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**Ex-ante Evaluation of ERDF and ESF 2014-20
Scottish Operational Programmes
Final Report**

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“Partnership approach has been absolutely essential and very worthwhile, making use of partner expertise”

“It's been good. It's been easy to get senior level engagement when needed. There's been a degree of clarity and an expectation that we are doing this right”

Executive summary

Background

The Scottish Government intends to deliver the 2014-20 ESF and ERDF Operational Programmes as part of a more integrated and streamlined approach to addressing the issues identified in the National Reform Programme. The overall aim is to contribute strongly to achieving the Europe 2020 ambitions and make progress in addressing the policy ambitions of the Scottish Government. The structure of this report follows the outline of key components as set out in the Commission's Guidance.

Objectives and approach

The Commission's guidance is clear in stating "the ex ante evaluation should ensure that the operational programmes clearly articulate their intervention logic and can demonstrate their contribution to the Europe 2020 strategy. It should also help to put in place functioning monitoring systems which meet evaluation requirements. Its recommendations should be clear, based on evidence and adapted to the particular needs of the programmes".

The evaluation team has worked closely with the Scottish Government's structural funds team in an iterative and interactive manner. Key elements of the evaluation process have involved detailed document reviews, workshops, interviews, consultation and discussion as well as observation and analysis.

Programme strategy

The Programme Strategy for 2014-20 Investments is described in the Scottish Chapter of the Partnership Agreement and the subsequent consultation document. Overall the Scottish Chapter of the UK Partnership Agreement is a clear exposition of the evidence of need and the reasoning behind the OPs. In particular the PA has evolved in response to the evaluators' feedback and responses to consultation. The PA also describes succinctly the basis for targeting funds and the intervention logic in clear narrative form linking the analysis of need, alignment with strategy at EU, UK and Scotland level and incorporating lessons learned from the previous programme.

The programme strategy addresses the challenges laid down by Europe 2020 through its alignment with the National

Reform Programme and its detailed consideration of the Scottish and sub-regional situation and needs. There is evidence these have been formed and amended as a result of consultation and feedback. Overall there are good and explicit links between the programme priorities and established policy at Scottish Government level (which in turn dovetails with UK government policy). There is strong alignment between programme priorities and the strategic aims of most partners.

Consistency of programme objectives with challenges and needs

The approach to developing the Programme Strategy aimed to align the policy objectives of Europe 2020 with a thorough examination of challenges and needs in Scotland.

Both the ERDF and ESF programmes align well with the National Reform Programme (NRP) ensuring that it, in turn, the challenges laid down by Europe 2020 are addressed.

Coherence

Using a partnership approach (Strategic Delivery Partnerships) to consider broad outcomes for the three EU 2020 themes fostered constructive discussion and debate on alignment, integration and synergies that promise to deliver an innovative approach to delivery. This needs to be amplified and further developed as the detailed planning progresses and some issues remain to be resolved. Consideration of the best use of Financial Engineering Instruments to support these approaches has also resulted in significant modification of approaches. The integrated process of developing operational programming has therefore contributed significantly to the internal coherence of the programme.

There are good and explicit links between the programme priorities and established policy at Scottish Government level (which in turn dovetails with UK government policy). There is strong alignment between programme priorities and the strategic aims of most partners. Evaluators are clear that there are causal links between the needs, actions and outputs, and confident that there will be appropriate impacts. The integrated nature of the four ESI Funds and delivery mechanisms that will become increasingly aligned during the programme period are also designed to enable other funds and instruments to be utilised where needed.

Linkage between supported actions, expected outputs and results

Having conducted a theory of change workshop and encouraged the development of a logical framework to underpin the strategy we are clear that there are causal links between the needs, actions and outputs. So we can be confident at this stage the logic behind the programme strategy stands up to scrutiny and there has been some examination of external risks.

As part of our assessment we have independently assessed documents, interviewed a range of stakeholders and attended meetings where FIs have been discussed. Based on our analysis, we conclude current proposals are on balance fit-for-purpose. There is a good case and widespread partner support for smaller scale FI structures that build on existing capacity and fall within the remit of a larger umbrella body. The major changes to financial markets since the last programme has altered the environment for SME finance which in turn influences the scope for lending to SMEs.

Horizontal principles

There is reliable evidence that demonstrates that the Scottish Government have implemented adequate

planned measures to promote equal opportunities to promote equal opportunities between men and women and to prevent discrimination.

The integration of the gender perspective is evident in the preparation and implementation of the programmes. The socio economic analysis in the programming documents and Scottish Government's equality impact assessment includes the gender perspective. There are systems in place to ensure that partners and agencies implement the horizontal principles and there is a proposed monitoring and reporting framework in place. Equality bodies and other organisations have been consulted and there is evidence that their input has been incorporated by the Scottish Government in their proposed implementation.

Indicators, monitoring and evaluation

Following consultation with lead partners and the Commission the OPs now contain fewer more focused indicators that will allow easier tracking of progress. There is an underlying theme of trying to develop meaningful indicators that help drive transformational change and simplify data collection. The process of developing a logical framework and clear intervention logic has made this process much easier.

Consistency of financial allocations

The financial allocations have been reached through consultation and working through the design of interventions. Over the programme period the ESF and ERDF allocations increase to a peak in 2017-18 before tapering off towards the end of the programme. This approach allows for lead-in times to new programmes and the tapering is designed to avoid under-commitment. YEI funding is allocated evenly across the period to 2018.

Intervention rates are being consulted over to ensure maximum value for money over the programme period. We have encountered no major issues in our consultations but a common request is the need to retain flexibility, accepting that the need for some interventions may change over the seven-year programming span.

Contribution to Europe 2020 strategy

The Scottish Government has rightly identified the importance of monitoring and evaluation for the programmes.

Overall, each of the operational programmes addresses the challenges laid down by Europe 2020. For actions funded by the ERDF and ESF this happens through the programme's alignment with the National Reform Programme and its

detailed consideration of the Scottish and sub-regional situation and needs. There is evidence these have been formed and amended as a result of consultation and feedback

Conclusion and recommendations

We are confident the design of the Operational programmes has improved significantly as a result of the challenge and support provided by the team. There is a strong consistent thread running through the OPs linking to Europe 2020 and Scottish and UK Government policy that means the investments are likely to achieve the intended transformational change.

We have made a range of recommendations aimed at the continued development of good practice or improvements to the way future programmes are developed.

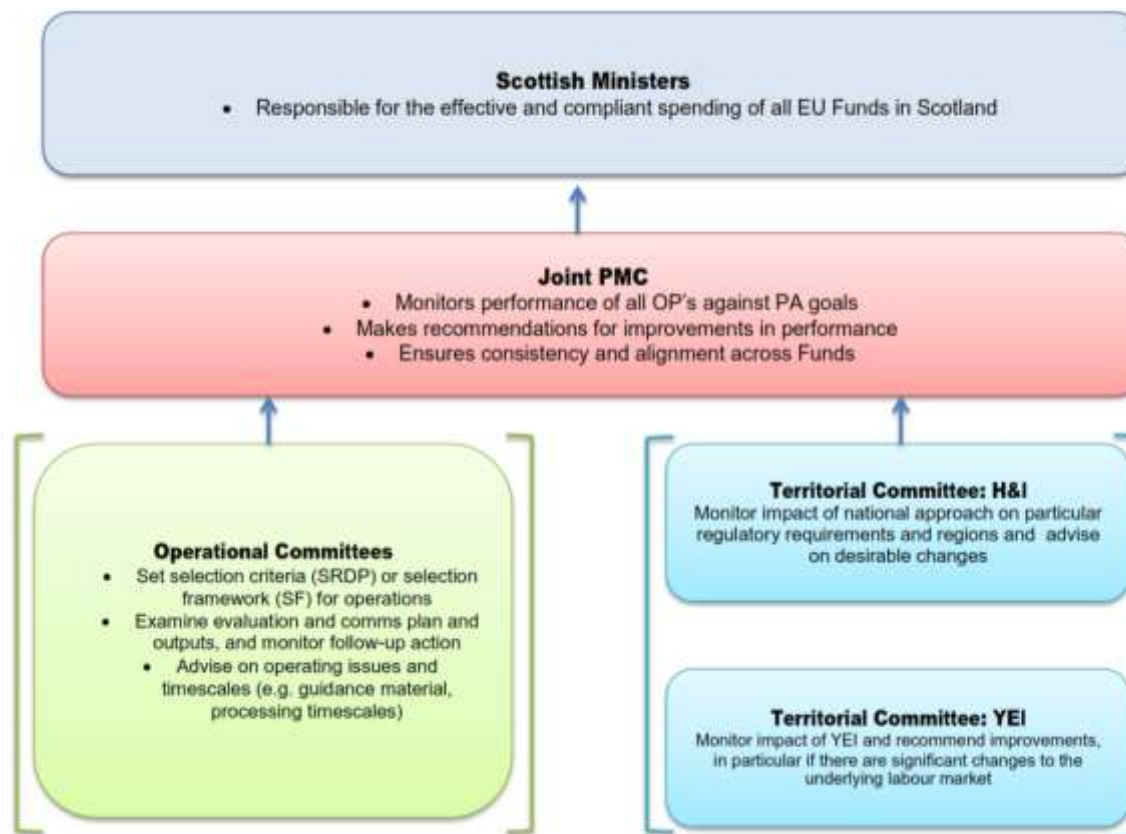
Introduction

For the 2014-20 programming period the Scottish Structural funds programmes will see significant changes over the previous programme. These changes are driven by evolving EU priorities and in particular the EU's growth strategy Europe 2020. The

UK's response is covered in the UK Partnership Agreement (UKPA). This contains a Scottish Chapter that details the distinct approach being pursued in Scotland to support delivery of the Europe 2020 ambitions.

This approach aims to gain the greatest impact from European Structural and Investment Funds (ESIF) based on seven key principles and aims to secure structural reforms that will facilitate sustainable economic growth and create a more innovative and inclusive society. The key drivers of sustainable economic growth are Productivity, Competitiveness and Resource Efficiency, Participation in the Labour Market and Population Growth. These work alongside the the Scottish Government's desired characteristics of growth, Solidarity, Cohesion, and Sustainability. ESIF will be used alongside other funding sources, following an integrated strategy across the wider funding and investment environment.

Figure 1 Draft governance structure



For the first time a single integrated approach to delivering funding across Scotland is being rolled out. Scotland is being treated as a single programming area, albeit with a range of territorial eligibilities, allowing significant movement towards a more integrated management of funds. So, although each of the four ESIF funds has a separate Operational Programme (OP) they will be delivered

collectively through a new management structure. The Scottish Government remains the Managing Authority (MA) across all programmes working through a more streamlined governance structure (Figure 1).

Purpose of ex-ante evaluation and method

The Commission sets out the ex-ante evaluation requirements in its document in its Monitoring and Evaluation of European Cohesion Policy Ex-Ante Evaluation Guidance Document dated January 2013. The Common Provision Regulation (Article 48) requires an ex ante evaluation for each programme in order to improve the quality of its design. They should be sent together with the programme proposals to the Commission services which will consider them when assessing the programmes prior to their adoption (Article 25). The guidance goes on to say “The role of the ex ante evaluation is thus reinforced in the new programming period. It should ensure that the operational programmes clearly articulate their intervention logic and can demonstrate their contribution to the Europe 2020 strategy. It should also help to put in place functioning monitoring systems which meet evaluation

requirements. Its recommendations should be clear, based on evidence and adapted to the particular needs of the programmes”.

The guidance also states “one of the main goals of the evaluation is to assess the programme strategy and theory of change underpinning the programme and to participate in the programme design in an iterative and interactive process”. The tasks of an ex-ante evaluation are grouped into five components which form the basis of this report:

- Programme strategy
- Indicators, monitoring and evaluation
- Consistency of financial allocations
- Contribution to Europe 2020 strategy
- Strategic Environmental Assessment

The evaluation process is intended to be an “interactive and iterative process” aimed at improving the quality of programme design. The managing authority adopted an emergent strategy process to allow an innovative and highly integrated planning approach to be followed covering all four ESI funds. The evaluators have been actively involved for more than a year in a programme of work involving detailed reviews and feedback on

socio-economic baselines, working papers and drafts of the programme strategy. Key elements of the evaluation process have involved:

- Reviewing the socio-economic baselines to ensure robust presentation of data and accurate interpretation. This has enabled presentation of clear evidence of need and alignment with national policy;
- Delivering a theory of change workshop to stimulate development of a clear intervention logic for the Operational programmes;
- Assessing the equalities impacts of the programmes;
- Assessing the rationale and proposals for financial instruments within the OPs including the ex-ante assessment of FIs;
- Undertaking a detailed document review;
- Carrying out a series of detailed interviews with a cross-section of stakeholders; and
- Preparing a full Strategic Environmental Assessment.

Developing the programmes

A tightly-drawn set of objectives for the new programmes and emphasis on vertical policy alignment from EU2020 through to regional priorities gave a top-down steer to the programming process.

The Scottish Government's strategic objectives were seen to be very much in line with the EU 2020 Targets and the 11 thematic objectives of the Common Strategic Framework. This provided an opportunity to integrate the four funds in a set of programmes that simplified management and delivery at the same time reducing the audit and compliance burden on smaller organisations.

At the same time the opportunity was taken to involve stakeholders and delivery partners in developing more creative responses to the challenges laid down by the Commission. During an intensive series of meetings and workshops, partners worked up a series of integrated and streamlined interventions. These are intended to meet local needs, minimise duplication and clarify delivery mechanisms.

This 'book-ends' concept for developing the programmes enabled a consensus to

be built up around the main priorities and methods of addressing them. It has allowed ideas to be brought to the table and peer evaluated and this has contributed to the overall coherence of the programmes.

Evaluators' assessment

The process for delivering the OPs was planned in 2012 with a view to completion in September 2013. Delays in reaching key agreements within the EU led to the timescales becoming extended significantly. At the same time the managing authority adapted its approach as it explored ways to achieve better integration and synergies between the different ESI funds.

The evaluation team was set up to respond flexibly to a timetable and process that would change however ad-hoc changes in the approach and lack of clarity in planning resulted in a range of problems in completing the ex-ante evaluation – not least the extended timescale. The programme development team has been under-resourced from the start and our view is the development process could have been more effective if more capacity had been available at key points in the development process.

Partners expressed similar concerns with the process leading to some criticism of the way the OPs were developed. One consultee commented: "most problematic was the process to seek out interventions which came amid the scoping exercise for using structural funds". In our view many of these issues would not have arisen with better consultation and clearer communication of intent throughout the process. However we also recognise the difficulty of keeping all parties involved and informed in an evolving and iterative process. And some partners misinterpreted improvements in the process (such as additional consultation) as changes of direction rather than efforts to engage. In fact a range of innovative and positive features of the OPs such as the reduced administrative burden on smaller delivery agents and the opportunities from integration of funding streams are poorly understood as the OPs are being completed.

In our consultations with wider partners, they acknowledge that any negotiations for a programme of this scale will cause complications and in general welcome the being consulted, particularly at the beginning of the process. The programming method and key milestones have been subject to change and a clearer

overall plan would have enabled improved participation in the process. Some partners felt the process could have been more transparent as the link between discussions and decisions has not always been clear. The 'call for interventions' mid-way through the programming was poorly received by some partners who suggest they would have preferred more time to work up robust plans. On the other hand there was acknowledgement that some of the problems were caused by a desire to coproduce the strategy with partners allowing inputs from a wide range of interests.

Recommendations

- Ensure a clear plan for developing programmes is produced and partners are consulted
- Appropriate resources are allocated to deliver the plan
- Improved communication of progress, opportunities for partners to participate and milestones reached.

Programme Strategy

The Programme Strategy for 2014-20 Investments is described in the Scottish Chapter of the Partnership Agreement and the subsequent consultation document. At an early stage the programme team developed a baseline review socio-economic context and SWOT analysis for ERDF and ESF. This identified in some detail the current socio-economic position and highlighted a range of needs that underpin the strategy. We provided detailed comments on this work as it progressed highlighting opportunities to address gaps in the analysis and make use of alternative information sources. In particular there was additional emphasis on understanding lessons from previous programmes. The analysis of the background data provided a sound basis for the programme strategy as summarised in the Partnership Agreement.

The Programme Strategy covers the way the challenges and needs have been addressed in a range of documents but summarised in the UK Partnership agreement. Essentially it should demonstrate alignment between the

Common Strategic Framework, the UKPA and more localised strategy in Scotland. The challenges and needs are developed from the bottom up through a series of detailed baseline analyses and from the top down from Europe 2020 through the National Reform Programme to the UK Partnership Agreement and ultimately the Operational Programmes. This section examines how the Programme Strategy was developed to align these priorities and the extent to which the strategy supports Europe 2020.

Partnership Agreement

Overall the Scottish Chapter of the UK Partnership Agreement is a clear exposition of the evidence of need and the reasoning behind the OPs. In particular the PA has evolved in response to the evaluators' feedback and responses to consultation. The PA also describes succinctly the basis for targeting funds and the intervention logic in clear narrative form linking the analysis of need, alignment with strategy at EU, UK and

Scotland level and incorporating lessons learned from the previous programme.

The role of audit and compliance as a driver in determining delivery approaches is explained but the potential benefits was not well understood by partners and key stakeholders. There was a widespread view the approach aimed to exclude community organisations rather than reduce the compliance burden.

The regulations for the new programmes demand a "more precise description of planned actions and how they will lead to results" according to the ex-ante evaluation guidance. The PA also considers evaluation evidence and lessons learned from previous programmes, linking directly to current proposals. There is a solid analysis of the way previous experience has influenced the programme design including:

- The need to be highly targeted and aligned to existing policies – which is clearly evidenced in the construction of OPs. There is a narrative thread linking the Commission's assessment of need

with the UK government's agenda and regional needs in Scotland which leads in turn to a robust argument for choice of priority axes.

- Aiming for larger scale interventions to provide better value. The aim is to deliver larger scale investments that lead to greater impact and less administrative burden.
- Paying more attention to delivering genuinely transformative interventions with the accompanying need for effective monitoring and the correct choice of indicators. The programme strategy expects better targeting and larger scale but fewer investments will result in faster and more permanent progress towards addressing the needs of Scotland's most deprived communities. It aims directly to support the Scottish Government's "wider ambition to deliver sustainable economic growth for all in Scotland".
- Responding to concerns at managing authority level about the balance of audit and compliance – a complex set of issues around risk, return on investment and inclusion. There are complex issues that are partially dealt with but there has been a good attempt to explain the balance being proposed.

In effect this is an attempt to minimise the risk to the MA and at the same time simplify the audit and compliance burden on delivery bodies, this driving improved delivery. Using unit costing and a contracting and commissioning model for delivery could yield significant advantages which need to be developed and communicated further as the programme moves to roll-out.

- Improving integration of horizontal themes will focus on mainstreaming into delivery rather than treating them as a parallel set of requirements in delivery. This acknowledges the horizontal themes provide a means of targeting some of the more excluded elements in targeted communities and should therefore be more explicitly catered for in the design of interventions.

Our view is the PA is a highly coherent document that relates the programme strategy across ESF and ERDF programmes and addresses in logical format the key issues involved in designing an integrated series of programmes across four funds. In earlier drafts we identified issues with linking arguments to develop an overarching logic. The evaluators

helped address this through a workshop with senior staff and encouraging critical assessment and innovative thinking behind the judgements being made including an explanation of the options tested.

Consistency of programme objectives

The evaluators have provided detailed feedback on several drafts of the programme strategy, recommending a range of actions. These include enhancing the evidence of need and the links to existing policy (addressed by cross-referencing).

The intention to administer delivery of projects at a strategic level has raised questions over the continued role of smaller organisations in delivering interventions, particularly at community level. These will be resolved as the detailed delivery plans are developed.

The consultative process is reflected well in the consultative document where the concerns expressed in earlier feedback is properly reflected. This includes, for example, recognition of the consensus that the Highlands & Islands should be

considered separately in administrative and operational terms.

Stakeholders and key partners believe there is strong alignment between the challenges identified and the proposed interventions for dealing with these challenges. But there remain concerns across the partnership about inadequate consideration of poverty, capacity building (for the third sector) and social exclusion.

The programme strategy addresses the challenges laid down by Europe 2020 through its alignment with the National Reform Programme and its detailed consideration of the Scottish and sub-regional situation and needs. There is evidence these have been formed and amended as a result of consultation and feedback. Overall there are good and explicit links between the programme priorities and established policy at Scottish Government level (which in turn dovetails with UK government policy). There is strong alignment between programme priorities and the strategic aims of most partners.

Challenges and needs in relation to Europe 2020 objectives

The approach to developing the Programme Strategy aimed to align the policy objectives of Europe 2020 with a thorough examination of challenges and needs in Scotland.

Both the ERDF and ESF programmes align well with the National Reform Programme (NRP) ensuring that it, in turn, the challenges laid down by Europe 2020 are addressed.

Europe 2020 is the European Union's ten-year growth and jobs strategy that was launched in 2010. It is about more than just overcoming the crisis from which our economies are now gradually recovering. It is also about addressing the shortcomings of our growth model and creating the conditions for a smart, sustainable and inclusive growth. Five headline targets have been set for the EU to achieve by the end of 2020. The Europe 2020 strategy is about delivering growth that is: smart, through more effective investments in education, research and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction. The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and

climate/energy. The Scottish Government's suite of economic and social strategies already matches closely the EU2020 goals so the alignment process has been straightforward. The framework provided by the Scottish Government Economic Strategy (GES) is focussed on improving performance against the key drivers of sustainable economic growth – Productivity, Competitiveness and Resource Efficiency, Participation in the Labour Market and Population Growth – and the delivery of the Scottish Government's desired characteristics of growth – Solidarity, Cohesion, and Sustainability. However targets for the UK have not been disaggregated to Scottish level.

Evaluators' assessment

Overall, each of the operational programmes addresses the challenges laid down by Europe 2020. For actions funded by the ERDF and ESF this happens through the programme's alignment with the National Reform Programme and its detailed consideration of the Scottish and sub-regional situation and needs

Baseline studies

The baseline reviews set out to identify statistical and other socio-economic indicators to inform the creation of the programme proposals and should incorporate analyses and evaluations of previous and current Structural Fund and equivalent interventions. We are required by the Commission to “examine the causal links between the proposed actions, their outputs and the intended results” which means we need to identify and assess the sequence of evidence and direction that underpins the new programmes.

The Scottish Government has produced a range of documentation summarised in the two complementary baseline assessments¹.

- Socio-economic context and SWOT analysis for ERDF ex-ante analysis;
- Socio-economic context and SWOT analysis for ESF ex-ante analysis;
- Position of the Commission services on the development of the Partnership Agreement and programmes in the United Kingdom for the period 2014-2020

¹ Draft baseline review socioeconomic context and SWOT analysis for ERDF & ESF 2014-2020 *Office of the Chief Economic Adviser October 2013*

- Draft UK Partnership Agreement chapter for Scotland

The baseline studies were commissioned from the Scottish Government’s Office of the Chief Economist and set out a range of data in response to the challenges identified in the Commission’s position paper, NRP and UKPA. These cover UK-wide challenges identified in the EC position paper² that include:

- A return in consumer and business confidence and availability of credit;
- Increasing exports as a key driver of recovery;
- Addressing unemployment especially among young people;
- Maintaining low inflation

Regional challenges identified where Scotland’s economic performance diverges from that of the UK that include

- Economic output is persistently below UK average levels
- Excellent academic performance is not delivering adequate commercialisation of R&D;

² Position of the Commission services on the development of the Partnership Agreement and programmes in the United Kingdom for the period 2014-2020

- Unemployment remains high and youth unemployment is a particular concern;
- There is a distinct skills gap between those who are highly skilled and these with low or no skills.

There are more localised territorial challenges including many areas which have been economically and socially excluded for decades. These areas have been a continued focus of regeneration, poverty, welfare reform, education, industry and skills policies, but remain fragile enough to take the first hit when the economy falters.

The studies recognise the contribution in the context of wider and more substantial investments in policy areas aimed at stimulating jobs and growth in the UK and Scotland. Interestingly we are of the opinion the ERDF baseline is better in many respects than the ESF baseline particularly in its analysis of the challenges facing SMEs. The baselines also introduce a basis for integrating the four ESI funds citing the interdependence of the three thematic objectives and therefore the benefits of considering a less rigid approach to achieving programme outcomes.

Evaluators' assessment

There is a basic issue around using current and historic data to direct a medium term programme of investment without interpretation and detailed analysis of future scenarios. Therefore the baseline is useful mainly as a statement of the starting point with limited interpretation of the likely trajectory of indicators. We felt a wider debate and informed analysis may contribute to more focused thinking around interventions and limiting the range of options. The final proposals reflect a significant rationalisation of the original proposals as both the MA and Lead Partners have moved towards developing operational plans.

The key outputs from the baseline exercise heavily influence the SWOT analyses. We provided informal feedback and more detailed responses on the documents that led to significant strengthening of the evidence presented and the quality of analysis.

The programme development process entailed several work packages progressing in parallel so the link between baseline analysis and programme strategy became misaligned at times. We picked up these issues in detail in several reviews

and through consulting with stakeholders and partners. The final baselines therefore present a clearer assessment of the challenges and needs and the linkages between evidence and interventions.

DG Regio argues that learning lessons from previous programmes is good practice, so this element needs to be built in to the process more thoroughly. It is a key requirement that evaluations and analyses of what worked and what didn't work in previous programmes are incorporated at this stage. We expressed concerns the lessons from previous programmes were not sufficiently explicit and cross-referenced and this was also picked up the draft OPs, now fully addressed in the final drafts.

The Partnership Agreement Draft [PA] is a more concise assessment but we identified a need to improve congruence between the data provided in the ERDF and ESF baselines and the topics addressed in the PA. While the planned actions may be appropriate and suitable, they would be significantly strengthened by relating these to underpinning evidence – research, evaluations, analyses and most obviously these reviews.

Consistency of programme objectives with challenges and needs

The evaluators have provided detailed feedback on several drafts of the programme strategy (in its various forms) recommending a range of actions. These include enhancing the evidence of need and the links to existing policy (largely by properly cross-referencing) and explaining the need to administer the funds in larger-scale interventions. The consultative process is reflected well in the consultative document where the concerns expressed in earlier feedback is properly reflected. This includes, for example, recognition of the consensus that the Highlands & Islands should be considered separately in administrative and operational terms.

Stakeholders and key partners believe there is strong alignment between the challenges identified and the proposed interventions for dealing with these challenges. But there remain concerns across the partnership about inadequate consideration of poverty, capacity building (for the third sector) and social exclusion.

The programme strategy addresses the challenges laid down by Europe 2020

through its alignment with the National Reform Programme and its detailed consideration of the Scottish and sub-regional situation and needs. There is evidence these have been formed and amended as a result of consultation and feedback. Overall there are good and explicit links between the programme priorities and established policy at Scottish Government level (which in turn dovetails with UK government policy). There is strong alignment between programme priorities and the strategic aims of most partners.

Coherence

Using a partnership approach (Strategic Delivery Partnerships) to consider broad outcomes for the three EU 2020 themes fostered constructive discussion and debate on alignment, integration and synergies that promise to deliver an innovative approach to delivery. This needs to be amplified and further developed as the detailed planning progresses and some issues remain to be resolved. Consideration of the best use of Financial Engineering Instruments to support these approaches has also resulted in significant modification of approaches. The integrated process of

developing operational programming has therefore contributed significantly to the internal coherence of the programme.

Internal coherence

There are good and explicit links between the programme priorities and established policy at Scottish Government level (which in turn dovetails with UK government policy). There is strong alignment between programme priorities and the strategic aims of most partners. Evaluators are clear that there are causal links between the needs, actions and outputs, and confident that there will be appropriate impacts

The evaluators' opinion is that the integrated process of developing operational programming has contributed to the internal coherence of the programme. Using a partnership approach (Strategic Delivery Partnerships) to consider broad outcomes for 'smart, sustainable and inclusive' fostered constructive discussion and debate on alignment, integration and synergies that promise to deliver an innovative approach to delivery. This needs to be amplified and further developed as the detailed planning progresses. Consideration of the best use of Financial Engineering Instruments to support these approaches has also

resulted in significant modification of approaches (see Figure 2 below).

Relation with other relevant instruments

The integrated nature of the four ESI Funds and delivery mechanisms that will become increasingly aligned during the programme period are also designed to enable other funds and instruments to be utilised where needed. The Scottish OPs see relationships with other instruments defined by alignment, effective demarcation and complementarity. This means the different funds and instruments must demonstrate alignment with major policy and strategy goals, the uses of funds and instruments are clearly defined and not overlapping and they should mutually support or reinforce.

For example the delivery of EAFRD (LEADER) and EMFF through Local Development Strategies enables a community-driven agenda to be integrated seamlessly with potentially overlapping ERDF and ESF funding. Equally this enabled local programmes to align more clearly and therefore reinforce national programmes and priorities. ESF and ERDF programmes will use existing Community Planning Partnerships as a way to coordinate local approaches to delivery.

Support for Smart Growth

The OPs recognise the new opportunities to integrate funding streams and instruments in creative ways to solve long standing problems. There is a high level of alignment between the EU 2020 targets for smart growth and the Scottish Government's own economic targets, particularly its emphasis on:

- Improving the research base and making it accessible for businesses to commercialise
- Greater use of information and communications technologies by businesses as a platform for growth; and
- Developing the right skills mix to support a transition to a knowledge-intensive economy.

The ERDF OP states "The overall aim is for more businesses, particularly SME's and mid-sized companies who create broad economic bases locally, to realise the benefits of investing in their intellectual property and the people who create it". Delivering against this aim entails merging agendas on digital inclusion and innovation, environmental sustainability, economic growth and social inclusion because they are seen as being mutually

reinforcing. This is reflected in the integrated approach to managing delivery and the importance given to investments that make use of different funding streams and enable transformational change during the new programming period.

Consideration is being given to the opportunities provided through Horizon 2020, COSME and other programmes. The Scottish Government is confident its streamlined governance and delivery structure will be a positive stimulus to integration.

Figure 2 Thematic objectives, Investment Priorities and Specific Objectives for ERDF and ESF

ERDF intervention logic 2014-20

Thematic Objective	Investment Priority	Specific Objective
(1) Strengthening Research, Technological Development and Innovation	1.(b) Promoting business investment in innovation and research and developing links and synergies between enterprises, R&D centres and higher education in particular product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular key enabling technologies and diffusion of general purpose technologies.	Increase business commercialisation and investment in RTDI, particularly in accordance with Smart Specialisation Close gap between BERD and HERD
(2) Enhancing access to and use and quality of ICT	2(a) Extending broadband deployment and the roll out of high speed networks and supporting the adoption of emerging technologies and networks for the digital economy	enable individuals and businesses throughout Scotland to access digital services and business opportunities
(3) Enhancing the competitiveness of small and medium sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)	3.(d) Supporting the capacity of SME's to engage in growth in regional, national and international markets, and in innovation processes.	Increase and support ambition of SMEs to grow and increase employment, particularly in accordance with Smart Specialisation sectors and regionally important sectors in fragile areas
(4) Supporting the shift towards a low carbon economy in all sectors.	4.(e) Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multi-model urban mobility and mitigation relevant adaption measures.	Remove (perceived) obstacles to short urban journeys being undertaken by public or active transport
(4) Supporting the shift towards a low carbon economy in all sectors	4(f) Promoting research in, innovation in and adoption of low-carbon technologies	Scotland should be seen as a natural place to invest in low carbon sectors and supply chains, with well-developed project pipelines and investor support Develop low carbon communities to increase sustainability and reduce reliance of remote communities on fossil fuels.
(6) Protecting the Environment	6(g) Supporting industrial transition towards a resource efficient	Businesses and products which are designed to be

and Promoting Resource Efficiency/	economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors	environmentally friendly and resource efficient (particularly SME's and SME clusters) Growth in private-sector re-processing and re-manufacturing industries through the reuse of waste products.
(6) Protecting the Environment and Promoting Resource Efficiency	6 (d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000 and green infrastructure	Improve quality of urban environments; and increase usage of them.

ESF Scotland Intervention Logic 2014-20

Thematic Objective	Investment Priority	Specific objectives
(8) Promoting sustainable and quality employment and supporting labour mobility	(a)(i) Access to employment for job-seekers and inactive people, including long-term unemployed and people who are far from the labour market, also through local employment initiatives and support for labour mobility	Improve access to and fit with labour market opportunities for long-term unemployed and disadvantaged groups, and minority groups under-represented in the labour market
(9) Promoting social inclusion, combating poverty and any discrimination	(b)(i) Active inclusion, including with a view to promoting equal opportunities, active participation and improving employability	Alleviate inequality, disadvantage and poverty at an individual, family, household and community level.
(10) Investing in Education, Training and in Vocational training for skills and lifelong learning	(c)(iv) Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes.	Support the development of key growth sectors by ensuring the right skills are available in the local labour market Ensure that both academic and vocational routes into those sectors and opportunities are available to individuals
(8) Promoting sustainable and quality employment and supporting labour mobility	(a)(ii) Sustainable integration of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, into the labour market, including through the implementation of the Youth Guarantee	Creating labour market opportunities for young unemployed individuals

Linkage between supported actions, expected outputs and results

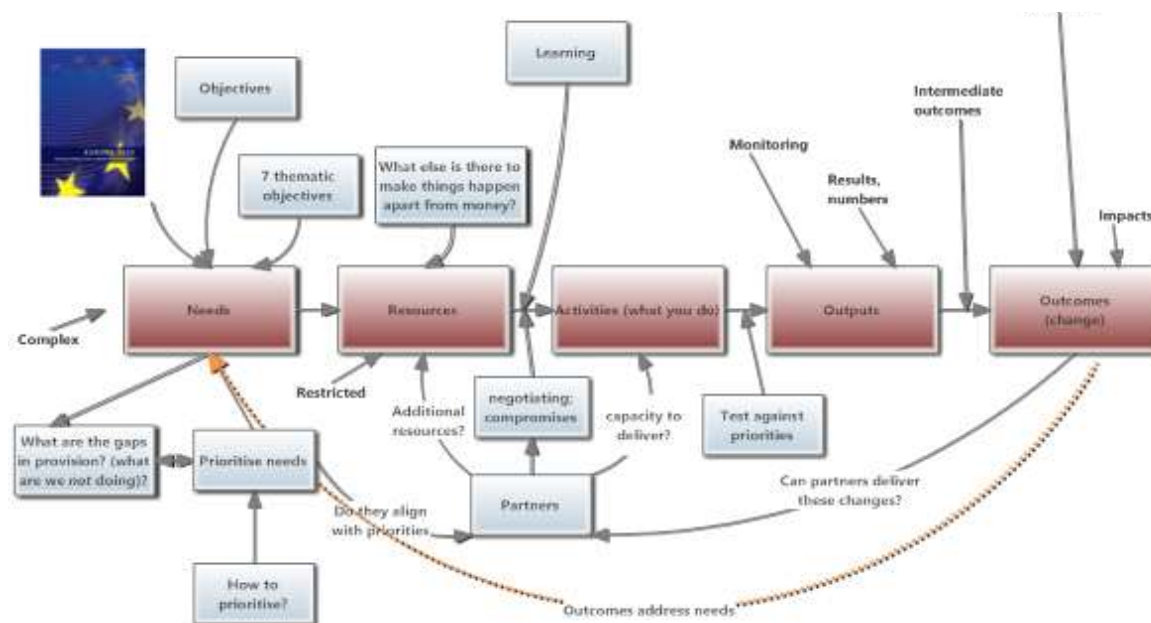
Having conducted a theory of chain workshop and encouraged the development of a logical framework to underpin the strategy we are clear that there are causal links between the needs, actions and outputs. So we can be confident at this stage the logic behind the programme strategy stands up to scrutiny and there has been some examination of external risks.

Following an earlier meeting (6 June) to discuss progress on developing the Theory of Change (ToC) for the programme, a logical framework outline was developed and populated with the current range of outcomes, indicators and assumptions.

A useful workshop was convened on 25 June to progress thinking behind the ToC and start to identify the assumptions behind the logic. A logic chain was developed (see Figure 3) and a plan to progress this work in the short term.

These causal links are laid out in detail in the Intervention logic documents that

Figure 3 Theory of change developed by Scottish Government team



clearly show the relationship between the development needs as evidenced in the baseline studies and discussed in the PA and OPs and the relevant thematic objectives through to actions. In line with the revised regulations, the actions relating to objectives are specific and the causality between actions and results is made clear.

During the review process we challenged some of the assumptions being relied on, leading to tightening of the way the interventions are described in the OPs.

Financial instruments

The current proposals have been developed by the Scottish Government internally through a series of meetings and consultations backed by discussion and research papers. These include examining lessons learned in the 2007-13 programmes and assessing options on an iterative basis as the Operational Programmes have evolved as part of the ex-ante assessment.

As part of our work we have independently assessed documents, interviewed a range of stakeholders and attended meetings where FIs have been discussed. We have also looked at how the lessons from the previous programme have been applied and the range of options considered in arriving at the current proposals. From the outset (and with Commission encouragement) FIs have been seen as an integral part of delivering a more sustained series of investments. The Scottish Government consulted on using the wide range of instruments designed to recycle funds, attract private investment and tackle larger-scale ambitions, delivering greater change.

The Scottish Government's ex-ante assessment of Financial Instruments takes a broad view of the opportunities the new OPs present and identify opportunities for their use in ways that reinforce the new delivery model. It identifies opportunities mainly through ERDF including:

- SME finance, particularly through equity investments;
- Low carbon and resource efficiency (potentially large scale);
- Urban Regeneration and Energy Efficiency; and

- Micro Credit and Skills Development (ESF).

Evaluators' assessment

Based on our analysis, we conclude current proposals are on balance fit-for-purpose. There is a good case and widespread partner support for smaller scale FI structures that build on existing capacity and fall within the remit of a larger umbrella body. The major changes to financial markets since the last programme has altered the environment for SME finance (such as longer recycling times for investments) which in turn influences the scope for lending to SMEs.

There is also a strong policy case for larger scale FIs for specific infrastructure projects again building on existing institutions. The Scottish case for greater use of FIs to fund large scale strategic infrastructure projects echoes U.K. discussions relating to European funding and budgets. A key area for expansion has been identified as Low Carbon and Resource Efficiency although work will be needed to develop the most suitable vehicle.

A significant issue and potential concern is the capacity to manage and deliver FIs. There is also no specific market gap identified as policy development is still at an early stage. The Scottish Government is keen to make use of FIs but is progressing with caution as current instruments are not providing returns at the rate anticipated. There is also concern to ensure investments are correctly targeted through the design of instruments. So there is an expectation more FIs will come on stream in the second half of the programme.

Reliance on loan funding has resulted in complications in some Member States in the past due to their lack of administrative capacity, with grant funding being easier to handle. However Scotland has developed structures to manage FIs effectively and the views of stakeholders are that new FIs should (where possible) build on existing capacity or expertise. This means there is less of a case for any new, large FI body to address different markets and objectives. Partners point not only to a lack of capacity to set up and manage such an institution but also the potential for delays while the new institution and FI is scrutinised.

Recommendations

We have a range of recommendations to make from this assessment:

The case for using FIs will be much stronger if evidence is brought forward from an evaluation of detailed proposals – so this is an important next step. There is good evidence from past evaluations, consultations, research papers, policy documents, and experience from managing FIs – very little of which is used. And identifying the input from partners and consultees would show the proposals had wider buy-in. In particular the evidence to support the success of existing vehicles would benefit from citing independent evaluation findings and assessments of performance. It may be worth considering a working group to consider the use of financial instruments across all programmes.

Although the ex-ante evaluation is a high-level analysis of how the programming fits with the identified priorities and action. There are specific requirements to set out the need, market failure, investment priority and how FIs help delivery that will need to be progressed by the Managing Authority as the proposals progress.

We also recommend formative evaluation of FIs to enable lessons to be learned and shared quickly and adjustments to be made.

Horizontal principles

The horizontal themes of equality, non-discrimination and sustainable development are well integrated into the OPs and regarded as a key focus. A separate evaluation of the equalities impact assessment has been provided to the Scottish Government and the Commission with the evaluators' assessment summarised below.

Evaluators' assessment

There is reliable evidence that demonstrates that the Scottish Government have implemented adequate planned measures to promote equal opportunities to promote equal opportunities between men and women and to prevent discrimination.

The integration of the gender perspective is evident in the preparation and implementation of the programmes. The socio economic analysis in the programming documents and Scottish Government's equality impact assessment includes the gender perspective. There are

systems in place to ensure that partners and agencies implement the horizontal principles and there is a proposed monitoring and reporting framework in place. Equality bodies and other organisations have been consulted and there is evidence that their input has been incorporated by the Scottish Government in their proposed implementation. Three of the Thematic Objectives give priority to the promotion of equality and the prevention of discrimination and should directly contribute to the promotion of equality between men and women. Specific measures to address gender inequality and the prevention of discrimination have been set out within the programming documentation.

However, the evaluator's opinion is that the proposed system of monitoring indicators does not at present provide the necessary prerequisites to evaluate the impact of the programmes on women and other groups who share protected characteristics and that this should be addressed by the Scottish Government.

It is anticipated that the programmes will have a positive impact on people in Scotland who share protected characteristics. In particular, women, younger people, ethnic minorities and people with a disability should experience particular benefits. A number of the proposed measures have been designed to address inequality and to encourage and support people who share protected characteristics in areas such as employment, education and social inclusion. Certain proposals may be described as positive action initiatives to encourage participation and address barriers which people who share protected characteristics may face.

The description of the impact of the programmes as positive is qualified by the fact that there may be barriers to access. The Scottish Government have provided evidence that addressing these barriers will be taken into account in the implementation of the programmes.

In order to ensure that the intended positive impact is the actual impact, the Scottish Government should develop baseline indicators and put in place a rigorous monitoring and evaluation process.

Sustainable development

The sustainable development theme is fully mainstreamed through the thematic objectives “Supporting a shift towards a low carbon economy in all sectors” and “Protecting the Environment and Promoting Resource Efficiency”. These will have the effect of directing significant investment towards sustainable development over the next seven years. A full summary of the Strategic Environmental Assessment is included as an appendix.

Indicators, monitoring and evaluation

Commission requirements

The Commission requires each priority axis (thematic objective) to include common indicators as laid down by fund-specific rules as well as indicators “to assess the progress of performance implementation towards achievement of objectives as the basis for monitoring, evaluation and review of performance”. Attention is also drawn to the increased importance of arrangements for monitoring and data collection in the 2014-20 programming period. In effect this means the chosen indicators should clearly show evidence that the intended effects of interventions are being achieved. These indicators, in turn, should relate to the Performance Framework for the Partnership Agreement which comprises (mainly output) indicators which reflect all the funds as far as possible. Where no key measurable outputs can be delivered by 2018 (for example complex infrastructure commitments) then key

implementation steps should be used instead (e.g. contracts have been awarded). The Commission is focusing heavily on a smaller number but more relevant indicators and on the intervention logic. They need to see a clear link between the inputs and actions that are invested in and the outcomes they achieve and the longer term result that is anticipated.

Relevance and clarity of proposed programme indicators

Relevance

The final indicator sets developed with the OPs have been reduced in line with guidance from the Commission and consultation with Lead Partners. There is an underlying theme of trying to develop meaningful indicators that help drive transformational change and simplify data collection. The process of developing a logical framework and clear intervention logic has made this process much easier.

The Scottish Government at the behest of partners is keen to ensure that indicators have continuing relevance to projects – a major criticism of previous programmes has been that projects do not benefit from the data they collect. The problem is that indicators are required from a range of sources – the Commission, Scottish Government and organisations themselves all need information. The integration of programmes and delivery may lead to an expansion in data requirements.

Clarity

Given that the indicators derive from clear intervention logic there is a clear path from activity to policy ambition, at least at high level. Where problems may arise is in the detailed design where indicators aim to capture changes at the level of individual interventions – effectively providing too much detail. Commission guidance has resulted in a much tighter set of result indicators that show wider impacts rather than at the level of the individual enterprise of participant. Existing indicator

frameworks have been used where possible, so they are likely to be widely understood. Examples include under R&TD&I using current Business Enterprise Research and Development (BERD) indicators, and for SME competitiveness (numbers exporting, employment growth in supported sectors).

Quantified baseline and target values

At the time of writing, the development of baselines and indicators is work in progress. Baselines have been established but will be updated to reflect the final indicators. A range of issues is also being addressed including data quality and availability. The Scottish Government wants to use existing data, where available, to avoid additional cost and administration, although alignment with Commission requirements is more of a challenge.

OP targets were derived from the top down – the PA and NRP and bottom up from the Strategic Delivery Partners. Lead partners used historical data or analysis from unit cost modelling to provide targets. This is particularly relevant for existing interventions.

For interventions that are changing or where new actions are proposed, targets and indicators were developed by using other fund experience and data from Eurosys on similar project activity, especially for ESF.

Suitability of milestones

The Commission advises using a few, meaningful result indicators. This is proving a challenge where partners are finding ways to track progress on some interventions, for example under SME competitiveness.

The Scottish Government has responded to Commission comments on the results under some ERDF priorities which has resulted in a reduced and more focused suite of indicators. The rationalisation of indicators has resolved some earlier difficulties in measuring outputs where data would be unavailable.

New interventions may not have solid baselines where no pre-existing data exists and may simply be monitored from 2014 onwards.

The late issue of ESF monitoring guidance which connects particular target groups

with particular result outcomes meant that plans for monitoring have been re-drafted very late in the process.

Consistency of financial allocations

Allocations by thematic objective (priority)

The table (Figure 4) shows the breakdown of finding across the three funds – ERDF, ESF and YEI and by thematic objective (alternatively known as priority axis). These allocations have been reached through consultation and working through the design of interventions.

As the chart opposite shows the ESF and ERDF allocations increase gradually to a peak in 2020. This approach gives flexibility to frontload in some objectives where immediate support is required (for example SME competitiveness) and to build up gradually where interventions need testing (for example financial instruments for low carbon).

YEI funding is frontloaded across the first two years and the annual distribution of funds is shown in Figure 5. The

allocations are in line with Commission allocations.

Figure 4 Funding by thematic objective

Funding by thematic objective (Euro)					
		ERDF	ESF	YEI	Total
1	increasing R&TD&I	111.5	0.0	0.0	111.5
2	ICT technology and usage	25.0	0.0	0.0	25.0
3	SME Competitiveness	143.7	0.0	0.0	143.7
4	Low carbon economy	131.0	0.0	0.0	131.0
5	Climate Change adaptation	0.0	0.0	0.0	0.0
6	Environment and resource efficiency	56.0	0.0	0.0	56.0
7	sustainable transport	0.0	0.0	0.0	0.0
8	employment and labour mobility	0.0	198.0	46.3	244.4
9	social inclusion and combating poverty	0.0	89.4	0.0	89.4
10	education, skills and lifelong learning	0.0	122.0	0.0	122.0
11	capacity building	0.0	0.0	0.0	0.0
12	TA	9.5	8.4	0.0	17.9
	Total	476.7	417.8	46.3	940.9

Figure 5 Financial allocations - annual

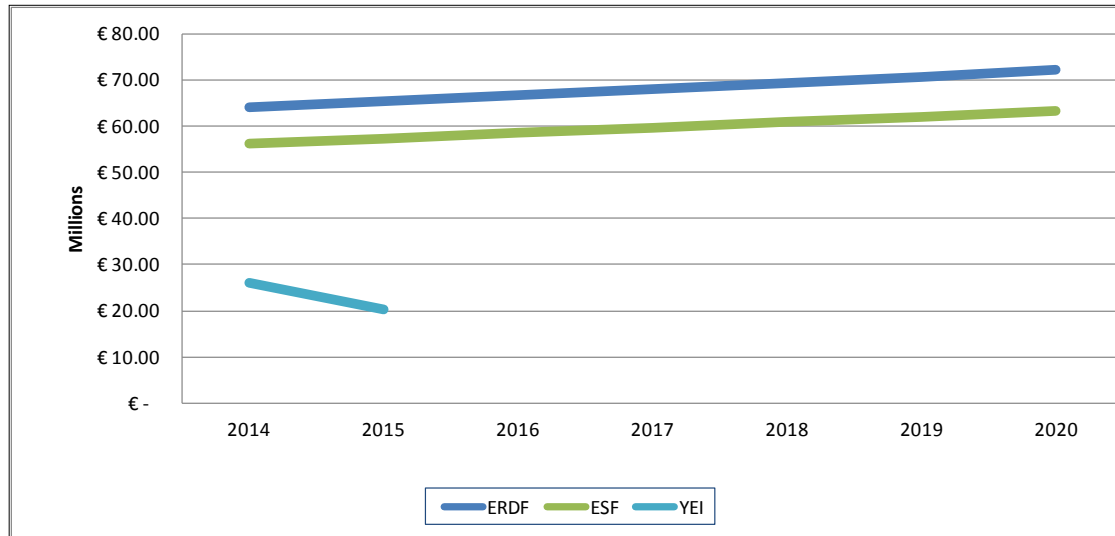
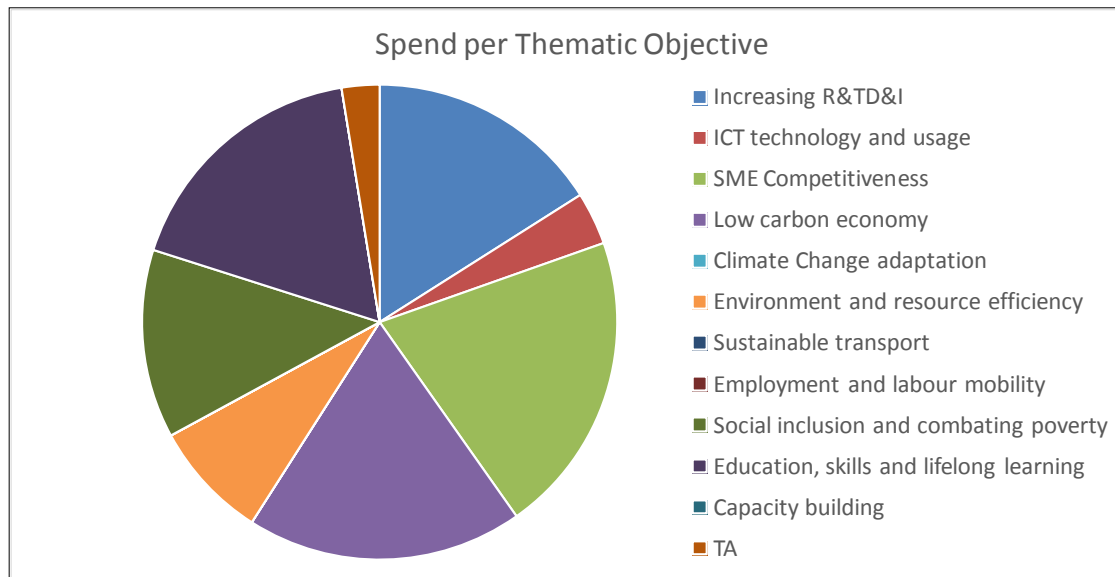


Figure 6 Allocations by Thematic Objective



Intervention Rates

The Scottish Government has stated that the co-financing rate in the regulations is set at 60% for the transition regions and 50% for the more developed regions.

Our understanding is that the Scottish Government establishes rates well below the maximum and is proposing initial intervention rates of 40% for developed areas and 50% for transition areas.

SG further intends that all the interventions and allocations would be subject to a mid-term review on the impact and value for money and will be changed at that point if they are not working.

It should be noted that intervention rates are a maximum and that the allocations may have an average rate specified to lever additional value from the European Funds. Setting an average for areas, as above, while recognising that higher intervention rates are eligible in exceptional circumstances would give JPMC and the Lead Partners some more flexibility. This may allow projects that are less attractive to providers to deliver but

essential for key target groups to benefit, to be supported.

Evaluators' assessment

Consultation on the financial allocations has taken place at a fairly late stage in the programming process. Broadly speaking there is an understanding the allocations reflect a range of pressures including capacity to deliver as well as reflecting the need for investment across the different thematic objectives and rural development priorities. We have encountered no major issues in our consultations but a common request is the need to retain flexibility, accepting that the need for some interventions may change over the seven-year programming span. However, regulatory is seen a major constraint to adopting a flexible approach.

We would recommend that some key points be considered:

1. The programme is less “competitive” than in previous periods. Applicants have less incentive to ask for minimum intervention to score more points in the application assessment. Therefore applicants must be encouraged to

apply for the minimum necessary to proceed

2. Strategic Interventions are allocated to Lead Partners with Investment Priorities. Where national programmes are included as part of the delivery then there is a need to ensure that substitution of public investment does not take place (SG argues this already occurs through the way interventions are developed and eligible activity is set).
3. Allocation of funding to Lead Partners brings reduced competition therefore clear scrutiny is required to ensure that additionality and value for money is delivered (a scrutiny risk panel is in place at the point of assessment).
4. If funding is to be allocated at a required average intervention rate then SG has to recognise issues around availability of funding from Lead Partners to match European investment.
5. Lead partners fear of inadvertently or apparently substituting European funding to take the place of national investment in programmes may cause delays or blockages to projects proceeding
6. Potential concerns by national Lead Partners that successful national

programmes could be cut to provide match funding to support the European-funded projects.

7. Need for absolute clarity among all participants including Lead Partners of the rules around match funding to avoid potential clawbacks in future.

Contribution to Europe 2020 strategy

Europe 2020 is the European Union's ten-year growth and jobs strategy that was launched in 2010. It is about more than just overcoming the crisis from which our economies are now gradually recovering. It is also about addressing the shortcomings of our growth model and creating the conditions for a smart, sustainable and inclusive growth. Five headline targets have been set for the EU to achieve by the end of 2020. The Europe 2020 strategy is about delivering growth that is: smart, through more effective investments in education, research and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction. The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate/energy.

The Scottish Government's suite of economic and social strategies already matches closely the EU2020 goals so the alignment process has been

straightforward. The framework provided by the Scottish Government Economic Strategy (GES) is focussed on improving performance against the key drivers of sustainable economic growth – Productivity, Competitiveness and Resource Efficiency, Participation in the Labour Market and Population Growth – and the delivery of the Scottish Government's desired characteristics of growth – Solidarity, Cohesion, and Sustainability. However targets for the UK have not been disaggregated to Scottish level.

The programme strategy addresses the challenges laid down by Europe 2020 through its alignment with the National Reform Programme and its detailed consideration of the Scottish and sub-regional situation and needs. There is evidence these have been formed and amended as a result of consultation and feedback. Overall there are good and explicit links between the programme priorities and established policy at Scottish Government level (which in turn dovetails

with UK government policy). There is strong alignment between programme priorities and the strategic aims of most partners.

Evaluators' Assessment

The strength of alignment between the Government Economic Strategy and EU 2020 means there have been few issues in demonstrating the contribution the two OPs will make. A key aim of these programmes is stated to be ensuring greater transformational change so the challenge will be to monitor and adjust delivery as circumstances change. The Scottish Government has rightly identified the importance of monitoring and evaluation for the programmes. Overall, each of the operational programmes addresses the challenges laid down by Europe 2020. For actions funded by the ERDF and ESF this happens through the programme's alignment with the National Reform Programme and its detailed consideration of the Scottish and sub-regional situation

and needs. There is evidence these have been formed and amended as a result of consultation and feedback. For the SRDP the designation of Rural Development Priorities which are structurally linked with the objectives of Europe 2020 within the appropriate Regulation, and the requirement that the SRDP is designed to serve these priorities, ensures that there is a high level of consistency within the design.

Strategic Environmental Assessment

Introduction

This is the non-technical summary of the Environmental Report prepared as part of the SEA of the European Structural and Investment Funds 2014 – 2020. Strategic Environmental Assessment (SEA) is required under The Environmental Assessment (Scotland) Act 2005³. SEA is a systematic method of assessing the environmental effects of plans and programmes during their preparation, allowing for the mitigation of any adverse effects before implementation.

European and Structural Investment Funds

The Structural Funds and the Cohesion Fund are financial tools which implement the regional policy of the European Union. Their objective is to reduce regional disparities in terms of income, wealth and opportunities. The Structural Funds

³ The Environmental Assessment (Scotland) Act 2005. London: The Stationery Office. [online] Available at: http://www.legislation.gov.uk/asp/2005/15/pdfs/asp_20050015_en.pdf [Accessed 01 April 2014]

comprise of the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The ERDF supports programmes addressing regional development, economic change, enhanced competitiveness and territorial co-operation throughout the EU. The ESF focuses on four key areas: (1) increasing the adaptability of workers and enterprises, (2) enhancing access to employment and participation in the labour market, (3) reinforcing social inclusion by combating discrimination and facilitating access to the labour market for disadvantaged people, and (4) promoting partnership for reform in the fields of employment and inclusion. The proposals for strategic interventions for the Structural Funds are presented under the following three themes:

Smart Growth: Competitiveness, innovation and jobs

Sustainable Growth: Environment, low carbon and resource efficiency

Inclusive Growth: Local development and social inclusion

Summary of the Strategic Environmental Assessment process

The SEA process assesses the expected effects of the proposals for the European and Structural Investment Funds (ESIF), and the alternatives to them. The first stage is Scoping which sets out the proposed method and approach to the assessment in a scoping report and is informed by engagement with the consultation authorities Scottish Natural Heritage (SNH), Historic Scotland (HS) and the Scottish Environment Protection Agency (SEPA).

The assessment process is based around several environmental objectives which examine key questions in relation to a number of environmental topics. This allows the identification of individual and collective positive and negative impacts of the European and Structural Investment funds on the environment. The

assessment has examined the environmental effects of the strategic intervention proposals and the alternatives to them. The assessment has been undertaken with regard to the environmental context of the European and Structural Investment Funds in Scotland.

Alternatives

The alternative assessed was based on the alternative proposals that emerged through the development of the proposals which form the content of the Consultation Document. These proposals covered topics such as skills development, social inclusion, employment and low carbon development.

Overall, the alternative proposals had similar effects, with particular positive effects in relation to population and human health and climatic factors.

Environmental baseline

Biodiversity, flora and fauna

Scotland is rich in biodiversity with a network of protected areas. Although some aspects of biodiversity are in good

condition there are a number of threats to biodiversity resulting from climate change, land use change and pollution.

Population and human health

Environmental quality has an important influence on population and human health along with access to services, training and employment opportunities. Inequalities in health and life expectancy are an issue in Scotland, alongside the health impacts of poor air quality, flood risk and climate change.

Climatic factors

Climate change is having an increasing impact on the environment. Projected impacts include higher temperatures, wetter winters and drier summers. Emissions from energy generation, transportation and a wide range of other human activities contribute to climate change, and there is a need to adapt to the challenges of the changing climate.

Air

Air quality has an important impact on the environment and human health. Energy, industry and transportation have impacts on air quality, particularly in urban areas.

Water

Good water quality is an important factor for economic development in Scotland. Flood management is also vital to avoid adverse impacts on business growth and economic development. Although water quality is generally good, a number of water bodies are under significant pressure.

Soil

Soil supports a range of economic activity within Scotland, and sustainable management of the soil resource is important to support this. Regeneration is an important aspect of sustainable soil management through bringing derelict land back into productive use.

Cultural heritage

Scotland has a rich cultural heritage which contributes to economic prosperity and is evident in the built and natural environment. A range of natural and man-made pressures affect the historic environment including development pressure and climate change.

Landscape and geodiversity

Scotland has a rich and diverse landscape which supports a range of activities, but is influenced by changes in development and land use. A network of protected areas cover the most outstanding examples of landscape.

Material Assets

Scotland has many natural resources and built assets including electricity and transport infrastructure, agricultural land, forestry and minerals. These resources are vital to economic activity across Scotland and need to be protected, developed and maintained to continue to fulfil this role.

Likely significant environmental effects

The ESF and ERDF Operational Programmes will not have *any significant negative or positive* environmental impacts, however the nature of the programmes is such that many of its impacts are uncertain and in some cases both potentially positive and negative. The Operational Programmes are strategic in nature making precise assessment difficult and it proposes broad priorities under which certain types of activity will be supported. The impacts of the Operational

Programmes will largely come from the specific businesses, communities, projects and activities which are ultimately supported, although not known at this time. It is therefore not possible to predict the exact location and nature of impacts. The SEA has, however, identified the likely types of broad environmental impacts which could stem from the Operational Programmes and it suggests ways to ensure negative impacts are minimised or mitigated and opportunities for positive impacts are maximised. The following paragraphs provide a brief summary of anticipated impacts.

The proposals under the heading of competitiveness, innovation and jobs could result in minor project level impacts on biodiversity, flora and fauna, soil, water and cultural heritage. Positive effects are noted in relation to population and human health as a result of employment opportunities, skills enhancement and actions to target social deprivation and access to services. Mixed effects are identified in relation to climatic factors resulting from increases in emissions as a result of developing export markets, alongside positive effects from increased business efficiency.

The local development and social inclusion proposals are also identified as having some positive effects in relation to biodiversity, flora and fauna in relation to improvements to green infrastructure. The proposals are also positive in relation to population and human health, as a result of enhancements to training and education, improving employability and regeneration. Minor positive effects are also identified in relation to climatic factors as a result of reducing greenhouse gas emission from active travel and support for low carbon development.

The environment, low carbon and resource efficiency proposals have positive effects on population and human health resulting from improved employment opportunities, improvements to health and living environments and tackling social exclusion. The proposals are also largely positive in relation to climate change, helping to avoid increases in future energy use and greenhouse gas emissions and supporting low carbon technologies and renewable energy. Linked to the actions which are positive for climatic factors, there are benefits for air quality resulting from alternative transport methods and alternative fuel.

Monitoring

The Strategic Environmental Assessment process requires that significant environmental effects are avoided, reduced or off-set. Although no significant adverse environmental effects were identified, monitoring is required to identify any unforeseen adverse environmental effects. In addition the SEA identifies a number of opportunities for maximising the benefits of the proposals for the environment. Potential indicators for monitoring issues raised by the assessment relate to the topics of population and human health and climatic factors.

Scottish Government

Ex-ante Evaluation of ERDF and ESF 2014-20 Scottish Operational
Programmes
Final Report

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