<sup>3</sup> that LEADER II in H&I had been largely successful in reaching and mobilising local community and sectoral interests to develop small-scale economic, environmental, social and cultural development projects, and had genuinely fulfilled its mission as a test-bed. The case was strongly made to the Scottish Executive Development Department, the Commission and other national agencies such as Scottish Natural Heritage which had actively supported LEADER that the local partnership structures, technical expertise, animation and local delivery networks built up over 5 years should be sustained and consolidated, using mainstream resources from the new transitional Objective 1 programme; and that these would enrich the new programme and bring it closer to the people in their communities.

Other specific factors or conditions which favoured the mainstreaming are:

- the existence of stable local area delivery structures for channelling domestic and European funds for business support, economic and community development projects in the form of the Local Enterprise Companies, which had both provided the administrative backbone for LEADER II and delivered many Objective 1 projects over 1994-99, and which, through the servicing and co-ordination roles of HIE, had evolved a fairly consistent approach as a 'network';
- the emerging mainstream policy of integrated Community Planning promoted by the Scottish Executive and Confederation of Scottish Local Authorities, and the decision to implement this using the geographic areas of the LECs;

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<sup>2</sup> 50% public, target beneficiaries, thematic approach, qualitative monitoring and evaluation)

<sup>3</sup> at regional level by Cambridge Economic Associates in 2001 and European level by OIR and partners in 2003



- a policy interest in certain government circles (e.g. Scottish Executive, Highlands and Islands Programmes Partnership – PME, and local authorities) in not simply adopting the H&I LEADER II model to continue ‘business as usual’ in supporting the general needs of communities, but in enhancing and adapting it within the wider strategic context of HISTP to improve its ability specifically to advance *economic and sectoral* development at local and community levels;
- multi-sectoral partnership working, although not in every area as inclusive as it should be and open to improvements (see LEADER II evaluations), had become rooted in the political and development culture of the region over three decades; there was also a significant overlap of the people and organisations involved in the local LEADER II LAGs and the regional Objective 1 partnership.
- For a region characterised by many peripheral and isolated communities with barriers to participation in central or even sub-regional initiatives, decentralised, self-reliant and ‘bottom-up’ ways of working have long been ‘common sense’ but reached a degree of maturation under LEADER I / II; the continuation of Objective 1 as a medium term funding programme provided an opportunity and incentive to extend and institutionalise these methods of local development.
- Networking, and to a lesser extent co-operation projects, had become well established involving almost all local areas under LEADER II; again the advent of HISTP, as an integrated programme covering the entire rural region, was seen as a major opportunity to consolidate and deepen this valuable inter-activity.
- Finally, a number of the H&I LEADER Groups had made valuable contributions to European level networking and co-operation under LEADER I / II, which served to create a positive image for the LAGs and HIE as UK ‘ambassadors’ for the LEADER model; this probably helped to make policy-makers and programme managers at the Commission receptive to the CED mainstreaming project.

## **5.2 What has hindered mainstreaming?**

As should be evident from the foregoing commentary, there were high aspirations and expectations for the mainstreaming of LEADER during the preparation of the HISTP. But the implementation of Priority 4B with any approximation to the full LEADER model has turned out to be slow and difficult to achieve to date with many obstacles and delays of an administrative and procedural nature mainly attributable to the complex regulatory environment of the four structural funds (from which LAGs were more shielded under LEADER II) streamed into the Priority and the lengthy funding ‘supply chain’ for projects at local / community levels (again in some contrast to the experience under the LEADER II global grant system). There is some evidence from interviewees (and the HISTP Mid Term Evaluation analysis of claims) that the long initiation period and associated uncertainties have affected the momentum of local area planning and project development and delivery by CEDPs, and at times their confidence in the purpose and value of the programme.

The problems and delays have mostly arisen from the challenges of establishing a meaningful local partnership governance role and latitude to define the local area strategic priorities, target groups and project activities, with full conformity to highly prescriptive SPD policies, e.g. for sub-targeting of resources, and structural fund regulations for eligible expenditure on activities and monitoring / reporting of outcomes for integrated project packages with multiple and inter-linked activities according to the contribution of each measure funding stream; in short of reconciling aspirations for local autonomy to determine strategy / project activities, ease of access to funds, simplicity of administration with programme managers’ concern to ensure rigorous appraisal of proposals, administration and control of funds consistent with EC rules.

The main problems or specific issues perceived by the various players have been:

- Before the LDP process got underway, negotiations on implementation arrangements for the Priority between HIE, HIPP and Scottish Executive were protracted over 8 months, because there were differences to resolve about the facilitation and financial intermediary roles proposed by HIE similar to the global grant model used for LEADER II, with the Scottish Executive wanting substantive management control via HIPP and final approval of separate schemes for each Measure by the new Programme Management Committee (PManC);
- Prior work at the end of LEADER II on sustainable development plans for local areas had to be revised and adjusted for fit with the SPD criteria, and then the LDPs were subject to a lengthy iterative approval process involving HIE, a new Advisory Group for Priority 4 (with members less familiar with LEADER practices) and finally the PManC – for 10 partnerships this took 12 months to complete;
- The Commission insisted on a particular methodology for targeting of funds on proportions of the local population varying across sub-regions, which the CEDPs had some difficulty to understand or apply, and felt undermined their autonomy;
- LDPs and funding envelopes for the HIE schemes for each CED measure were restricted to a 3 year period to end 2003, which has been regarded by some local players as another limitation on the strategic role and scope of CEDPs.
- Due to the requirement of the Commission for attribution of outcomes / impact of projects according to each measure / fund, HIE (mainly on behalf of the CEDPs) was burdened with a huge bureaucratic task of collating quarterly monitoring returns across five measures as implemented by the 10 LDPs; it is suggested that this 'overload' will have reduced time devoted to advising and supporting local project development and delivery, and making linkages across sectors etc.
- HIPP and PManC partners were not prepared to finance the central co-ordination role for HIE, including networking support function, more fully, and as a result the transfer of the regional networking model from LEADER II has been quite limited.
- HIE had, at the beginning, unrealistic expectations of the HISTP implementation that the Commission and Scottish Executive could and should adapt new and established management and control procedures for Objective 1 in order to continue LEADER 'business as usual' with HISTP providing a 'single fund' mechanism for a diverse portfolio of 'bottom-up' community projects rather than advancing local areas towards more sophisticated local economic strategies.

## 6. Synergies

### 6.1 Synergies between the HISTP Priority 4B and other programmes

Regarding strategic and operational complementarity with other local area-based programmes for integrated rural development in the H&I region, it was certainly intended when the Priority was designed that close linkages of the CED activity under the 10 local development plans should be forged with:

- The 'deeper' thematic and more innovation-focused strategies under the **Scotland LEADER +** programme. These are being delivered over the same timescale and through similar but not symmetrical local partnership and programme management structures in 6 local areas, which together cover the whole H&I territory, as follows:

LEADER + LAGs / THEMES	HISTP PRIORITY 4B CEDPs
<b>Western Isles, Skye and Lochalsh</b> – Use of new know how and technology	<ul style="list-style-type: none"> <li>▪ Western Isles</li> <li>▪ Skye and Lochalsh</li> </ul>
<b>Northern Isles</b> – Use of new know how and technology	<ul style="list-style-type: none"> <li>▪ Shetland</li> <li>▪ Orkney</li> </ul>
<b>North Highland Partnership</b> – Improving the quality of life – Best use of natural & cultural heritage	<ul style="list-style-type: none"> <li>▪ Caithness and Sutherland</li> <li>▪ Ross and Cromarty</li> <li>▪ Inverness and Nairn</li> </ul>
<b>Argyll, the Islands and Lochaber</b> – Best use of natural & cultural heritage – Improving the quality of life	<ul style="list-style-type: none"> <li>▪ Argyll and the Islands</li> <li>▪ Lochaber</li> </ul>
<b>Cairngorms</b> – Best use of natural & cultural heritage	<ul style="list-style-type: none"> <li>▪ Moray, Badenoch and Strathspey</li> </ul>
<b>Moray Action for Communities</b> – Improving the quality of life – Use of new know how and technology	<ul style="list-style-type: none"> <li>▪ Moray, Badenoch and Strathspey</li> </ul>

- **Iomairt aig an Oir /Initiative at the Edge**

The aim of IaaO is to 'engender a more sustainable future for the most economically and socially fragile areas of the Highlands and Islands through a community-led, multi-agency initiative'. The commitment to working methods and objectives for long term sustainable development is important in the context of the outstanding environmental quality of the areas and trends of declining population, loss of employment in agriculture, fisheries and other traditional industries and inadequate public services. IaaO was effectively launched in 1998 and remains under implementation in the eight local target areas:

IOMAI RT AIG AN OIR	HISTP PRIORITY 4B CEDPs
<b>Uig &amp; Bernara, Bays of Harris, Lochboisdale and Eriskay</b>	<ul style="list-style-type: none"> <li>▪ Western Isles</li> </ul>
<b>Colonsay, Ardnamurchan and North Sutherland</b>	<ul style="list-style-type: none"> <li>▪ Caithness and Sutherland</li> </ul>
<b>Westray and Papa Westray</b>	<ul style="list-style-type: none"> <li>▪ Orkney</li> </ul>

Whereas Initiative at the Edge and, in two localities, the parallel 'Duthchas' pilot initiative (for sustainable development) funded by EU LIFE started before Priority 4B, the LEADER + local programmes commenced in most areas somewhat later than Priority 4B. There is some concern that the formal planning processes for Priority 4B and LEADER + in particular have not been well co-ordinated in most areas and that opportunities to link projects and create synergies may have been missed. On the other hand, HIE has expressed confidence that generally at the local level there is sufficient overlap of people and organisations involved with the different programme partnership groups who have a working knowledge of each other's strategic priorities and major projects that a broad complementarity is in practice being achieved.

The other critical domain for which complementarity (at the least) should be a key objective for Priority 4B is with the **Priority 4A measures for rural land-based and fisheries sectors development**, which are funded by EAGGF-Guidance and constitute the integration into HISTP of the RDR 1257/99 measures, as well by FIGG. There is a 20 times larger allocation of funding to 4A, some 20 million Euros, than to 4B. Again the Mid Term Evaluation report casts doubt on the extent of synergy yet achieved through the LDP process and the projects emerging and the potential for local players to harness this large resource under 4A being delivered through regional or national schemes for farm diversification, processing and marketing, etc.

## **6.2 Synergies between the England RES and other programmes**

With regard to European funding programmes, the England RES has primarily aimed at complementarity with the various regional Objective 2 programmes which include a substantial rural territory. This seems to have been emphasised to a much greater extent in programme documentation and publicity than the somewhat neglected issue of the relationship between RES and LEADER+, where, dependent on the type of LEADER thematic strategy adopted in a given area, there is considerable scope for duplication of activities and confusion of beneficiaries. The RES does not operate in the Objective 1 regions of Cornwall and The Isles of Scilly, Merseyside and South Yorkshire, where the RDR non-accompanying measures are integrated within Objective 1 Priorities. Because the new Objective 2 programmes in England do not incorporate an EAGGF-Guarantee funding strand unlike the previous Objective 5b programme, RES has therefore assumed the main programme role in those areas for support of on and off farm diversification and some other specialised interventions enabled by other Article 33 measures. Therefore, the national policy has been to concentrate some 40% of overall resources in Objective 2 areas, which by virtue of their designation exhibit greater incidence of rural deprivation and economic difficulties due to local agricultural and other sectors in decline.

The criticism could be made that more attention could have been paid by national strategy or regional programming groups to creating from the outset a more dynamic inter-action between LEADER + and RES in supporting local area strategic priorities and funding different types of projects, exploring and reconciling concepts and criteria for innovation and multi-sectoral integration etc. At the same time, there may have been weaknesses in strategic policy planning in some regions, in so far as it has not always been clear how and in what thematic areas RES and other new regional rural development programmes should fit together to avoid duplication. These programmes include the various Foot and Mouth Disease Recovery Funds set up in 2001-02, and the new wave of area-based rural programmes introduced by the new Regional Development Agencies. However DEFRA maintains that the guidance to the LEADER+ programme in 2001 explicitly set out the demarcation between ERDP and LEADER+, and that this has been reinforced by recent guidance to RDS staff.

Leaving this aside, increasing RES complementarity with other European or domestic rural funding streams is perhaps an issue of lesser importance at present for programme managers than improving the coherence of RES with other schemes within the England RDP such as the Processing and Marketing Scheme and Vocational Training Scheme. Since RES was conceived primarily as an economic scheme to incentivise and support (mainly) new enterprise projects on or close to farm and only secondarily as a funding stream for local development projects of a wider scope (community services, infrastructure, heritage, environmental etc), there has been less focus on its linkage with other territorial programmes for rural development. But it now seems likely that, as the resources available to the programme increase over 2004-06, and more targeting on localities of greatest need is being promoted within each region, there will be a greater emphasis on the possible synergies between RES, LEADER +, Objective 2 ERDF / ESF streams and RDA rural programmes.

## 7. Comparison of outcomes and added value between the “leader-type” and the other programme

<b>7.1 Outcomes concerning behavioural changes</b>	
<p><b>HISTP Priority 4B CED</b></p> <ul style="list-style-type: none"> <li>▪ continuation and some improvement of local broad-based partnership structures created under LEADER I/II</li> <li>▪ formulation of new integrated local plans for CED with a wider scope of interventions possible than under LEADER (five measures of 4B and access to funds from other Priorities)</li> <li>▪ more people, communities, business participating, or expected to, due to social targeting approach and more &amp; on-going resources for animation ...</li> <li>▪ BUT quality and speed of processes have been impaired by start-up delays, uncertainties and highly complex administrative procedures</li> <li>▪ Limitations imposed ‘top-down’ on role and autonomy of HIE and CEDPs which was greater under LEADER II</li> <li>▪ No strong evidence (yet) of any step change in local capacity to innovate or higher leverage of private co-funding</li> <li>▪ Multi-sectoral integration relatively undeveloped due to early stage of programme – more project packaging and better linkage to Priority 4A proposed by M-TE findings</li> <li>▪ Networking and co-operation of local areas is happening and adding value but not as developed as under LEADER due to lack of core funding.</li> <li>▪ Decentralisation of finance / management achieved via on-going HIE intermediary role but over-complex reporting process – now to be simplified to a ‘single virtual fund’</li> </ul>	<p><b>England Rural Enterprise Scheme</b></p> <ul style="list-style-type: none"> <li>▪ No coherent local area strategy or local partnership approach yet adopted beneath regional priorities and implementation structures involving mainly statutory sector partners</li> <li>▪ Procedures for sub-targeting of resources for projects in local areas or ‘pockets’ of need introduced and likely to be strengthened for 2004-06 driven by central departmental / government targets, not by any LEADER-type approach</li> <li>▪ Difficulties experienced in most regions to engage non-farming sector and community interests properly with programme – relatively little pro-active promotion undertaken, and lack of animation capacity except for one or two isolated local or sectoral schemes, but this is being significantly stepped up by the RDS for 2004-06</li> <li>▪ Market-driven product innovation has been reinforced by selection criteria but not much support infrastructure to encourage and support innovation</li> <li>▪ No networking (except meeting of RDS administrators) or co-operation measures on LEADER model have precluded interaction between stakeholders, partners and beneficiaries</li> <li>▪ No real evidence of decentralisation of finance below regional level, although delegated grant and intermediary schemes are potentially eligible for support by RES</li> </ul>

## **7.2 Expected or observed added value in respect to the achievement of the goals of the respective programme**

### ***HISTP Priority 4B CED***

- Priority 4B is sustaining and slowly improving essential local area infrastructures and capacity derived from LEADER (i.e. local partnership groups, plans, multi-purpose funds, animation, admin & technical support systems) for direct engagement of rural communities and social groups, especially in peripheral and island areas, to contribute to delivery of the rural restructuring, economic and social development objectives of the HISTP
- Although implementation of many projects has not advanced very far, commitment of funds across four of the five measures by mid 2003 averaged around 66% of allocation (one measure ESF was lower at 48%); this indicates a broad range of project activity is being facilitated through the LDP process and use of 'bottom-up' development methods
- It is expected that, in the second phase, as the local process gains greater momentum and more community interests are engaged, there will be more strategic packaging and integration of activities achieved, and local initiatives to use resources from other Priorities 4A, 1 and 2.5
- The goal of creating more dynamic local economies and self-reliant, entrepreneurial communities cannot be delivered by the limited resource for Priority 4B measures in isolation, greater impact will only be achieved if local activities under LEADER + and other HISTP Priorities can be more effectively co-ordinated.

### ***England Rural Enterprise Scheme***

- On the evidence available to date, including the Mid Term Evaluation, it is hard to discern any value having been added to RES implementation specifically by Leader-like structures or development methods, as there really is very little adoption of any such going on
- However, there is some potential for their introduction to a limited extent during Phase 2 to add value (e.g. facilitate local targeting of resources and secure greater take-up of under social / community / environmental measures). DEFRA and RDS are seeking to improve local area targeting of resources and to engage a wider range of rural actors beyond the farm gate with RES; also to encourage more sector-based and local area clustering of projects through use of facilitation, intermediary agencies and delegated grant schemes
- greater use of the LEADER local, bottom up, MSI and networking features may be encouraged, also joint strategic planning work with LEADER +, and other local and sub-regional rural partnerships, to ensure that there is more complementarity with RES regional targeting policies and better use of RES resources to build local rural sectors and support wider objectives of local and sub-regional rural strategies.
- The project assessment process includes scoring for the three elements of sustainability – economic / environmental / social

### 7.3 Expected or observed added value in respect to the Community Objectives

Agricultural Adjustment and Diversification	
<p><b>HISTP Priority 4B CED</b></p> <ul style="list-style-type: none"> <li>limited added value to date or expected, as EAGGF and FIFG resources under 4B Measure 3 (Natural and Cultural Resource-based activity) and 5 (locally developed fisheries support) are tiny (2.7 million Euros) in comparison with the wide range of schemes supported by 4A (64 million Euros)</li> <li>but should still be important for demonstration value of small-scale local projects generated bottom-up</li> </ul>	<p><b>England Rural Enterprise Scheme</b></p> <ul style="list-style-type: none"> <li>only moderate added value to date (due to slow start and the funding profile rising in later years) – only about 12% of target volume of projects approved at mid 2003</li> <li>but substantial added value is expected since over 80% of RES resources are orientated to AAD goals (assistance of 6-7,000 projects)</li> </ul>
Employment	
<p><b>HISTP Priority 4B CED</b></p> <ul style="list-style-type: none"> <li>limited added value to date due to long lead-in time and early stage of projects implementation (11% of overall funds claimed at mid 2003), but moderate value expected especially positive impact on most peripheral and deprived communities, also in safeguarding jobs in local services and tourism sectors.</li> </ul>	<p><b>England Rural Enterprise Scheme</b></p> <ul style="list-style-type: none"> <li>only moderate added value to date (due to slow start and the funding profile rising in later years) – only about 12% of target volume of projects approved at mid 2003</li> <li>but substantial added value is expected since almost all activities eligible under RES, including support of social/community services, will create or safeguard jobs. Target to create 4-6,000 FTE jobs by 2007</li> </ul>
Income	
<p><b>HISTP Priority 4B CED</b></p> <ul style="list-style-type: none"> <li>same comment as for employment, but the five Measures should also have combined impact and value in strengthening the local economy, stimulating new businesses, inter-trading and productivity in each area and so retaining more wealth in the local area</li> </ul>	<p><b>England Rural Enterprise Scheme</b></p> <ul style="list-style-type: none"> <li>same comment as for employment RES policy is to support projects demonstrating market innovation, viability and higher value-adding products and services – this should have impact to boost or at least safeguard farm and rural household incomes (but in many areas from a low base)</li> </ul>
Environment	
<p><b>HISTP Priority 4B CED</b></p> <ul style="list-style-type: none"> <li>same comment as for employment, but Measures 2 (including support for local infrastructure) and 3 (natural and cultural resource-based activity) should also have positive impact for protection and enhancement of local built and natural environment and heritage – local participation factors should also enhance sustainability</li> </ul>	<p><b>England Rural Enterprise Scheme</b></p> <ul style="list-style-type: none"> <li>very limited added value to date, as only 5% of approved projects relate to environmental protection or water resources</li> <li>relatively low value expected to be added, although environmental sustainability criteria are applied in assessment of diversification and other economic / social-community projects</li> </ul>
Equal Opportunities	
<p><b>HISTP Priority 4B CED</b></p> <ul style="list-style-type: none"> <li>moderate added value to date – mainly through involvement of local people from diverse groups in needs appraisal and area plan process high added value in longer term due to emphasis on targeting specific socially excluded target groups and opportunities for women</li> </ul>	<p><b>England Rural Enterprise Scheme</b></p> <ul style="list-style-type: none"> <li>moderate added value to date – mainly through increasing involvement of women in developing farm tourism and other diversification, processing and marketing projects</li> <li>less evident have been specific measures taken to make RES more accessible to people/ groups outside farming</li> </ul>

## 7.4 Expected or observed added value in respect to governance aspects

### Policy: improved relevance and usefulness, political legitimacy, support

#### **HISTP Priority 4B CED**

- The primary value of Priority 4b is that it marks one of the first serious attempts in UK to transfer a successful model of local partnership governance and positive community engagement (LEADER) into a main regional rural programme and bring at least a small proportion of main EU / national funds under more democratic control to promote local projects;
- Despite political support in the region for decentralised funding and programme management, Priority 4B has back-tracked on the global grant system adopted for LEADER II under pressure of central control and audit requirements.

#### **England Rural Enterprise Scheme**

- RES is the primary tool of the England RDP to support on and off farm diversification projects, and also packages a variety of other measures in a flexible but fairly conventional type of central government assistance scheme with targeting to regional priorities; as such it aims to promote established agricultural adjustment, environmental and wider rural development objectives, rather than piloting new policy approaches
- But it should add value to policy by incentivising market orientation and product innovation by farmers, and targeting support on the most economically disadvantaged areas.

### Programming: operational efficiency, effectiveness and transparency

#### **HISTP Priority 4B CED**

- Establishing Priority 4B has demonstrated how hard it is to reconcile local aspirations for autonomy of decisions and ease of access to mainstream funding with a bureaucratised management regime which often seems to crush innovation and demoralise local players
- But at mid-term stage some concessions on standard monitoring and control procedures have been granted which will enable HIE as intermediary to operate a simplified system of funds administration called 'single virtual fund' which should boost overall effectiveness and enable HIE to give more resource to CEDPs with project development and implementation support needs.

#### **England Rural Enterprise Scheme**

- To date RES has only committed about 12% of allocation and relatively little to environmental, community and social measures, and DEFRA needs to promote awareness and take-up outside agricultural sector
- Also more linkages and joint working with other territorial programmes
- RES has appeared to commence in the 'top down' mode of a traditional Pillar 1 agricultural support scheme rather than adjust delivery to needs of the wider stakeholders in Pillar 2 rural development
- But regular review of operational experience is driving changes to improve performance and open up the scheme
- Also more use can / will be made of the formal processes for consultation already in place at regional level

### Institutions: fitness / leanness of structures, cross-institutional linkages and networking

#### **HISTP Priority 4B CED**

- Although there have been tensions around the administration of 4B, the interaction of local, regional, national and EU institutional levels is healthy, if not exemplary, and has shown ability to find solutions to problems
- Nonetheless, more effort is needed to link up 4B activity strategically to other HISTP Priorities, LEADER + – more support for networking between local partnerships and project promoters needed

#### **England Rural Enterprise Scheme**

- Creating these kind of linkages does not seem to have been a strong point of RES so far; but more effort is now going into seeking complementarity and closer partnership working with regional development agencies, rural community umbrella bodies
- The Regional Programming Groups for RES offer a good mechanism for this



## 7.5 Expected or observed added value in respect to competences

(learning at individual, groups and organisational levels, culture of evaluation)

### **HISTP Priority 4B CED**

- No clear evidence or examples have been cited for this – except in so far members of all the local CEDPs have found the strategic environment and administrative procedures of an Objective 1 programme difficult to negotiate and challenging to the established local knowledge about and community economic development
- The culture of learning from delivery experience and local and regional evaluations is very well established within HIPP-PME, HIE and CEDPs – every reason to predict that this will be harnessed well in the second half of programme.

### **England Rural Enterprise Scheme**

- Difficult to assess how much has really been learnt by stakeholders and competences raised outside the DEFRA and RDS administration structures
- National and regional advisory groups for ERDP have aided communications around planning and implementation but not seemed to have any special focus on or input to RES (over and above other ERDP schemes)
- The Mid Term Evaluation may have a positive effect on competences but much depends on lessons being cascaded down from national to regional level of operational management

## 8. Success factors for mainstreaming

LEADER Feature	Internal	External
<b>Area-based Approach</b>	<ul style="list-style-type: none"> <li>▪ Regional development agency and/other independent intermediary bodies with established and interactive network of local bases; core staff for delivery</li> <li>▪ Experience of managing other territorial programmes</li> <li>▪ Good working relationships with national / regional gov.</li> </ul>	<ul style="list-style-type: none"> <li>▪ EU, national or regional policies and adequate information base / analysis in support of local area integrated development planning and targeting of resources on local needs</li> <li>▪ Trust in local governance institutions and agencies</li> <li>▪ Tolerance of local diversity</li> </ul>
<b>Bottom-up Approach</b>	<ul style="list-style-type: none"> <li>▪ Long experience and ethos within intermediary and key local delivery partners of social inclusion and 'deep' community engagement, consultation and project development processes</li> <li>▪ Capacity to promote, manage and monitor grant schemes effectively</li> <li>▪ Enough preparation time</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adequately funded measures for localised animation, facilitation and capacity building across region and over lifetime of programme.</li> <li>▪ Some already cohesive communities of place/interest to kick start the process</li> <li>▪ Decentralisation of funding, and/or fast-track decision procedures at higher levels</li> </ul>
<b>Local Partnership</b>	<ul style="list-style-type: none"> <li>▪ Capacity of intermediary to guide and support local partnership building and strategic planning process</li> <li>▪ Ability of one or more local organisations to take / share leadership role(s)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Established policies for, and organisational cultures of multi-sector collaboration</li> <li>▪ Decentralisation of funding and some real autonomy of decision-making for regional and local levels</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>▪ Long established good contacts and networks with farming, tourism and local businesses &amp; associations</li> <li>▪ Ability to provide or broker technical expertise, training</li> <li>▪ Flexible and open approach to 'bottom-up' ideas etc</li> </ul>	<ul style="list-style-type: none"> <li>▪ EU / national policy and programme managers must adjust funding rules and selection criteria to create safer space for experiment-ation and higher risk projects</li> <li>▪ Promotion of local innovation champions &amp; success stories</li> </ul>

LEADER Feature	Internal	External
<b>Multi-sectoral Integration</b>	<ul style="list-style-type: none"> <li>▪ Pro-activity of regional agency / intermediary to clarify and illustrate this concept for local players</li> <li>▪ Use of training seminars, networking events to build inter-sectoral / institutional links at regional and local levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ More rigorous approach of regional/national managers to encourage inter-linkages of priorities and programmes</li> <li>▪ Simplification of EU funding regimes to enable easier packaging / integration of diverse activities</li> <li>▪ Promotion of best practice</li> </ul>
<b>Networking</b>	<ul style="list-style-type: none"> <li>▪ Regional intermediary bodies with capacity and funding to take lead role to promote and support of local area networking, exchanges and learning</li> <li>▪ Use of networking as a means of improving quality and diversity of local project activities and development processes</li> <li>▪ Use of networking to enable more face-to-face, direct communications and solve implementation problems within regional programmes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Positive valuation of role of networking of stakeholders for exchange, transfer of knowledge, and to stimulate better innovation, MSI, partnership working etc</li> <li>▪ Adoption of special measures to facilitate networking at appropriate geographic levels &amp; of various interest groups</li> <li>▪ Use of networking structures by EU/ national authorities to improve interactions between policy and programme shapers, managers, implementers / practitioners</li> </ul>
<b>Co-operation</b>	<ul style="list-style-type: none"> <li>▪ Regional intermediary bodies with capacity and funding to take lead role to promote and support of local area networking exchanges and learning</li> <li>▪ Promotion of networking as a tool to explore and assess needs and opportunities collectively and so generate local and wider area co-operation project idea and planning</li> </ul>	<ul style="list-style-type: none"> <li>▪ EU / national levels provide flexible geographic options for co-operation, ie. intra-regional/national as well as transnational, cf. LEADER +</li> <li>▪ Funding of measures for technical support for project feasibility and development, especially transnational level</li> <li>▪ Ensure co-operation project development is a primary aim of national / EU networking</li> <li>▪ Raise awareness of potential benefits of transnational co-operation within local and regional institutions</li> </ul>
<b>Decentralised Financing &amp; management</b>	<ul style="list-style-type: none"> <li>▪ Regional intermediaries with in-depth experience of managing European funded schemes and/or national integrated rural programmes</li> <li>▪ Avoidance of bureaucratic overload being 'pushed' down to lowest level</li> <li>▪ 'Simplification' solutions which don't compromise accountability principles, e.g. 'single virtual fund' for Priority 4B CED</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reform of EC funding regulations to better suit resources and intermediary roles given to smaller-scale regional and local development agencies</li> <li>▪ If rigid and complex EC control and audit regimes have to continue in future, adequate financing and prior training of intermediaries to enable them to undertake monitoring &amp; administration functions</li> </ul>

## **9. Recommendations**

### **Reforming EC Funding Instruments for Local Rural Development**

Several interviewees for this case study as well as for Q15 survey have pointed out how restrictive and ill suited for smaller-scale and diverse local rural development projects are the EAGGF-Guarantee and Guidance Fund control and audit regimes which impose an administrative burden disproportionate to the sums of funding allocated to measures and operate with an often overbearing 'bureaucratic centralism' which can undermine the ethos and good practice of local partnership and devolved decision-making, as well as deterring innovation and riskier projects. This factor has been just one of several difficult financial and administrative issues for HIE as intermediary in dealing with the 5 multi-fund measures of Priority 4B CED. *A relaxation of accounting rules and monitoring for smaller schemes or projects below an appropriate threshold should be piloted. If this is not likely to be granted, then more resources must be dedicated to administration and monitoring functions at local and regional levels.*

### **Co-operation along the Learning Curve– from Local to Trans-national**

Another problem highlighted by the mainstreaming of LEADER in the Highlands and Islands is the inappropriateness of requiring co-operation project activity to operate only at the trans-national level. Despite some successes in LEADER II, and recognition of the potential benefits in terms of local strategy enrichment and group learning, in the majority of cases, this is difficult and expensive to achieve. *It would be more appropriate and practical to give priority to co-operation between local areas within the same region first, then the rest of the country, and then to progress to the international level with good quality technical support and advice being provided.*

### **Encouraging a Real Innovation 'Space'**

The argument has been made directly or implicitly that one of the negative consequences of all the delays, uncertainties, protracted negotiations around local development plans followed by the administrative overload on local partnerships has been to reduce enthusiasm and creativity of local strategic thinkers, project promoters and players, in turn causing the 'tender plant' of innovation, which generally flourished across the region under LEADER II, to wilt and die under HISTP. Although, given the still limited extent of project implementation and lack of a specific focus on quality of Priority 4B scheme / project development in the mid-term evaluation, it may be too early to pass judgement, it would appear that a risk-averse and rather inward-looking culture of local development is taking root and the local partnerships have lost their LEADER 'spirit' for fear of censure or financial penalisation by the hierarchy of management bodies ranged above them scrutinising their every false move.

*If LEADER is truly to be mainstreamed rather than marginalized to the 'long grass' of LEADER +, then serious effort must be made by the Commission and national policy makers to re-creating a 'clearing' or 'safe space' for experimentation, i.e. financing a special measure or set of measures, under which project innovations can be generated and designed via workshops or other methods by local actors in response to locally validated issues and problems – without necessarily demonstrating conformity to the chapter and verse of the SPD or national strategy. Alternatively the 'space' could take the form of an 'innovation case conference' where mature projects from other test-bed national or European programmes (e.g. Duthchas in H&I or LEADER + programmes) are systematically reviewed and assessed for transferability to the local context and funding under the main programme.*

## Trusting Local People and their Institutions More – Furthering Decentralisation

Highlands and Islands Enterprise and the local area partnership structures which have evolved over the last decade are good examples by any European standard of a mature, interactive and accountable regional system of governance for local economic and community development purposes. Even so, in consideration of the current disposition of the European Structural Funding regimes and the management complexities accompanying the multi-fund structure which was imposed on the CED Priority at the outset by the EC, the reasons why the Commission turned down the request of HIE backed at the time by the Scottish Executive to continue with the Global Grant system which they operated for Leader II can be understood from the perspective of retaining formal checks and balances to safeguard against mis-allocation of funds or ineffective monitoring. However, it has to be questioned whether this gain in top-down control has not – so far at least in the programme – been at the expense of achieving an optimum level of local participation, confidence and sense of ownership, which, it is suggested, are key to achieving the strategic goal of Priority 4B of ‘facilitating bottom-up community development’. By the end of 2003 the administrative compromise to create ‘a single virtual fund’ was reached, which it is hoped will have some effect in easing the red tape constricting the autonomy of local and regional levels

*It is recommended that more decentralisation of financing and management functions rather than less should be the norm for mainstreaming of LEADER, unless there are good reasons why this approach is unlikely to work (e.g. lack of suitably experienced intermediary with adequate administrative capacity etc).*

## 10. Table of interviews

Name of interviewee	Function	Date of interview
1. Denis Malone	Director of Highlands and Islands Programmes Partnership (HIPP) – Programme Management Executive	22/12/2003
2. Melvyn Waumsley and Kevin MacDonald	European Affairs Officer and Programmes Co-ordinator – Community Regeneration at Highlands and Islands Enterprise (HIE)	22/12/2003
3. Alec Fraser	Alec Fraser Associates. Mid Term Evaluator of HISTP	29/12/2003
4. Jim Millard	European Structural Funds Manager Scottish Executive Development Department	12/12/2003