

Annual Implementation Report for 2016 – ERDF - Scotland

Contents

PART A – DATA REQUIRED EVERY YEAR	3
Section 1 – Identification of the AIR	3
Section 2 – Overview of the implementation of the operational programme	3
Section 3 – Implementation of the priority axis	5
Section 3.1 - Overview of the implementation	5
Section 3.2 – Common and programme specific indicators.	6
Table 1 – Result indicators for the ERDF and the Cohesion Fund	6
Table 2A – Common result indicators for ESF	6
Table 2B – Result indicators for the YEI	6
Table 2C – Programme specific result indicators for ESF	6
Table 3A – Common and programme specific output indicators for the ERDF	6
Table 3B – ERDF support for productive investment, number of enterprises supported	7
Table 4A – Common output indicators for the ESF	7
Table 4B – Programme specific output indicators for the ESF	7
Section 3.3 – Milestones and targets defined in the performance framework	7
Table 5 – Information on the milestones and targets defined in the performance framework	7
Section 3.4 – Financial data	7
Table 6 – Financial information at priority axis and programme level	7
Table 7 – Breakdown of the cumulative financial data by category of intervention	7
Table 8 – The use made of cross-financing	8
Table 9 – Cost of operations implemented outside the programme area (ERDF)	8
Table 10 – Expenditure incurred outside the Union (ESF)	8
Table 11 – Allocation of YEI resources outside the eligible NUTS level 2 regions	8
Section 4 – Synthesis of the evaluations	8
Section 5 – Information on the implementation of the YEI	8
Section 6a – Issues affecting the performance of the programme and the measures taken	8
Section 7 – Citizen’s summary	10
Section 8 – Report on the implementation of financial instruments	10
Section 9 – Action taken to fulfil ex-ante conditionalities	11
Section 10 – Progress in preparation and implementation of major projects and joint action plans	11
Section 10.1 – Major Projects	11
Table 12 - Major Projects	11
Section 10.2 Joint action plans	11
	1

Table 13 – Joint action plans	11
Part B – REPORTING SUBMITTED IN 2017	12
Section 11 – Assessment of the implementation of the operational programme	12
Section 11.1 – For each priority axis: assessment of progress towards achieving the objectives of the programme	12
<i>Priority Axis 1 – Strengthening Research, technological development and innovation (Smart)</i>	12
<i>Priority Axis 2 – Enhancing access to and use and quality of ICT/ Extending Broadband Deployment</i>	13
Section 11.2 – Specific actions taken to promote equality	16
Section 11.3 – Sustainable development	17
Section 11.4 – Reporting on support used for climate change objectives	18
Section 11.5 – Role of partners in the implementation of the programme	19
Section 12 – Obligatory information and assessment	19
Section 12.1 – Progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations	19
Section 12.2 – Results of the information and publicity measures of the Funds carried out under the communications strategy	20
Scottish Communication Strategy	20
Publicity and Information	20
Section 13 – Actions taken to fulfil ex-ante conditionalities	23
Table 14 – Actions taken to fulfil applicable general ex-ante conditionalities	23
Table 15 - Actions taken to fulfil applicable thematic ex-ante conditionalities	23
Section 14 – Additional information which may be added depending on the content and objectives of the OP	23
Section 14.1 – Progress in the implementation of the integrated approach to territorial development, including demographic challenges, sustainable urban development, and community-led development under the OP	23
Section 14.2 – Progress in the implementation of actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use the Funds	24
Section 14.3 – Progress in the implementation of any interregional and transnational actions	25
Section 14.4 – Where appropriate, the contribution to macro-regional and sea basin strategies	25
Section 14.5 – Progress in the implementation of actions in the field of social innovation, where appropriate	26
Section 14.6 – Progress in the implementation of measures to address the specific needs of geographical areas most affected by poverty	26
Section 15 – Financial information for 2018 only.	27

PART A – DATA REQUIRED EVERY YEAR

Section 1 – Identification of the AIR

Reporting year: 2016.

Section 2 – Overview of the implementation of the operational programme

(Key information on the implementation of the operational programme for the year concerned including on financial instruments, with relation to the financial and indicator data.)

The timeline for establishment of the 2014-20 programmes was set out in the previous AIR. In summary the Operational Programmes for the ERDF and ESF were approved by the Commission in December 2014, and the Managing Authority invited strategic intervention applications from March 2015. The interruption and suspension of three of the four 2007-13 programmes in Scotland diverted a significant level of Managing and Audit Authority resources, which delayed the development of the 2014-20 the Management and Control System, and thereby delayed the detailed assessment process and risk evaluation of new operations. This meant there had been no claims and therefore no physical progress to report in the previous AIR.

The current AIR reports financial and indicator data comprising only one Operation, being a claim for Zero Waste Scotland, under ERDF Priority Axis 6g, in the Sustainable Growth area. Tables 6 and 7 include this claim show this financial progress (EUR 2.7m claimed), alongside details of all operations selected for support (EUR 594m), and Table 5 shows performance against indicators to 2018 and 2023.

A fuller picture of implementation can be gained by reviewing progress made in the commitment of funds through 2016, as reported to the JPMC at its meetings held on 25 May and 30 November 2016. These commitments include operations for which grants were approved following the MAAP selection process up to 5 October 2016 and subsequently endorsed by Scotland's Cabinet Secretary for Economy, Jobs and Fair Work. The targets against which performance is compared are the Performance Agreement targets, as set out in the Operational Programme.

As reported to the JPMC, by May all four ESIF Programmes in Scotland (including the Scottish component of the UK wide European Marine and Fisheries Fund) had been approved and were in progress, with early indications of performance reported. Across the ERDF, ESF and EAFRD programmes, 24% of the programmed spend had been committed by May, rising to 44% by November. (This commitment rate does not include EMFF which is committed at UK level, and where commitments for the Scottish portion stood at approximately 23% in November.)

The detail of implementation by priority axis is presented in Section 3.1 of this report; in this section we therefore consider the financial and physical performance of the ERDF in overview.

Commitments reported to the JPMC in November 2016 were €194,469,857.38, representing 41% of the programme value of €476,788,330.62, and we anticipated that claims would begin to come through before the end of the year.

At this time we observed that the pace of commitment and delivery activity were not evenly matched within the ERDF programme. For example, in the areas of innovation and SME competitiveness, there was slow commitment - but significant activity was being delivered at risk in advance of formal approval. In contrast, commitments were relatively steady across employability, but delivery was slow to start in some areas. In Section 6 of this report, we will set out our interpretation of issues affecting the performance of the programme.

A £40m SME Holding Fund was established in 2016 with funds from both Priority Axis 1 and 3 of the ERDF Programme. The Fund, which will provide access to finance for SMEs, comprises a micro-finance fund, a debt fund and an equity fund based on the findings of the Ex Ante Assessment. During 2016 the main activity undertaken by the Lead Partner (Scottish Government SME Holding Fund Unit) has been the procurement of the three individual Fund Managers to establish the fund. However, in the six months to June 2017 the SME Holding Fund has disbursed over £9.2m to its delivery agents. A further £8m is expected to be disbursed before the end of August 2017 (dependent upon the verification work undertaken on received claims).

There are no instruments to report for ERDF under Sustainable Growth.

Economic context:

On publication of the last Scottish Government State of the Economy report prior to the EU referendum vote on 23 June 2016, the outlook for both the UK and Scottish economies in 2016 and 2017 remained positive, despite challenges impacting the oil and gas sector. Central to these projections was the assumption that the UK would vote to remain in the EU.

By October the report noted that the EU referendum result had had an immediate impact on economic and business sentiment in Scotland and the UK, and led to a review of existing economic forecasts as both Sterling and stock markets reacted to the vote. The high degree of uncertainty was reflected in most forecasters' downgrading of growth expectations for 2017 and beyond, reflecting in particular decreased investment confidence and certainty, greater market volatility, decreased trade as businesses adjust in advance to life outside the EU, and decreased household consumption as a further pressure on investment as businesses themselves perceive less certainty for uptake for their products.

In section 6 we look at economic performance in 2016 in more detail.

Technical notes to this report:

Financial values have been converted from GBP to EUR at the Commission published monthly rates. For claims, this is the rate prevailing at the time each claim was approved, and for commitments, the rate that was current at the time of

reporting (so for example overall commitments reported to the JPMC in November 2016 used the November 2016 rate).

The claims are reported in the AIR tables as 'selected projects' (type 'S'), as Scotland does not yet have any fully-implemented operations (type 'F'). These operations have not reported result indicators at this stage.

Section 3 – Implementation of the priority axis

Section 3.1 - Overview of the implementation

ID	Priority axis	Key information on the implementation of the priority axis with reference to key developments, significant problems and steps taken to address these problems
1	Strengthening Research, technological development and innovation	The two enterprise agencies, SE and HIE, are working with SMEs to support innovation through research and technical development to strengthen economic development. This activity has now commenced. The SME Holding Fund has also been approved and will provide loans for investment in innovative active SMEs. However, the Priority remains under-bid as the Scottish Funding Council activity around innovation centres and increasing the capacity of these centres to engage with SMEs has not yet been approved. Work is underway to determine whether this activity can be approved. Recent analysis has shown that significant demand exists in other areas for this funding.
2	Enhancing access to, and use and quality of ICT	After a slow start, significant progress has been made in creating a suitable Strategic Intervention under this Priority. A substantial approval has now been made resulting in almost full commitment for this Priority. The funding will contribute to extending world class digital connectivity to those parts of the Highlands and Islands that will not be served commercially or by existing public sector investment programmes, with a particular focus on remote island communities.
3	Enhancing the Competitiveness of SMEs	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 delivering additional Business Gateway activity. The SME Holding Fund also has a substantial approval under this Priority which will deliver investment support to SMEs with growth and internationalisation potential. Operation applications were slow to be submitted but significant progress has been made throughout the year and good commitment levels have now been achieved for this Priority.
4	Supporting a shift towards a low carbon economy in all sectors	SG calls for certain types of technology were successful in bringing the necessary demonstrator projects forward. While this change in emphasis towards demonstrator projects in the Low Carbon Infrastructure Transition Fund will deliver fewer supported projects overall, greater long-term change in the market and leverage value of low carbon investment will result. The ERDF investment has enabled a move beyond advice and analysis to making changes happen at scale. That said, there is a lag between investment and reporting against targets, most notably in those related to carbon

		<p>savings. This is being further reviewed to ensure expenditure and anticipated outputs can be reconciled.</p> <p>Sustainable Transport actions are under way. Time constraints may impact on the scale of physical work that can be completed by the mid-year review point. Integrated Smart Ticketing is also reliant on behavioural change on the part of passengers.</p>
5	Preserving and protecting the environment and promoting resource efficiency	<p>The quality of projects emerging from the pipeline demonstrates the value of building momentum and scale into the programmes. This now needs to be maintained to deliver long-term benefits. While resource efficiency and green infrastructure operations are quite distinct from each other, both ultimately rely on shifting behaviour - potential investors in resource efficiency and 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. The resource efficiency operations have been running throughout 2016, and are the first financial claimants to the ERDF programme.</p>

Section 3.2 – Common and programme specific indicators.

(Data for common and programme specific indicators by investment priority are transmitted using Tables 1 to 4 below.)

Table 1 – Result indicators for the ERDF and the Cohesion Fund

Nil Return to end 2016: there are no results to report yet against the single claim for the ERDF in 2016.

Table 2A – Common result indicators for ESF

N/A for ERDF report.

Table 2B – Result indicators for the YEI

N/A for ERDF report.

Table 2C – Programme specific result indicators for ESF

N/A for ERDF report.

Table 3A – Common and programme specific output indicators for the ERDF

Please see attached spreadsheet.

This table gives forecast figures for 2018 and 2023, for selected operations i.e. from approved applications, compared to PA targets to 2023. There are no fully-implemented operations, and hence no actual achievements to report.

Table 3B – ERDF support for productive investment, number of enterprises supported

Nil Return to end 2016 (no claims paid).

Table 4A – Common output indicators for the ESF

N/A for ERDF report.

Table 4B – Programme specific output indicators for the ESF

N/A for ERDF report.

Section 3.3 – Milestones and targets defined in the performance framework

Table 5 – Information on the milestones and targets defined in the performance framework

Please see attached spreadsheet.

This table shows implementation steps and financial indicator targets to 2018 and 2023, and actual values achieved for selected operations.

Section 3.4 – Financial data

Table 6 – Financial information at priority axis and programme level

Please see attached spreadsheet.

This table shows summary financial information by priority axis e.g. costs of selected operations, as a proportion of total allocation; and one claim by beneficiaries to the MA, for Zero Waste Scotland.

Table 7 – Breakdown of the cumulative financial data by category of intervention

Please see attached spreadsheet.

This table presents the data from Table 6 in more detail e.g. by category of intervention code.

Table 8 – The use made of cross-financing

N/A for Scotland.

Table 9 – Cost of operations implemented outside the programme area (ERDF)

N/A for Scotland.

Table 10 – Expenditure incurred outside the Union (ESF)

N/A for the ERDF report.

Table 11 – Allocation of YEI resources outside the eligible NUTS level 2 regions

N/A for the ERDF report.

Section 4 – Synthesis of the evaluations

(Synthesis of the findings of all evaluations of the programme that have become available during the previous financial year.)

The ‘European Structural and Investment Funds: monitoring and evaluation strategy 2014-2020’ is published here: <https://beta.gov.scot/publications/esif-monitoring-evaluation-strategy-2014-2020/>. Under its timetable of planned evaluations of the ERDF programme, no evaluations were due to become available during 2016.

Please refer to Section 12.1 of this report for a discussion of implementation of the evaluation plan.

Section 5 – Information on the implementation of the YEI

N/A for the ERDF report.

Section 6a – Issues affecting the performance of the programme and the measures taken

As was the case in the previous AIR, the 2014-20 Programme is not itself the subject of any performance issues. However, it is still experiencing knock-on impacts from the effect which our on-going work on the 2007-13 programmes - including closure and suspensions - had on the timescales in commencing activity for the 2014-20 programmes.

At the time of writing the previous AIR, we anticipated that these timescales might cause some issues around absorption in the approved strategic interventions, as some match funding from past years’ public budget would become lost to the programme. Issues around match funding did indeed get worse through 2016, with lead partners and stakeholders increasingly perceiving and reporting it as an issue.

Public sources of central match or co-financing of EU funds (relevant to much of the ERDF and ESF) continue to be under pressure through public sector budget control. Smaller organisations have described as confusing the mixed picture on match funding, with some lead partners supplying it and others not – though more so in the ESF than ERDF.

The areas which have taken more time to commit tend to reflect fields of intervention that have not previously received support, such as poverty, or where the type of support has materially altered e.g. innovation centres. A further issue - that most cited by scheme leads, lead partners and stakeholders to programme teams - was continuity and certainty around the levels and length of financial commitments arising from the programmes. This was especially the case for long-term investments such as local action plans, higher-level skills and building portfolios of private investment.

In the previous AIR we also raised the possibility of considering extensions to timescales, increasing levels of activity, or amending projects, to help individual operations to meet their performance targets. This action has been taken forward in our Early Review of Programmes, conducted from late 2016 to early 2017. The June 2017 JPMC will consider the findings of this Review, and any measures taken in response to its findings will be reported in next year's AIR.

In terms of specific areas of concern, ERDF - in particular Smart Growth - had less funding committed than anticipated towards the end of 2016, albeit with a major anticipated approval for Improving ICT which has since been approved. An emerging mismatch between committed funding and projected results is illustrated by the number of businesses supported, less than halfway through the programme, being over five times the value anticipated for the whole programme duration. This raised questions over whether the level of support provided to each company would genuinely help them innovate and grow.

In contrast, ERDF Sustainable Growth appeared to be largely on track in late 2016, with 50% of funding committed and targets matching up to programme expectations. Where they did not, this appeared to be for good reasons, such as the change in emphasis towards demonstrator projects in the Low Carbon Infrastructure Transition Fund. This will deliver fewer supported projects overall, but offers greater long-term change in the market and leverage value of low carbon investment. The quality of the pipeline emerging for low carbon and resource efficiency activity underscores the value of building momentum and scale into the programmes, but this now needs to be maintained to deliver long-term benefits.

In the Highlands and Islands (H&I) region, the ESF and ERDF programme is worth proportionately more per head due to its 'transition region' status and historically higher levels of spending. Commitment levels will need to reflect this, but by late 2016 commitments accounted for only 27% of the funding allocated to the transition region, versus a national figure of 44%. The anticipated digital application to ERDF would take H&I approvals to 38% overall. However, this apparent improvement might mask low uptake in other areas of activity, particularly employability in ESF and innovation and SME competitiveness in ERDF. Under-commitment was also thought likely to be exacerbated by further funding allocated to transition regions as the result of MFF review.

Progress under each Priority Axis is assessed in more detail in section 11.2 of this report.

Looking ahead to further progress that is not captured in the time-period of this report, the commitment levels reported to the June 2017 JPMC (which reflect operations approved in the March MAAP) had risen to 52% overall, and 51% for ERDF.

Economic context

Section 2 closed with a summary of the increasing uncertainty following the EU referendum. This contrasted with the first half of the year, when the Scottish economy continued to demonstrate resilience in the face of on-going external headwinds: whilst output growth was flat in the first quarter of 2016, it picked up in the three months prior to the EU referendum. The labour market also continued to strengthen in the first half of the year, with the unemployment rate reaching its lowest level since 2008; this helped to support domestic demand, with rising real wages boosting household disposable incomes and the consumption in the domestic economy – demonstrated by an increase in retail sales over the second quarter. Non-domestic demand, however, remained weak in the first half of 2016, reflected in the fall in manufactured exports.

In the second half of 2016, the outcome of the EU referendum increased economic uncertainty. This was mainly visible in financial and currency markets (e.g. Sterling value), but consumer sentiment and business optimism also weakened.

While over the calendar year (i.e. 2016 on 2015) Scottish GDP grew by 0.4% (1.8 % in the UK as a whole), in the fourth quarter of 2016, the Scottish economy contracted by 0.2% compared to the previous quarter; it was also flat (0.0% change) compared to the same quarter a year previously. This weak performance in the last quarter of 2016 is the result of growth in the services industry being balanced out by contractions in the construction and production industries, particularly in manufacturing.

Overall, Labour Market statistics for January - December 2016 show a fall in the unemployment rate over the year (5.8% to 4.8%), but also a smaller fall in the employment rate and an increase in the inactivity rate.

N.B. In the 2016 report, Section 6b is replaced by Section 11.1.

Section 7 – Citizen’s summary

(To be uploaded as a separate file, following approval of the AIR)

Section 8 – Report on the implementation of financial instruments

Please see attached file.

There are no financial instruments under ERDF, Sustainable Growth.

Section 9 – Action taken to fulfil ex-ante conditionalities

There were no ex-ante conditionalities that were not fulfilled upon the adoption of the OP.

Section 10 – Progress in preparation and implementation of major projects and joint action plans

Section 10.1 – Major Projects

Table 12 - Major Projects

N/A for Scotland.

Section 10.2 Joint action plans

Table 13 – Joint action plans

N/A for Scotland.

PART B – REPORTING SUBMITTED IN 2017

Section 11 – Assessment of the implementation of the operational programme

Section 11.1 – For each priority axis: assessment of progress towards achieving the objectives of the programme

NB There is not yet any evidence available from evaluations concerning the contribution of the ESIF to changes in the value of result indicators.

Priority Axis 1 – 1b) Smart Cities (GCC) (Sustainable)

To the end of 2016, Smart Cities has committed just under 60% of its allocation, around £5.7 million out of a potential £10 million; however further work is underway and additional approvals are anticipated early in 2017 to make further progress towards full commitment. Proportionately, the highest level of uncommitted funds is in H&I, reflecting challenges around match funding, as well as a more general difficulty in finding suitably innovative projects and technologies to test in the relatively short timescale to 2018.

Higher skills has seen one full year of delivery (financial or academic year 15/16) and approvals are in place through to 2018. As most of the qualifications supported will take more than one year to deliver, it is too early to comment on results, but the move to higher skills has in itself been challenging, as it does not easily align with domestic targets and match funding, nor with existing provision.

Priority Axis 1 – Strengthening Research, technological development and innovation (Smart)

Much innovation activity has commenced, in particular around business support, leadership and loan financing for undertaking investments. Initial reports show hundreds of SMEs benefitting already, including one to one support for over 150 SMEs, and sectoral events e.g. innovation in packaging. However this has yet to be verified once claims are submitted and checked. The anticipated activity around innovation centres has not yet been approved, and the other types of activity remain under-bid, effectively leaving around 65% of the programme still uncommitted for innovation. However, recent analysis has shown that there is significant demand for these funds and therefore full commitment is still achievable. From the commitments made to date the forecast outcomes and results may be achieved early. For example, the number of enterprises cooperating with research institutions (ERDF) are forecast to be 133% achieved. Similarly, the number of enterprises supported to introduce new to the firm products (ERDF) is forecast to be 93% achieved. Once claims are submitted and verified, the achievability of these outcomes will become clearer.

Priority Axis 2 – Enhancing access to and use and quality of ICT/ Extending Broadband Deployment

During 2016 the Digital Strategic Intervention for H&I was approved, at £20M, and the two associated Operations were approved in December for the Scottish Government's world class digital connectivity programme. Due to the restricted eligibility criteria for this activity it has taken longer than expected to develop suitable strategic intervention and operation applications to meet the requirements. The approved operations will provide the infrastructure needed in the most remote mainland locations and islands. Physical delivery is expected to commence in 2017: the operations will create vital high speed communication links for around 2,300 businesses and 20,000 homes. These operations will aim to address market failure, support business competitiveness and make a positive impact on the provision of both healthcare and education. These substantial approvals have resulted in almost full commitment for this Priority.

Priority Axis 3 – Enhancing the Competitiveness of SMEs (Smart)

On SME competitiveness, there has also been significant activity, with delivery in many local areas starting at risk as early as 2015 and the enterprise agencies largely starting in late 2015 or early 2016. The SME Holding Fund awarded final funding agreements and contracts by the end of November 2016. The activity delivered so far includes multiple leadership development cohorts, the commitment of over half the value of the SME Holding Fund, and 'meet the market' and 'meet the buyer' events at a sectoral and geographic level. This Priority is showing good commitment levels for this stage in the Programme with almost 55% of the funds committed. With strong demand for funds in this Priority it is likely that a transfer of funds from under-committed Priorities will be necessary for the second phase of the Programme. From initial reports there is an emerging mismatch between committed funding and forecast outcomes and results, for example, the number of new enterprises supported is forecast to be 243% with just over half of the funds committed. This would appear to suggest that some adjustment of Programme targets may be necessary as the level of support to individual businesses is less than originally anticipated. Further monitoring will be required once claims are submitted to check that the levels of support provided to SMEs are sufficient to assist them to grow and increase their competitiveness in line with the original Programme objectives.

Priority Axis 4 – 4e) Transport (TS) / 4f) Low Carbon (SG) & Circular Economy (ZWS) (Sustainable)

Whilst progress reported through the EUMIS system is limited across the Programme, activity towards Programme Objectives under Priority Axis 4 is now well underway and momentum is building towards reporting more significant progress towards expenditure and achievements through SME support, Grant Schemes and Challenge Funds. 2016 has continued to see activity across a number of

interventions; however the lead in time for reported expenditure following the approval and award of individual projects can be significant, with approvals through Grant Schemes and Challenge Funds potentially committing expenditure across a number of calendar years.

When considering the commitments made by the Managing Authority in approved operations, progress is good with allocated funds committed through Phase 1 approvals broadly consistent with initial projections. Targets associated with this are also largely consistent with what was originally envisaged, with some minor exceptions noted below. However, whilst momentum is now building, actual delivery under these approved projects has been weighted towards establishing systems and running funding rounds for Grant Schemes and Challenge Funds, which will appear in claims through 2017 & 2018. It is worth noting that a lag between investment and reporting against targets has been identified, most notably in those related to carbon savings. This is being further reviewed to ensure discrepancies between expenditure and anticipated outputs can be reconciled.

Throughout the year, there has been activity under each of the Investment Priorities, the Low Carbon Infrastructure Transition Fund started in January 2015, and to the end of 2016 has awarded over £2 million to 35 catalyst projects as well as supporting 4 large-scale demonstrators in geothermal and water source heating and low carbon energy. In 2016 the Fund also launched a single £30 million call for 'transformation' projects, for which it received 40 responses. It is expected that early 2017 will see in excess of £45M committed to projects approved under the Intervention. All of these projects are required to bring further investment and be fully commissioned by September 2018, bringing significant additional leverage to the ERDF funding. Targets around non-financial support and commitments under Catalyst and Development phases have been noted as more challenging, although there is evidence of greater long-term change in the market and increased leverage value of low carbon investment. This will be further considered to ensure opportunities to reflect this shift in impact and the projected outputs are addressed as appropriate.

The circular economy operations have been operational through 2016. The ERDF funding is substantially expanding support to SMEs, to develop innovative and change-leading projects around circular business models, with targeted investment at those projects with significant potential for scalability, commercialisation and removal of significant volumes of waste from landfill. The ERDF investment has enabled a move beyond advice and analysis to making changes happen at scale and this is helping to cement Scotland's international reputation as a leading nation on the circular economy and tackling climate change.

As well as gaining approval for integrated ticketing, which aims at difficult behavioural change and modal shifts, Low Carbon Travel and Transport have recently announced and awarded £400,000 of domestic 'pre-funding' to help smaller organisations bring together high quality bids, and expects to award contracts in 2017. The first main call for proposals under the Intervention is due to launch early in 2017 and is expected to allocate in excess of £10M, with the majority of funding approved under the operations.

Priority Axis 5 – 6d) Green Infrastructure (SNH) / 6g) Resource Efficiency (ZWS) (Sustainable)

The Green Infrastructure Strategic Intervention has made good progress through Challenge Fund approvals, with the first call made in 2016, approving two significant projects with expenditure totalling just under £12M in target areas. A further call is programmed for the start of 2017 and expected to allocate the majority of the remaining uncommitted funds.

Lead-in times for spending against this type of capital project mean that no rounds after those already programmed in 2017 will be possible for projects completing during 2018. However, the potential demand for the 2017 round appears to be sufficient to avoid specific concerns, although additional engagement work is required with project sponsors in Highlands & Islands, as the potential for projects in this area is more limited.

Given the range of approvals made through the Challenge Fund First Round, and noting the comment on the Highlands & Islands region, there are no anticipated problems in terms of meeting the targets set out against this Intervention.

In addition, as part of the Green Infrastructure Strategic Intervention, a Community Engagement Challenge Fund was approved. This will help to ensure that community engagement and promotion of the ethos around the Green Infrastructure investments are not limited to those communities with direct access to the sites where the main capital investment is being made. The Community Engagement Challenge Fund will support smaller projects which directly target local engagement with the environment, and the many health and wellbeing benefits that can be realised through better access, understanding and use of local green space.

The resource efficiency operations have likewise been running throughout 2016, and are the first financial claimants to the ERDF programme. The ERDF funding is substantially expanding existing support to SMEs to reduce resource consumption and related costs through targeted investment and expert support. 2016 has seen good progress with several hundred SMEs supported through the Resource Efficient Scotland Operations, with uptake in the Highlands & Islands region being proportionately higher than anticipated at this stage.

There has been an additional Operation proposed and approved as part of the Strategic Intervention to support the Climate Challenge Fund; this will specifically target the third sector and support measures that implement and promote energy efficiency at a community level, achieving a much wider impact than would be possible through investment solely targeted at resource efficiency within SMEs. The value allocated to the Grant Scheme is in the region of £10M, with the first round programmed for early 2017.

Similarly to Interventions under Priority Axis 4, the targets associated with Carbon Dioxide savings and reductions are expected to experience a lag from approval and reporting of financial investment and subsequent reporting against the Carbon related targets. It is possible to include forecasts of anticipated savings, which will be used to identify any areas which require additional or closer monitoring.

Section 11.2 – Specific actions taken to promote equality

The Operational Programme sets out the context in which the ESIF programmes in Scotland were designed and under which they operate. Across the UK, this is dominated by the Equality Act (2010). In 2011 the Act introduced a new public sector equality duty (PSED) which replaced the previous three equality duties for race disability and gender. The new duty applies to the nine 'relevant protected characteristics' – age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex, sexual orientation, and marriage and civil partnership.

Specifically in Scotland, Scottish Ministers have since May 2012 had a power to make 'specific duties' to enable the better performance of the PSED. In addition, the Scottish Government has developed a set of Equality Outcomes for the nine protected characteristics: the outcomes are positioned at the heart of the Scottish Government's improvement agenda, mainstreaming equalities to raise the standard of performance against the PSED. There has been strong Ministerial interest in, and a commitment to taking forward activity in a number of equality areas relevant to the ESIF, including support for childcare; women's enterprise; combating gender segregation in the labour market, for both men and women, including Modern Apprenticeships; support for science, technology, engineering and medicine (STEM); and to help increase access to jobs in growth sectors of the economy for disadvantaged individuals and groups.

Scotland's approach to mainstreaming equality was further developed on the OP, as it built on the 2007-13 programmes and the ex-ante evaluation in its arrangements for the operations' integration of the gender perspective, prevention of discrimination, and accessibility for people with disabilities. The promotion of equality between men and women forms an integral part of all future projects, as gender mainstreaming is incorporated not only throughout the lifetime of the project but also into the planning, preparation, implementation, monitoring and evaluation stages.

Specific actions for these are enacted through the application process for SIs and operations, and verification by the MA. The SI Application Guidance (<https://beta.gov.scot/publications/esif-strategic-intervention-application/Strategic%20Intervention%20application%20-%20guidance.pdf?inline=true>) emphasises the importance of demonstrating that the horizontal themes have been considered and integrated into all Strategic Intervention and operation structures. The guidance explains that the aim of the Equalities horizontal theme is to increase the opportunities within the Programme for all groups, and to prioritise and adapt support for groups facing particular disadvantages to participation. This includes outlining any potential barriers to access to participation, and how the Strategic Intervention intends to overcome these barriers. Applicants are expected not only to consider what Equal Opportunities policies, procedures and resources will be in place, but also to explain how these will make a positive difference.

Lead Partner Application forms (<https://beta.gov.scot/publications/esif-strategic-intervention-application/>) therefore include descriptions of the SI's focus on horizontal themes (including equalities), how they are to be embedded in the SI and each operation, identification of the person responsible for ensuring that horizontal

themes are addressed in the SI and operations, and proposals for monitoring and evaluation of horizontal themes.

Operation application forms (<https://beta.gov.scot/publications/esif-operation-application/>) require details of how equalities issues and barriers will be identified, monitored and addressed. The guidance includes further prompts, such as to consider how possible discrimination (including unconscious discrimination) will be addressed. In addition, how will the activity planned, and the way it is to be delivered, contribute to eliminating discrimination. Both operation and SI applications must state how they will comply with regulatory requirements including the requirement for an Equality Impact Assessment (EQIA).

The procedures for assessing applications and verifying compliance with EU policies including equalities, and horizontal themes, are set out in the Management and Control System (MCS - <https://beta.gov.scot/publications/esif-management-control-system/European%20Structural%20and%20Investment%20Funds%20-%20management%20and%20control%20system.pdf?inline=true>). These occur in three stages: verification during project selection; administrative verification during project implementation; and on-the-spot verification before, during and after project implementation.

Section 11.3 – Sustainable development

The Operational Programme (OP) describes the context of sustainable development in the ESIF programmes, in terms of the requirements of Article 8 of the Common Provision Regulations and Part 4 of The Climate Change (Scotland) Act 2009. These apply to all public sector organisations participating in the 2014-20 Programmes and were key to the development of the OP, as were the findings of the ex-ante evaluation. This contributed strongly to the design process for mainstreaming environmental sustainability in the OP, leading to the adoption a two-fold approach to sustainable development.

Firstly, the thematic objectives ‘Supporting a Shift Towards a Low Carbon Economy’ and ‘Protecting the Environment and Promoting Resource Efficiency’ include a number of niche projects which directly promote sustainable development in the work they do. These thematic objectives are reported under Sections 3.1 and 11.1 of this report.

Secondly, because sustainable development is one of the three horizontal themes, the promotion of sustainable development will be a priority for all projects. Our specific actions for ensuring this are embodied in the application and selection process. The SI Application Guidance emphasises the importance of demonstrating that the horizontal themes have been considered and integrated into all SI and Operation structures. Lead Partner Application forms therefore include descriptions of the SI’s focus on horizontal themes, how they are to be embedded in the SI and each operation, identification of the person responsible for ensuring that horizontal themes are addressed in the SI and operations, and proposals for monitoring and evaluation of horizontal themes.

The guidance for operation and SI applications explains that the aim of this horizontal theme is to ensure that ESIF programmes promote the sustainable use

and conservation of Scottish environmental assets, by enhancing the role of environmental sustainability in economic and social development policy-making. It prompts applications to address the following:

- resource efficiency - particularly improving the efficient procurement and use of energy, water and raw materials and increasing application and use of renewable energy;
- environmental impact – particularly the ways in which the operation contributes to the enhancement or protection of the environment and seeks to minimise negative impacts (such as pollution);
- local sourcing – particularly support for local sourcing initiatives and activities aimed at diversification within the local economy as well as the efficient use of local public transport and local community transport services

The guidance also observes that applicants should not only consider what Environmental Sustainability policies, procedures and resources will be in place, but also explain how these will make a positive difference; and that, where applicable, delivery partners will be required to demonstrate how their proposed projects will comply with the Public Bodies Duty, outlined in Part 4 of the Climate Change (Scotland) Act 2009. Operation application forms require details of how environmental sustainability issues and barriers will be identified, monitored and addressed. Both operation and SI applications must state how they will comply with regulatory requirements including the requirement for an Environmental Impact Assessment (EIA).

The procedures for assessing applications and verifying compliance with EU policies and horizontal themes, are set out in the Management and Control System (MCS). These occur in three stages: verification during project selection; administrative verification during project implementation; and on-the-spot verification before, during and after project implementation.

The JPMC membership includes organisations with an interest in this area, to ensure sustainable development interests are taken into consideration at a higher level.

Section 11.4 – Reporting on support used for climate change objectives

A range of Programme activity has been identified as contributing to climate change targets, initial targets totalling just over 30% of the total programme value. To the end of 2016, the Programme has committed just over half of available funds; these commitments include Climate Change actions equal to 20% of the total Programme value, a significant contribution at this point. When considered as a proportion of the value of approvals made to the end of 2016, in the region of 33% of funds, drawn predominantly from activity approved under the Low Carbon, Resource Efficiency and Circular Economy Interventions, are allocated towards activities addressing climate change.

This would suggest that with further commitments to be made against the remaining programme allocations, the projected values of Climate Change activity may be slightly higher than the original targets.

Section 11.5 – Role of partners in the implementation of the programme

The Operational Programme describes the partnership working that was undertaken with the High Level Stakeholder Engagement Group and further working groups, in analysing the areas of need where the new 2014-20 programmes could have most impact. This partnership approach has been continued through into the implementation of the programmes, for example through the JPMC.

The composition of the Joint Programme Monitoring Committee (JPMC) has been agreed in accordance with Article 48 of the CPR, in that it is composed of representatives of relevant Member State authorities, intermediate bodies and of representatives of the partners referred to in Article 5 CPR. These are (a) competent urban and other public authorities; (b) economic and social partners; and (c) relevant bodies representing civil society, including environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination. The list of the members of the monitoring committee is published (<https://beta.gov.scot/groups/joint-programme-monitoring-committee/>). The European Commission participates in the work of the monitoring committee in an advisory capacity, and the committee is chaired by a representative of the managing authority. As set out in our MCS, the JPMC is supported by Operational and Territorial Committees including the Rural Development Operational Committee (RDOC), the Highlands and Islands Territorial Committee (HITC) and the Youth Employment Initiative Territorial Committee (YEITC).

At the heart of the OP partnership process were core stakeholder groupings around each of the Smart, Sustainable and Inclusive growth areas, which have also continued through into programme implementation. We have continued to hold regular meetings between the MA and lead partners under each of these growth areas, and are currently planning the establishment of additional quarterly meetings with lead partners.

The partnership approach is also fundamental to our implementation of programmes through strategic interventions, or groups of linked projects and operations. This builds on good experience in Scotland from the 2007-13 programmes, including strategic delivery bodies around innovation and skills development; and linking a large range of employability projects through the oversight of local authorities and their partners in the Skills Pipelines.

In next year's AIR we will be able to report on the extensive contributions made by partners to our Early Review of Programmes, undertaken in late 2016 and early 2017.

Section 12 – Obligatory information and assessment

Section 12.1 – Progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations

As stated in Section 6 of this report, the 'European Structural and Investment Funds: monitoring and evaluation strategy 2014-2020' is published here: <https://beta.gov.scot/publications/esif-monitoring-evaluation-strategy-2014-2020/>.

Under its timetable of planned evaluations of the ERDF programme, the only evaluation that had become available up to the end of 2016 was the YEI. This will be discussed in the AIR for the ESF, and there are no follow-up actions to report in this AIR for the ERDF.

This section is therefore limited to a discussion of implementation of the monitoring and evaluation plan.

In the Scotland MA, responsibility for monitoring and evaluation sits within the Policy and Governance Team. During the second half of 2016, much of the capacity of this team was absorbed by the project to investigate Simplified Cost Options (SCOs) with Commission colleagues, by on-going testing of the EUMIS management information system (one of whose purposes is to store operations' monitoring data), and by staff sickness. We did, however, make progress in scoping the first evaluation on the Plan: this is the second evaluation of YEI, which is due for completion at the end of 2018. We also continued with the routine monitoring of the programmes against the targets set out in the Partnership Agreement, and reported this to the meetings of the JPMC in May and November 2016, in addition to the AIRs. We have furthermore brought forward our Early Review of Programmes, beginning in late 2016, to review progress and inform our decision-making around changes in programming or project selection, as the accelerated timescales for Brexit increase the pressure on performance targets.

In 2017 we plan to undertake a review of planned evaluation activity, to optimise its alignment with domestic policy priorities in the light of the UK's departure from the EU.

Section 12.2 – Results of the information and publicity measures of the Funds carried out under the communications strategy

Scottish Communication Strategy

The Scottish Managing Authority has a Communication Strategy that sets out how information about the European Structural and Investment Funds in Scotland for 2014 - 2020 will be communicated, as well as publicity activity devised and delivered. It sets out the communications obligations of lead partners, key stakeholders and other interested parties. It includes the key messages about the European Regional Development Fund (ERDF) and European Social Fund (ESF) activity and the communication channels used to disseminate this information. It sets out how the Scottish Government will provide information that is timely, clear, and reliable, and in a form compatible with the following EC Regulations:

- 1303/2013, articles 115-117 and Annex XII
- 1304/2013, article 20 Youth Employment Initiative
- Commission Implementing Regulation 821/2014, chapter II and Annex II.

Publicity and Information

Print, online and broadcast media continue to be used as a channel to promote ESIF activity to a wide audience. The Managing Authority issues timely and accurate press releases focusing on strategic activity. Responsibility for this sits with the

European Structural Funds Communications Officer with support from the Governance Team. Communications are broadcast via online blogging, Twitter and the Scottish Government website.

To reflect the new 2014-20 structure, lead partners are required to work in partnership with the Managing Authority to maximise media coverage about the awarding of funding for individual projects. Responsibility for coordinating this activity lies with the lead partner programme contact, lead partner communications staff and the European Structural Funds Communication Officer. When a new operation is approved for funding, consideration is given to the opportunities to publicise the award, including Ministerial level announcements.

The communications activities of the Managing Authority and lead partners raise awareness and understanding of the European Commission's strategic priorities of Smart Growth, Sustainable Growth and Inclusive Growth.

European Structural Funds Division Website and Social Media

The European Structural Funds website is maintained and during calls for funding applications was kept up to date with application rounds, approvals and Lead Partner guidance. It is monitored regularly to ensure the published data are accurate and up to date.

Lead Partners and Stakeholders distribution lists for email alerts are maintained, and those on the mailing list were emailed of any news updates published e.g. calls for applications and progress reports. Lead Partners and stakeholders were encouraged to follow our new blog to keep up to date with other ESIF 2014-20 activities such as announcements and case studies. Existing and new communications channels such as Twitter were used to drive viewers to specific sections of the website to raise awareness of online information.

Annual Publicity Event

The Managing Authority is required by EC regulations to carry out an annual communications activity for each year of the ERDF and ESF programming period. Past activity has ranged from award ceremonies and road shows to stakeholder information days. In 2014 a new approach was taken which used digital technology (in the form of an online booklet) to promote and raise awareness not only of the achievements of the funds over the previous 12-month period, but also of European funding achievements in Scotland over the previous seven years.

As activity for the 2014 - 2020 programmes was in very early stages during 2016, the Managing Authority took the decision to promote the work of the programmes at the Europe Day event in May. The Managing Authority took a stall at the well-attended event and distributed promotional material highlighting the achievements of the 2007-13 Programmes and publicising the aims of the 2014-20 Programme. The annual event in 2017 will promote activity and achievements to date.

Publicity Requirements

The Scottish Government has published the European Structural and Investment Funds 2014 - 2020 Programme Publicity Guidance in line with requirements set out in European Commission Regulation (EC) 1303/2013.

The publicity requirements set out the minimum requirements which lead partners must adhere to when developing and delivering European Structural and Investment Fund operations. These requirements are set by both the European Commission and the Scottish Government.

It is a condition of grant that any assistance received by a project from the European Union through ESIF is clearly and appropriately acknowledged in all publicity material, publications, public procurement documents and events. The guidance covers how and when to acknowledge the European Union's Structural Funds contribution, information about the correct use of logos, and the technical specification relating to their use. A copy of the guidance, the relevant European Commission Regulations and the agreed European Structural Fund logos for Scotland is easily available on the Scottish Government website in a variety of approved formats and styles.

The publicity requirements underpin a partnership approach to communications activity between the Managing Authority and lead partners which is designed to maximise publicity opportunities.

Announcement of List of Operations

A full list of approved operations is available from Scottish Government website at: <http://www.gov.scot/Topics/Business-Industry/support/17404/esifoperations/ESF-ERDFoperationsapproved>

Visibility and Awareness

Since September 2016, the European Structural Funds Communications Officer has been working closely with Scottish Government Digital colleagues in the redesign of the Scottish Government's corporate identity to demonstrate our role as a digital Government leading a world class digital country. This involved transitioning to a new website which required careful consideration in transferring content to the new Scottish Government website. This also involved the development of a new blog for European Structural and Investment Funds.

The Communications Officer has worked closely with the Scottish Government web team to ensure web analysis can be carried out on a monthly basis, identifying any increased traffic to particular webpages after announcements, events, news releases, social media posts and blog posts.

A combination of the Events and Content Planner, Hootsuite and Web Analytics will improve our social media presence. Further communication activities will encourage and increase sharing between lead partners and European Structural Funds colleagues by means of a quarterly newsletter and already created content for their social media posts.

Press releases are an important way of engaging with the media and communicating messages to the general public. News releases have been published on the Scottish Government news pages for any European Funding announced by a Minister. News coverage following an announcement or launch event is monitored and recorded on our media monitoring table.

Section 13 – Actions taken to fulfil ex-ante conditionalities

Table 14 – Actions taken to fulfil applicable general ex-ante conditionalities

There were no ex-ante conditionalities that were not fulfilled upon the adoption of the OP.

Table 15 - Actions taken to fulfil applicable thematic ex-ante conditionalities

There were no ex-ante conditionalities that were not fulfilled upon the adoption of the OP.

Section 14 – Additional information which may be added depending on the content and objectives of the OP

Section 14.1 – Progress in the implementation of the integrated approach to territorial development, including demographic challenges, sustainable urban development, and community-led development under the OP

Scotland's approach differs from that originally envisaged by the Commission. The OPs for both the ERDF and ESF explain (in Section 4) that no funding has been allocated specifically to territorial development, because the ESIF will operate nationally in Scotland – but the territorial dimension has informed the specific targeting within national interventions, territorial delivery options around the Highlands and Islands, and the shaping of specific geographic interventions such as investment in broadband infrastructure. Although Scotland does not make use of the regulatory instruments for territorial delivery (i.e. Integrated Territorial Investments, Integrated actions for sustainable urban development, or Community-led local development), the programmes are focussed on supporting individuals, businesses and communities, recognising the relevant territorial issues that play a key role in the type of support or focus required. Examples of this approach include the following relevant activities:

Demographic challenge – the Highlands and Islands have operations under the Transition Region status for both programmes. Significant work was undertaken for the OP particularly around the Transition region to identify how best to tailor and deliver national interventions in an area with dispersed locations, low population density and high distance to services, lower and sometimes seasonally dependent wages, sparse population concentrations, and very particular sectoral and skills

strengths around low carbon and tourism. This has determined how the transition regional allocation has been split across the thematic objectives, with a different profile than in more developed regions; as well as allowing for different remote delivery options e.g. around skills, and additional eligible activity e.g. around highly specialised business or innovation infrastructure.

Sustainable urban development – the Scottish programmes support activity which aligns with the spirit of the regulations, in particular under Thematic Objectives 1 (Smart Cities approach) and 6 (Green infrastructure).

Community led development - Scotland has an established system of Community Planning Partnerships (CPPs), which are wide groupings covering local authorities, health, social, justice and educational services, local third sector representatives and others. These are responsible for delivering a range of local outcomes agreed on a multi-annual basis, including many areas where the ESIF also takes an interest. The OP intended that the use of CPPs and the third sector as a delivery method would determine the actions required to support labour mobility and employability directly, with leadership by the local area. In addition, support for community sustainability measures to enable communities to identify and tackle issues to combat poverty locally would prompt the consideration of territorial challenges and tailoring.

Section 14.2 – Progress in the implementation of actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use the Funds

The Management and Control System (MCS) sets out detailed guidance on how the financial and administrative aspects of the operational programme are to be delivered. The MCS is compliant with European Council Regulations. Scottish Government Finance and Internal Audit (the Audit Authority) were closely involved in the approval of the MCS and designation of the MA and CA. A specific hierarchy of delegated authority is in place and is set out within the MCS. The MCS is reviewed on an annual basis and the Managing Authority's and Certifying Authority's implementation of the programme and adherence to the MCS is subject to review by the Audit Authority.

An additional direct reporting line for the Head of the Certifying Authority and Finance Team within the Division has been established to the Director of Finance as well as to the Head of (European Structural Funds) Division. The Certifying Authority only submits expenditure declarations to the Commission following a detailed monitoring process. There is regular monitoring to ensure that the financial control systems are operating effectively.

Training is provided to staff to enable them to discharge their functions effectively. This has been important in ensuring that staff are clear on the development of new business processes in the 2014 - 2020 programmes and tasks required.

Section 14.3 – Progress in the implementation of any interregional and transnational actions

European Territorial Cooperation (ETC) programmes are supporting activities that are strategically aligned with the investment priorities of the Scottish ERDF programme, such as the Low Carbon Infrastructure Transition Fund operating under Priority 3:

FORESEA is a pioneering initiative that will help SMEs in North West Europe test ocean energy (OE) technology in real sea environments and prove power can be economically generated from the ocean. This transnational project, led by the world-class European Marine Energy Centre (EMEC) facility in Orkney, brings together leading partners and facilities within the peripheral regions of Northern Scotland, Western Ireland, Western France and Western Holland, locations where the highest ocean energy resources in Europe exist. ETC investment is vital for the coordination of these test sites to enable longer-term testing and technology de-risking that aims to help secure €30 million investment into OE companies across the North West Europe region.

Aberdeen City Council is leading the **HyTrEc** consortium of high-profile sector organisations from the UK, Sweden, Germany, Netherlands and Norway that will begin to address the market failure caused by the high cost of fuel cell electric vehicles (FCEV) for fleet operators, and the need to make green hydrogen cheaper through more cost effective hydrogen production, storage and distribution. The need for collective European effort in FCEV has been fully recognised by the North Sea Region Programme; the HyTrEc collaboration builds on the success of an earlier phase of ETC support, and this latest award will be crucial in enabling the partners to pool their knowledge and expertise and work together to reduce the trialling time and subsequent cost of innovative new hydrogen vehicles to establish a unique transnational Centre of Excellence for hydrogen transport.

Section 14.4 – Where appropriate, the contribution to macro-regional and sea basin strategies

Atlantic Strategy

UK Position

The UK holds the Presidency of the Atlantic Strategy Group in 2017. This year the Atlantic Stakeholder Platform event is being hosted by the Scottish Government on Wednesday 8 November at the Strathclyde University Technical & Innovation Centre. There will be a further UK National event on the Atlantic Strategy and Action Plan to be hosted by the Welsh Government in September 2017 (date to be confirmed).

The UK supports the objectives of the Atlantic Strategy across a range of areas. In particular, the UK:

- Supports increasing the ability of the Atlantic area to innovate in research and technology;
- recognises the potential benefits of cooperation and sharing information;
- recognises that a number of marine sectors have strong growth potential including aquaculture and biotechnology;
- recognises the vital importance of coastal destinations to the tourist economy.

Not all actions identified within the Atlantic Action Plan Communication are suitable for the UK, and all actions will be considered in the context of whether they will deliver the core priorities of contributing to growth, jobs and sustainable development.

Scottish Position

There is no dedicated funding allocated to the Atlantic Strategy and Action Plan, but it is supported through the individual ESI Funds operational programmes across the UK. In addition, there is also the Atlantic Area European Territorial Cooperation Programme, which has a total value of €140m (ERDF), of which €29.9m is from the UK's ETC allocation.

Of the £205,178,650 total grant awarded towards 90 operations across the two programme areas, the Scottish ERDF Programmes anticipate that 29 operations, totalling £75,203,910.92, will contribute towards innovation in research and technology through those priorities which aim to support Strengthening research, technological development and innovation and Promoting research and innovation in, and adoption of, low-carbon technologies.

Section 14.5 – Progress in the implementation of actions in the field of social innovation, where appropriate

N/A for ERDF report.

Section 14.6 – Progress in the implementation of measures to address the specific needs of geographical areas most affected by poverty

The Operational Programme recognises a wide range of challenges faced throughout Scotland, including those that impact on specific communities and other geographic areas. Experience and innovation through previous programmes has helped to improve the effectiveness of interventions in the most remote and rural parts of the Programme area; and this is recognised and further built on in the aspirations of the current Programming Period. Not only through improving access to digital connectivity, but also in ensuring that support is promoted and delivered in a range of media and formats to increase its impact across the whole programme area.

Geographic barriers are overcome through the operations such as the Resource Efficient Scotland Programme. Its central ethos is to deliver a national inclusive service, but it also recognises the importance of ensuring meaningful and effective engagement with businesses in more remote areas of Scotland. Central to this is the accessibility of initial engagement, providing online and telephone support in addition to site visits and efficiency audits, ensuring that there are no unnecessary delays or barriers to remote areas accessing the service and receiving the initial support, which can be followed up with a more tailored programme.

In addition it is important to work closely with key stakeholders in these areas to help achieve high levels of uptake; including the local domestic energy support centres, Highlands and Islands Enterprise, and local Business Gateway advisers. As an example, one of the Resource Efficient Scotland team visited the Shetland Islands to meet with local businesses and other stakeholders to refresh and promote understanding of the Resource Efficient Scotland support available, and the range of potential benefits delivered through the support.

The Programme includes targeted interventions not just for the most remote areas but also for those areas which are amongst the most challenged and deprived in Scotland. The Green Infrastructure Strategic Intervention specifically targets communities in the bottom 15% of the Scottish Index of Multiple Deprivation (SIMD), thus ensuring that the investment is addressing key issues around some of the most socially and economically challenged areas in the Programme area. Introducing an additional Community Engagement Challenge Fund element to this Intervention has helped to extend this impact beyond the communities that have direct access to the areas where capital investment has been approved.

Section 15 – Financial information for 2018 only.

N/A for 2017 report.