

**Scottish Government Consultation
Proposal for Scottish European Structural and Investment Funds 2014-2020**

**Response from Scotland Europa
June 2013**

This is a joint response to the ESI consultation from Scotland Europa members and partners, based on discussion at a meeting held on 12 June 2013, where it was agreed that a Scotland Europa response should be submitted to reflect areas of common interest from the membership.

Members and partners who attended this meeting or contributed to this response are:

Aberdeen City Council
East of Scotland European Consortium (ESEC)
Glasgow Caledonian University
Glasgow City Council
Highlands and Islands Enterprise
Highlands and Islands European Partnership
Interface
James Hutton Institute
NHS 24
Scottish Enterprise
Scottish Environmental Protection Agency
Scottish European Green Energy Centre
Scottish Funding Council
Scottish Investment Bank
Scottish Natural Heritage
Scottish Trade Union Congress (STUC)
South East Scotland Transport Partnership (SEStran)
West of Scotland European Consortium (WOSEC)
University of Glasgow
University of the Highlands and Islands
University of Strathclyde
Visit Scotland

At the meeting there was also discussion on the parallel consultation on the Scottish Rural Development Programme 2014-20, and reference is made here to issues concerning the integration of the funds in Scotland.

Scotland Europa members appreciate that the proposals reflect previous input and offer the opportunity for a wide range of stakeholders and partners to continue to engage with the Scottish Government in shaping the interventions and delivery mechanisms which will drive the focus and outcomes for the European Structural and Investment Fund Programmes 2014-2020.

Proposed content of the Partnership Agreement and Thematic Objectives

Q1. Are there other areas you think the Partnership Agreement should address?

Q2. Do you think the thematic objectives will best address Scotland's short-term and long-term challenges?

In general, Scotland Europa members are supportive of the choice of thematic objectives and feel they are appropriate to address Scotland's challenges in line with the Government's Economic Strategy. However, it was also noted that sufficient flexibility should be built into the Partnership Agreement to address changing economic circumstances throughout the programme period.

Members were very clear that the ESI Funds should not be considered in isolation from the wider range of competitive EU funding opportunities. The choice of thematic objectives and activities should be explained in the context of other EU funds; how they will tackle areas not easily supported under the other Commission managed funds, and will complement the scope of others, such as Horizon 2020, ERASMUS, LIFE, etc.

Explicit reference should be made to complementarity with the European Territorial Co-operation (INTERREG) programmes for which Scotland will be eligible.

The proposals for the new LIFE Environment and Climate Change programme have specific provision for supporting integrated projects, which would develop an overall strategic approach to a particular issue and fund activities through a range of mechanisms, including other EU funds. In particular there is scope to look at the use of SRDP, ERDF and ESF. The Scottish Government and key partners are looking at the opportunities under LIFE, and it would be helpful to reflect this opportunity in the ESI Partnership Agreement.

The scope to complement Horizon 2020 and COSME, for example by building SME capacity for innovation and collaboration, and supporting the commercialisation and/or implementation of results emanating from projects funded through these programmes also needs to be covered.

There should also be more explicit reference to the use of Financial Instruments and how these will need to be considered and designed to support the various thematic objectives of the programme.

Reference should be made to the review of the Regional Aid Guidelines, which are likely to require that future regional aid schemes are in line with regional strategies and specifically ERDF programmes.

The Partnership Agreement needs to make specific reference to the approach to Smart Specialisation in Scotland and how this is reflected in the choice of thematic objectives and the Themed Funds.

Q3. Do you think there are any other thematic objectives which should be addressed?

It would be useful to have scope to fund sustainable transport projects, both through ERDF, SRDP and EMFF. Transport has an important role to play both in terms of mobility and connectivity and as a key factor in effectively utilising Scotland's renewable energy resources. Rather than selecting the transport thematic objective as such, it was felt that sustainable transport should be included within the low carbon, resource efficiency and environment theme, in line with an approach based on low carbon for all sectors, also potentially within sustainable urban and rural development plans.

Q4. Do you think the Scottish Themed Funds will address Scotland's key challenges?

In broad terms, we agree that the Scottish Themed Funds are the most appropriate to address Scotland's challenges, although there is a lack of detail on what lies beneath the broad headings, and what the suggested activities would actually involve. There needs to be a clearer link connecting the themed funds to the activity examples which could be achieved through a set of relevant objectives in each Themed Fund.

Some of the activities suggested appear to be linked to the use of specific funds, and if they are to be funded only by SRDP or EMFF would be restricted to rural areas, even though they could be usefully applied in other areas. Examples include culture and heritage – are these only to be included in LAG / FLAG activities? Could similar approaches in urban areas be funded by ERDF / ESF? Members would like to see more consideration of how the key objectives and activities can be tackled as appropriate in all areas of Scotland.

It will also be important to provide greater clarity on the focus of skills and employability support funded through ESF within each of three Themed Funds.

We would make the following specific comments on the Themed Funds:

Competitiveness, Innovation and Jobs:

- Internationalisation should be emphasised more strongly
- The importance of business innovation should be stressed e.g. working with the business base to build innovation capacity, engage with and capitalise on research strengths.
- There should be specific reference to the role of social innovation.

Environment, Resource Efficiency and Low Carbon:

- There appears to be very limited scope for environmental projects under the Structural Funds and the same time a possibility that environmental measures will not be prioritised in SRDP. Focusing all environmental activity in SRDP would again limit this to rural areas and delivery through LAGs, which would be a missed opportunity for more strategic projects across different geography, and exclude activity in urban areas. There should be more emphasis on the scope within urban strategies to consider environmental issues and green infrastructure.

Social Inclusion and Local Development:

- Comments are closely related to Governance issues and are therefore referred to later in this response.

General Points across the Themed Funds

In terms of taking forward the Themed Funds to the Partnership Agreement and Operational Programmes, the following points are recommended:

- Clear objectives and desired outcomes for each Themed Fund should be developed as a basis for agreeing the type of activity which is required
- Stakeholders will need to be creative and strategic in understanding how Scotland's needs fit with the proposed themes, and ensure a critical mass of funding can be applied to make real progress against key challenges
- The detailed content of the Themed Funds, as translated into the Operational Programmes, should be sufficiently broad to allow a range of activity within broad interventions, rather than being restricted to a range of specified activities. Experience from the 2007-13 programmes is that overly prescriptive descriptions of eligible activity can limit the scope for appropriate and innovative approaches.
- The choice of thematic objectives and activities should be explained in the context of other EU funds; how they will tackle areas not easily supported under the other funds, and will complement the scope of others (see Q1).
- There must be sufficient flexibility within Themed Funds and Operational Programmes to respond to emerging issues and opportunities over the 7 year funding period. This should be clearly recognised and articulated, with the scope to respond with sufficient speed to changing circumstances, not just at mid-term review. This could be facilitated by devolving responsibility for review of priorities to the Strategic Delivery Partnerships (SDPs).
- The work of the cross cutting themes group on scope for horizontal and vertical integration of environmental issues and mainstreaming environmental sustainability needs to be incorporated into thinking across all three Themed Funds.
- There needs to be more explicit recognition of the role of Financial Instruments, and how these should be considered under each of the Thematic Objectives and rationalised where appropriate across the Themed Funds.

Governance and Delivery

Q5. and Q6. How do you think the governance and delivery arrangements will impact on your sector / organisation?

It was felt that the Consultation documentation lacked sufficient detail on the Terms of Reference for the PAMC and SDPs and that it will be crucial to provide clarity and sufficient guidance to support the development process. However, members welcomed the fact that the proposed governance arrangements provide the opportunity for greater engagement in the development, management and monitoring of the future Operational Programmes and offer the following comments as positive contributions which will help shape the next level of strategic development.

This response focuses on areas of common interest from the Membership and their consideration of the optimum solution for effective delivery to meet the challenges faced in Scotland, rather than on the impact on specific sectors, although there are some important sectoral issues which need to be considered in this context.

There are also a number of areas in the proposed governance and delivery structure which could have impact on sectors and organisations and which need clarification and further examination, including:

- The relationship between lead and delivery partners. Procurement issues will need to be considered (many contracts would be above EU Public Procurement threshold and therefore require open procurement) together with any potential for state aid to the delivery partner.
- The roles and responsibilities of lead partners and the implications for them in taking responsibility for funding, outcomes, delivery, audit and compliance. There is a pressing need to look at the lessons learnt from the evaluation of SDP and CPP approaches and resulting recommendations to support thinking in this area.
- Commitment of match funding by lead partners – there is lack of clarity regarding whether they are being asked to commit money with no guarantee of receiving any EU income. Consideration needs to be given to how match funds could be ring-fenced for delivery within the legal remit of the organisation and reimbursement resulting from under utilisation, again looking at previous and existing models, e.g. West and East of Scotland Loan funds.
- The scope for potential delivery agents to bring their own match funding needs to be considered and clear guidance provided – SDPs should be able to incorporate this in their deliberations and invite appropriate organisations to participate.
- Centralised match funding is an area where greater clarity is required – how practical is this across all Themed Funds, how would it work across 32 local authorities, CPPs, LAGs, HEIs?
- The SDPs need to deliver input to the Operational Programmes within a very short time frame. It was considered unrealistic to expect the level of detailed negotiations that will be required to be concluded in such a tight timescale, therefore it is recommended that the emphasis should be on identifying the key objectives, outcomes and areas of intervention which can be translated into Operational Programmes, rather than very specific projects and delivery structures.
- Synergies between SRDP and the other funds need to be fully examined and clarified. Members expressed concern that while SRDP has potential to fund a number of important areas under the Themed Funds, this might be limited in practice by the separate consultation and prioritisation of SRDP. There is also a clear need to look at potential duplication between activities under the funds (e.g. business advisory services, access to finance) and ensure that a plan is developed for effective delivery.

Q7. Are there any unidentified governance or delivery arrangements that could aid simplification of the future programmes and ensure that the Structural Funds complement each other?

Scotland Europa members recognise that the approach has been developed in response to requests for more stakeholder involvement in design and delivery of programmes, and the general approach of more strategic planning and delivery, less speculative, piecemeal applications is supported.

However, there are a number of areas which need further clarification – see above – and some challenges with the proposed model which need to be addressed, in the short term for the preparation of the Partnership Agreement and Operational Programmes, and in the longer term for effective delivery.

There are a number of key stakeholders who it will be important to engage in the detailed discussions going forward, there was little detail on how this is to be achieved within the Consultation documentation – the “challenge or support” partner groups will need to be clearly defined as part of the Governance structure in order to ensure delivery partners clearly feel part of the overall process.

SDPs are generally welcomed as a means of ensuring stakeholder involvement in the development, delivery and monitoring of the programmes, and could play a key role as a bridge between a more strategic approach and operational level activity.

To achieve this, it will be critical to make sure that the composition of SDPs is right, both in terms of organisation / sector representation and experience of individuals, including knowledge of eligibility criteria under different EU funding programmes, combined with understanding of the wider economic development delivery network and the operational priorities within their own organisation and/or sector.

SDP roles need to be more clearly defined, and the joint Partnership Agreement Monitoring Committee needs to have a clear role, remit and responsibility vis a vis the SDPs. There needs to be a much clearer articulation of how read across between the three Themed Funds will be achieved in order to maximise complementarity, avoid duplication and proliferation of similar actions and ensure the desired strategic focus is retained.

The proposals currently are for the same structure for each Themed Fund. There was a strong feeling that it would be wrong to assume one size fits all – the three themes may well require different approaches.

There needs to be a balance between national and local approaches, and this needs to be more clearly articulated in structure and remits of SDPs. For example there has been a lot of investment in developing local approaches to employability support which should not be lost within future deliberations. Local Authority/CPP representation on SDPs needs to be considered and reflect at least regional groupings.

Effective mechanisms need to be put in place for cross reference between the three Themed Funds and SDPs to avoid a silo approach, possible duplication and customer confusion (e.g. access to finance, business services) and achieve synergies.

The PAMC needs to be clearly defined as championing and scrutinising the extent to which this is working. Potential overlap / duplication and best delivery of certain activities between SRDP and other programmes needs to be addressed, in relation to business support services, access to finance, food and drink and rural development. At the same time, there is a need to ensure important areas, particularly environment and resource efficiency do not fall between the gaps.

Members are keenly aware of the need to move quickly to design effective programmes. The initial focus of SDPs should be on identifying the key outcomes, objectives and areas of activity which can be translated into Operational

Programmes, rather than very specific project ideas. There will then require to be an ongoing, iterative process, providing flexibility to respond to operational needs and opportunities and refine delivery based on experience.

The Highland and Islands transition package will have specific requirements and reporting arrangements, which need to be incorporated into the Scotland wide approach. It will also be important to understand how the Youth Employment Initiative Funds will be factored into the overall deliberations.

An approach for coordination between CPPs and LAGs / FLAGs needs to be agreed. The option to use alternative models such as ITI, CLLD and JAPs should be kept open within the Partnership Agreement. SDPs may not have sufficient time initially to consider the potential for these models but they could well emerge as appropriate options as delivery discussions progress, or later in the lifetime of the programme as our experience progresses. These models may be a useful way of developing innovative approaches. There may be scope to adopt a LEADER type approach across Scotland and across ESI funds for certain types of activity. However, momentum is already building up through EAFRD consultation workshops and suggested call for expressions of interest to prepare local development strategies, with existing LAGs looking at scope for CLLD approach. This needs to be aligned with the other funds and the SDP approach. It seems premature to start preparation of local strategies while the overall strategic direction is still being considered.

There should be an environmental representative on all SDPs, as well as knowledgeable representatives on delivery of financial instruments.

Youth Employment and Structural Funds

Q8. What other delivery mechanisms do you think would be feasible for delivering youth employment initiatives?

Members were concerned by the specific suggestion that youth employment operations be delivered by the Third Sector, which seems out of step with the proposed SDP considerations. While it is recognised that the third sector may well have an important role, delivery arrangements will need to reflect the different aspects of the challenge, the agreed activities, the delivery structures already in place for local employability pipelines, fit with CPP strategies, other roles of e.g. local authorities in dealing with NEET group and the need for engagement with businesses. Again it would be premature to prejudge the role of any potential delivery partners before SDP discussions have commenced.

Audit Control and Simplification

Q9. What other measures could be taken to reduce the audit and control pressures?

There is strong agreement across the sectors that simplification and reducing as far as possible the audit and compliance burden on lead / delivery partners and on final beneficiaries, such as SMEs, is essential.

Members look forward to considering and implementing the proposals from the work streams currently looking at alternative approaches. There are some interesting new ideas, such as fixed payments, which could be helpful, although the potential implications of moving to a more outcome based approach would need to be considered. Outcomes can take some time to achieve, so a milestone approach may

need to be developed, and there are potential issues with evidencing outcomes in some areas, including proving cause and effect.

However, we do not see the proposed governance and delivery structure as a measure to reduce the audit and control pressures in itself. It would more likely shift the pressures to the lead partners, if they are to take responsibility, and this would still need to be carefully managed through contractual requirements with delivery partners. It will be useful to look at other collaborative EU fund contractual arrangements as part of this process.

It is essential that clear guidance is provided at the start of the programme and that this is applied in a consistent manner. It is equally important that where any changes may need to be made during the lifetime of the programme that these should not be applied retrospectively.

The simplification agenda also needs to be extended to SRDP, and in particular to LEADER where the current audit requirements are disproportionate to project size.

Q10. Do you have any further comments on the proposals?

There is clearly a lot to do within a very tight timescale to move from the proposals contained within both the ESI and SRDP Consultations to the completion of the Partnership Agreement and Operational Programmes.

As emphasised above, members are committed to continued engagement in this process and keen to work together to achieve a strong strategic programme for Scotland. However, it is critical that this work starts as soon as possible and that clear timescales are set and adhered to, in order that participants can factor this work into already heavily committed schedules.

Clear Terms of Reference for the Partnership Agreement Monitoring Committee, Strategic Delivery Partnerships and Challenge/Support Groups will need to be provided sufficiently in advance of the establishment of these shadow groups. Participants must know the role they are being asked to undertake and have the opportunity to consult more widely within the sector and/or organisation they will represent if this process is to be effective.