CONSULTATION ON THE FUTURE “EU2020” STRATEGY – SCOTTISH GOVERNMENT RESPONSE

1. The Scottish Government welcomes the opportunity to respond to the European Commission’s consultation on the successor to the Lisbon Strategy. We believe that sustainable growth and jobs should remain at the heart of EU economic policy. It is also important in developing this new strategy that lessons are learned from the current Lisbon Strategy. Although the Scottish Government supports the general direction of the EU2020 strategy, climate change, energy policy, and social cohesion are areas where we believe the strategy requires greater emphasis.

Scottish Government Economic Strategy – Alignment

3. Our Economic Strategy sets out the approach to delivering the Scottish Government’s Purpose, “to create a more successful country where all of Scotland can flourish through increasing sustainable economic growth”. This overarching strategy sets the direction for the public sector in Scotland, and provides the basis for collaboration with the private, academic and third sectors in pursuit of higher sustainable economic growth. Our strategy outlines five strategic priorities, each of which is critical to the delivery of this core purpose:
   • Improve learning, skills, and well-being – as key long term influences over productivity;
   • Create a more supportive business environment;
   • Improve Scotland’s infrastructure, and the planning and development regime;
   • Provide more effective Government; and
   • Improve equity in Scotland to provide more balanced growth.

4. In response to the current economic downturn, the Scottish Government has also taken forward the principles of the Government Economic Strategy through an Economic Recovery Plan. This plan (updated on 29 October 2009) has three broad themes:
   • supporting jobs and our communities;
   • strengthening education and skills; and
   • investing in innovation and the industries of the future.

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2 http://www.scotland.gov.uk/Publications/2009/10/27111201/0
5. The Scottish Government’s Economic Strategy is aligned with the aims of the Lisbon Strategy, and we believe that now is not the time to let go the sensible goals of the Lisbon Strategy. We recognise the many strategic social, economic and environmental challenges set out in the document, and on the whole, support the high level aims of EU 2020 (to enable the EU to make a full recovery from the economic crisis and help speed up the move towards a greener, more sustainable, and more innovative economy).

6. In Scotland, for example, a number of actions are underway (through our Economic Recovery Plan), to progress the EU Small Business Act (SBA) and implement its policy principles (particularly the three priority areas Access to Finance; Better Regulation; and Access to markets) to reduce regulatory burdens and barriers to start-up and growth, stimulate the competitiveness of SMEs and promote an entrepreneurial culture and supportive business environment.

7. The Scottish Government supports the three priorities set out that should drive the EU2020 strategy:
   • creating value by basing growth on knowledge;
   • empowering people in inclusive societies; and
   • creating a competitive, connected and greener economy.

8. The Scottish Government agrees that the EU needs to provide more attractive framework conditions for innovation and creativity, including for example through incentives for the growth of knowledge-based firms.

Climate Change / Energy Policy

9. One of the most significant threats to economic stability in the long term is climate change, and action at the European level is vital. Climate change should therefore be given more over-arching importance in the consultation. Tackling global warming should be the over-riding priority for all nations, and one on which the EU should give clear lead. The Scottish Government would therefore support a broadening of climate change across policy areas, and encourages the EU to give a clear lead. Greater urgency is also required. The quicker the EU comes to a clear view on its response to Copenhagen and accelerates the move towards a low carbon economy the greater help this will be to Member States doing likewise.

10. A key element of the EU2020 strategy should be to promote a low carbon economy, and support transition to low carbon energy generation technologies such as the development and deployment of wind, wave and tidal and carbon sequestration and storage, (complemented by systems investments), as well as associated demand management measures, to help create a competitive, interconnected and greener economy.

11. Scotland is determined to act as a model of best practice in tackling climate change. The Scottish Government’s Climate Change legislation and Climate Change Delivery Plan aim to delivery at least 42% cuts in Scotland’s emissions by 2020 and 80% cuts by 2050.

12. Where the consultation document deals with “green” issues, the main consideration appears to cover only energy, carbon and other resource efficiency. Developing
understanding of the importance of natural capital in sustaining a prosperous economy and healthy society is overlooked. For example, many economic sectors depend on the utilisation of reliable sources of clean water, supplies that are generally provided by natural systems. Any alternative source will be far more expensive to manage than preserving the natural system.

13. Another key benefit from preserving, and where possible enhancing, the state of our natural capital is the preservation of carbon sequestration in soils and biomass. It is increasingly understood that both the causes and effects of climate change are closely linked to land management and agricultural practices, and to the health of natural systems. This is particularly important in the context of future food security in a world of growing population and climate change impacts. Preserving the productive health of our soils is an important part of our natural capital, and the importance of natural capital to Europe’s prosperity can only be expected to grow by 2020.

**Social Cohesion**

14. Social Cohesion could also be developed further in the consultation. We believe that EU economic growth should take place within a framework of reducing regional disparities and a sustainable approach to the stewardship of the environment. There should be greater integration of strategic priorities at an EU level for supporting economic and social growth and cohesion.

15. Although cohesion is touched on, it is mostly linked to social inclusion. The need to narrow differences between regions is hardly mentioned even though it has been a key objective since the Treaty of Rome and was reinforced in the Lisbon Treaty. Peripheral parts of the EU face significant challenges and recognition of this should continue to inform EU cohesion policy. Some regions require special assistance, and special attention should be given to ensure that remote areas continue to contribute and benefit from economic growth. The importance of cohesion and equity is emphasised in the Scottish Government response to the Commission’s consultation on the Future of Cohesion Policy. Unless there is a clearer acknowledgement of the need to reduce regional disparities, there is a danger that pursuit of the priorities in this paper could widen gaps between regions.

16. In Scotland, we are tackling intergenerational cycles of poverty (including child poverty), deprivation, unemployment, poor educational attainment and unemployment, especially in our deprived communities, through three inter-connected and mutually reinforcing policy frameworks aimed at the early years, health inequalities and poverty and income inequality. There is robust international evidence that a child’s earliest years set the foundations for his/her later health and life chances and our aim is to provide children and their parents with the support they need before lasting damage is done. There are also powerful fiscal arguments that investing in families and in children’s early years will not only improve life chances, but can save significant sums to the public purse in terms of more intensive and expensive interventions which may be needed later in a child’s life. It will take time for these frameworks to yield major improvements to outcomes for children and families, but we believe that they are crucial in breaking historic cycles of poverty, inequality and disadvantage which have held back generations of Scots.
17. Strengthening education and skills is core to the Scottish Government Economic Strategy. A healthy, well-trained and educated workforce is key to long-term economic success, helping to reduce income inequalities and improve productivity. Life-long learning and a flexible labour market is clearly important. The consultation rightly talks about the importance of matching supply and demand better, but fails to acknowledge the importance of quality workplaces to enable the effective use of skills and drive in productivity. Reference to lifelong learning is too narrow. It should not just be about ensuring good transitions, but is also about sustaining and progressing in a job. The role of vocational learning providers and in particular, colleges should be referenced. Given the emphasis in the paper on creating value through knowledge, in addition to basic skills, there is merit in emphasising the importance of skills such as working with others, problem solving and 'employability skills'. The fundamental role that progressive and innovative leadership and management play in enabling innovation, creativity, investment and effective skills could also be emphasised more.

18. We would agree that strengthening education is one means of fighting inequality and poverty, but would caution against becoming too focused on "knowledge" and new skills when there are so many people who need to first acquire basic skills and be helped into the labour market. In Scotland, for example, we are introducing a new approach to teaching and learning, known as the Curriculum for Excellence, which is about improving educational outcomes for young people. It provides a coherent, flexible and enriched curriculum from 3-18 years, firmly focused on the needs of the child / young person, and a better quality of learning and increased attainment and achievement for all children / young people in Scotland. This strategy aims to not only better prepare young people for jobs in the future, for example in the greener economy, but also ensure young people learn about green issues, and the contribution they can make to becoming greener, through examining issues such as sustainable development through their school years.

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