

CITIZENS' SUMMARY:

The European Regional Development Fund in Scotland

European Structural and Investment Funds provide EU Member States and regions with financial assistance to overcome structural deficiencies, such as lack of infrastructure or skills, and to enable them to strengthen competitiveness and increase employment. Their aim ultimately is to reduce regional disparities in terms of income, wealth and opportunities.

The Funds make up one-third of the entire EU budget and are a significant commitment to helping all of Europe develop as a single market, as a trading community and as a social bloc. Scotland has been allocated up to €944m through the European Structural and Investment Funds programmes for the period 2014-2020, to deliver the EU2020 strategy of Smart, Sustainable and Inclusive Growth.

European Structural Funds are formed of two Funds: the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

What is the European Regional Development Fund?

The ERDF is focused on reducing economic disparities by supporting economic regeneration and safeguarding jobs. Put simply, it is geared towards business growth and investment. It provides finance for investments in companies (in particular SMEs) to create sustainable jobs; infrastructure linked notably to research and innovation, telecommunications, environment, energy and transport and financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions.

The ERDF is closely linked to, and works in collaboration with the European Social Fund (ESF), which focuses on addressing unemployment, promoting social inclusion and developing skills in Europe's workforce.

The ERDF in Scotland

The funds are invested to grow Scottish businesses, particularly SMEs, increase levels of research and innovation, improve digital communication, environmental activity, energy and transport.

Scotland has an ERDF programme allocation of €476m to invest in the EC priority areas of [Smart](#) and [Sustainable](#) Growth.

In Scotland, ERDF activity aligns with the Scottish Government’s strategic priorities including supporting and strengthening innovation, growing Scottish businesses, research and development and increased investment in climate change/renewable energy.

The funding is targeted through four strategic areas. These are groups of projects with common and interdependent aims, and they maximise investment levels by attracting match funding from key partners. The table below describes the aims of each of these strategic areas, and shows what they achieved in Scotland in 2016

<u>Strategic area</u>	<u>Achievements</u>
(1) Strengthening Research, technological development and innovation	
<p>Business Innovation: Promote business investment in research and innovation; promote investment in development of products and services; increase business commercialisation and investment in RTDI, particularly in sectors identified through Smart Specialisation. These aims will be achieved by supporting businesses in the development of new products, allow businesses to work directly with universities and offer financial and specialist advice to SMEs.</p> <p>Innovation Financial Instruments: The SME Holding Fund will enable SMEs to access finance for research and development, and provide finance to innovative start-ups other lenders would consider too risky.</p> <p>Scotland's 8th City - the Smart City: Scottish cities work collaboratively to create data publication platforms with the introduction of data analytics that will allow cities to make evidence-based decisions in order to improve services and delivery. It will pilot innovative technology to make Scotland’s cities more energy-efficient, greener places to live and do business and will address urban challenges, including issues such as air quality, energy use in buildings, transport, light and waste.</p>	<p>SE, SFC and HIE, are working with SMEs to support innovation through research and technical development to strengthen economic development.</p> <p>Furthermore, the SME Holding Fund will provide loans for investment in innovative active SMEs. The funding may also assist to increase the capacity of Innovation Centres to engage and work closely with SMEs.</p> <p>Recent analysis has identified that significant demand exists in other areas for this funding, and this is currently under review.</p>
(2) Enhancing access to, and use and quality of ICT	
<p>Digital Connectivity: Access to high quality connectivity for households and SMEs in remote parts of</p>	<p>The funding will contribute to extending world class digital connectivity to those parts of the</p>

<p>Highlands and Islands not served through existing investment programmes, with a particular focus on remote island communities. This will stimulate the rural economy by supporting development of new businesses and flexible working patterns and help to grow a vibrant digital economy through increased competitiveness.</p>	<p>Highlands and Islands that will not be served commercially or by existing public sector investment programmes, with a particular focus on remote island communities.</p>
<p>(3) Enhancing the Competitiveness of SMEs</p>	
<p>Business Competitiveness Provides skills, training and development support to create a highly skilled and competitive Scottish workforce and support the capacity of SMEs to grow in regional, national and international markets.</p> <p>Business Competitiveness Financial Instruments: The SME Holding Fund will provide access to finance for SMEs. Funds will support debt finance, equity finance and microfinance, as identified in the Ex Ante Assessment. Finance will be provided to SMEs looking to enhance business competitiveness and to grow in regional, national and international markets.</p>	<p>All areas of Scotland have now had operations approved to deliver business leadership, growth and internationalisation support. This is being delivered through the Enterprise Agencies, SE and HIE, and Local Authorities are delivering additional Business Gateway activity. The SME Holding Fund will deliver investment support to SMEs with growth and internationalisation potential.</p>
<p>(4) Supporting a shift towards a low carbon economy in all sectors</p>	
<p>Low Carbon Infrastructure Transition Fund (LCITF) – The programme will support the shift towards a low-carbon economy and promote the research and innovation in, and the adoption of, low-carbon technology. A range of support mechanisms including project development, expert advice and financial support is available to support the development of substantive low-carbon projects across Scotland. It will focus on supporting the acceleration of projects to develop investment grade business cases, helping them secure public and private capital finance in order to maximise Scotland’s vast potential in the low carbon sector.</p> <p>Low Carbon Travel and Transport (LCTT) – This intervention aims to increase the number of journeys made by public transport, active travel or low-energy vehicles. This will be achieved through building a mixture of Active and Low</p>	<p>The Low Carbon Infrastructure Transition Fund emphasises demonstrator projects, aiming to bring about long-term change in the market and leverage the value of low carbon investment. The ERDF investment has enabled a move beyond advice and analysis, to making changes happen at scale.</p> <p>Sustainable Transport actions are under way, including Integrated Smart Ticketing.</p>

<p>Carbon travel hubs which will provide facilities and routes to support cycling, walking and public transport use and provide reliable low-carbon refuelling services at strategic sites. The intervention will also focus on developing a national smart ticketing scheme.</p> <p>(Resource Efficient) Circular Economy – aims to further develop and strengthen Scotland's circular economy and support community-based organisations to build on existing local resources.</p> <p>Stimulating new business activity to identify, develop and bring to market new circular economy products and services; Supporting collaboration between businesses and academia to catalyse and demonstrate next generation products and services within the circular economy; Helping community and third sector organisations to develop local approaches to tackling resource efficiency, and to engage in the development of a more local circular economies.</p>	
<p>(5) Preserving and protecting the environment and promoting resource efficiency</p>	
<p>Resource Efficient (Circular Economy): Aims to increase the resource efficiency of Scottish SMEs; Increase business competitiveness in supported sectors by increasing resource efficiency; Supporting industrial transition toward a more resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors.</p> <p>Green Infrastructure: Aims to enhance quality of life for people living in urban areas by improving the quality, accessibility and quantity of green infrastructure in Scotland's major towns and cities. This will allow for: increased and better opportunities for people to improve their health and well-being; address inequality by creating new green space and improve existing sites for communities in areas of multiple deprivation and / or for communities living close to vacant and derelict land.</p>	<p>While resource efficiency and green infrastructure operations are quite distinct from each other, both ultimately rely on shifting behaviour – of potential investors in resource efficiency, and of individuals in making greater use of the green space being developed under the GI initiative. The GI Community Engagement Challenge Fund will help ensure community engagement and promotion of the ethos goes beyond those communities directly benefitting.</p>

The European Social Fund will also indirectly support these developments, by providing additional and new learning places from vocational through to post-graduate, in those sectors where Scotland has real growth potential. This will ensure those sectors have the right skills available in Scotland, giving them more security in investing in their growth here.

Who does the ERDF benefit?

Individuals- the low carbon sector and a stronger mid-sized business base will increase employment and promote skills development

SMEs- business growth support will not only help diversify the economy but help an increasing number of companies be 'born global', ready to innovate and export and engage with new markets in Europe and beyond

Communities- healthier and greener urban environments will be environmentally sound to live and invest in, whilst digital connectivity will reduce the level of social exclusion that is currently felt amongst remote rural communities

Scientists and Researchers: investment within Research & Investment will provide new opportunities for research and innovation, and the job opportunities that would arise from that.

How can I get involved?

Each specific strategic area will be under the control of a Lead Partner. Lead Partners are organisations which have the skill, expertise and capacity to manage these interventions.

If you have a project idea, you should contact the relevant Lead Partner who covers your project area. For a full list of Lead Partners please visit our website: <https://beta.gov.scot/publications/lead-partner-organisations/>

Further information

Please visit the Scottish Government's European Structural Funds website: <https://beta.gov.scot/policies/european-structural-funds/>

To view the full ERDF 2014-2020 Operational Programme, please see: <http://www.gov.scot/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/ProgrammeDocumentation/europeanstructuralfundsoperationalprogrammes2014-2>

For more information on the ERDF more generally, please see: http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm

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