

## OPERATIONAL PROGRAMME UNDER THE 'INVESTMENT FOR GROWTH AND JOBS' GOAL

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NUTS regions covered by the operational programme	UKM - SCOTLAND UKM2 - Eastern Scotland UKM21 - Angus and Dundee City UKM22 - Clackmannanshire and Fife UKM23 - East Lothian and Midlothian

	UKM24 - Scottish Borders
	UKM25 - Edinburgh, City of
	UKM26 - Falkirk
	UKM27 - Perth & Kinross and Stirling
	UKM28 - West Lothian
	UKM3 - South Western Scotland
	UKM31 - East Dunbartonshire, West Dunbartonshire and Helensburgh
	UKM32 - Dumfries & Galloway
	UKM33 - East Ayrshire and North Ayrshire mainland
	UKM34 - Glasgow City
	UKM35 - Inverclyde, East Renfrewshire and Renfrewshire
	UKM36 - North Lanarkshire
	UKM37 - South Ayrshire
	UKM38 - South Lanarkshire
	UKM5 - North Eastern Scotland
	UKM50 - Aberdeen City and Aberdeenshire
	UKM6 - Highlands and Islands
	UKM61 - Caithness & Sutherland and Ross & Cromarty
	UKM62 - Inverness & Nairn and Moray, Badenoch & Strathspey
	UKM63 - Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute
	UKM64 - Eilean Siar (Western Isles)
	UKM65 - Orkney Islands
	UKM66 - Shetland Islands

# 1. STRATEGY FOR THE OPERATIONAL PROGRAMME'S CONTRIBUTION TO THE UNION STRATEGY FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH AND THE ACHIEVEMENT OF ECONOMIC, SOCIAL AND TERRITORIAL COHESION

## 1.1 Strategy for the operational programme's contribution to the Union strategy for smart, sustainable and inclusive growth and to the achievement of economic, social and territorial cohesion

1.1.1 Description of the programme's strategy for contributing to the delivery of the Union strategy for smart, sustainable and inclusive growth and for achieving economic, social and territorial cohesion.

Over more than 20 years EU Cohesion Policy has been a force for change, ensuring that a genuine contribution is made to convergence and growth. Scotland embraces the vision of the regulations for Regional Policy 2014-20 and its strong focus on maintaining and improving Europe's competitive advantages through managing the environmental impact of the economy, ensuring that all regions and people benefit, and becoming a value-added, innovation and knowledge intensive region of world.

In the period from 2014-20, Scotland will focus the Structural Funds on achieving **structural reforms** which facilitate sustainable economic growth. As EU Funds are deployed alongside significantly greater national resources, efforts will focus on quite **specific niche** investments which would not otherwise take place, or not to the same scale and timeframes, without Structural Funds. Deliberate efforts to create **alignment** between all EU Funds deployed in Scotland should ensure that the funds act together to support growth and jobs.

To maintain this focus, the Scottish Programmes will be designed around Strategic Interventions – programmes of work of significant scale and defined scope which will align with and help shift the focus on domestic policy. These strategic interventions will be managed and co-financed by Lead Partners, typically the existing organisations and legal vehicles which already manage domestic funding in the same policy area. This strategy means Scotland will be able to use EU Funding to align with and gradually shift domestic funding towards new and transformational policy development, which might otherwise struggle for funding. For example, there are major policy shifts taking place in Scotland around aligning business and innovation support and around vocational training, and in both cases, Structural Funds can act as catalyst, helping positive changes take place more quickly. Within these Strategic Interventions, there will be a key role for the third sector, including community organisations and social enterprises, in the delivery of objectives and results.

Both ESF and ERDF Operational Programmes will cover both the more developed and the transition category regions of Scotland. Although there are some divergent **territorial**

**challenges** which the programmes will respond to, many of the structural reforms required for Scotland to most effectively contribute to Smart, Sustainable and Inclusive growth are shared across Scotland, and the objectives in many cases overlap. For example, if Scotland is to make the most of its off shore and low carbon know-how, those sectors will need support to bring in and develop more SMEs, which invest more in innovation than is currently the case – and this in turn is likely to require skills sets which are currently in short supply, both through training young people and retraining the existing workforce. Likewise, social inclusion in Scotland presents a complex array of causes and solutions, but would benefit from being linked to initiatives on employability and skills, and indeed to local SME growth so that jobs are created for the locally available workforce. Planning for the 2014 programmes has therefore been focused on finding and supporting better connections between these objectives, and creating mutual strength between funding programmes rather than adding new and separate streams.. –.

The justification for and choice of thematic objective and investment priority are therefore the same across Scotland; but the delivery of locally relevant operations within strategic objectives will ensure that the funds remain tailored and relevant to regional need, particularly in the Highlands and Islands. The exception to this is the Priority Axis for ICT, which is limited specifically to the transition region in recognition of the greater difficulty in getting the market to operate in remote rural regions, and the benefits which greater ICT connectivity could bring to both business and social life in these areas. A separate Priority Axis will also cover the Youth Employment Initiative for South West Scotland.

## **Current Economic Performance**

Scotland has seen welcome improvements to the employment and economic picture over 2013. The most recent data for the Scottish economy showed growth of 0.7% in the third quarter of 2013. This followed an increase of 0.6% and 0.4% in Q2 and Q1 2013 respectively, and marks four consecutive quarters of growth, and annual growth of 2.2%.

Revised UK data also confirms earlier findings that Scotland had a less severe recession than the UK as a whole and is closer to pre-recession levels of output, although it remains 0.9% below pre-recession levels. Consumption has been the key driver of the recovery, and this trend is forecast to continue in 2014. If the recovery is to be sustained into the medium term however, increased competitiveness will be key with private sector investment and external trade needing to contribute more to the overall balance of growth.

2013 has also seen improvement in the labour market, particularly when compared to one year ago. Employment is up, driven by a rise in full-time employment, and economic inactivity and unemployment are down, indicating a positive direction of travel in terms of Scotland's labour market recovery, and highlighting the adaptability and high level of skills within the Scottish workforce as key strengths to build on. Nevertheless, fragility remains and a sustained recovery will depend on continued economic growth driving increased demand for labour.

There has been a fall in youth unemployment over the year with Scotland's youth unemployment rate, as measured by the International Labour Office (ILO) rate, comparing favourably to that of the UK and other European countries. However, youth employment continues to be heavily concentrated in South West Scotland; as does long-term unemployment. One of the most significant long-term threats to sustainable growth in Scotland is now the loss of skills due to those unemployment trends, and the parallel risk of increasing inequality.

Despite recent positive performance, then, after 5 years of global financial turmoil, Scotland is not without its economic challenges. Public and private spending levels are lower and the ability to stimulate markets therefore decreased. The unemployment rate, 6.4 % over the 3-month period between September and November 2013, is substantially above its level five years prior to the recession (4.9%). Real GDP in 2012 Q4 remained below its pre-crisis peak level, and although growth is now returning, it is at modest levels. Real wages in the economy have declined by 8% since the recession, and this, alongside the higher rates of unemployment and the impacts of welfare reform, have contributed to a decline in people's living standards. Scotland, like the UK, also remains below the EU average productivity levels.

Beyond the immediate issues of the economic crisis, there are underlying factors which if unaddressed could affect Scotland's ability to effectively contribute to EU 2020 goals; and also significant opportunities which Scotland could exploit to achieve those goals. It is these factors on which Structural Funds can be brought to bear, and through which Scotland can contribute to the EU 2020 goals.

### *Smart Growth*

Smart Growth in Scotland will rely on three elements coming together – a high quality research base increasingly being applied, commercialised and internationalised by business; a broader range of businesses using that as a platform for growth and employment; and the right skills mix being available to support this transition to a knowledge-intensive economy. The overall aim is for more businesses, particularly SMEs and mid-sized companies who create broad economic bases locally, to realise the benefits of investing in their intellectual property and the people who create it.

Scotland's current higher education research spending (HERD) places it in the top 3 in the OECD. This is a real strength in Scotland's more developed regions with top-ranking universities including Aberdeen, Edinburgh, Glasgow, St Andrew's and Strathclyde Universities. This strength is not yet replicated in the transition region, where the University of the Highlands and Islands is a relatively recent development, and the economy is significantly more dependent on micro and small businesses with less capacity to interact with academic institutions.

Despite this research excellence, expenditure on GERD overall means Scotland (1.57%) is a mid-ranking performer within the UK (1.77%), lags behind the EU average and

significantly behind a number of aspirational comparator countries such as Denmark (3.09%), Sweden (3.37%) and Finland 3.78%) (all Eurostat 2011 figures).

***Figure 1: See Documents: ERDF graphics Figure 1 Gross Expenditure on R&D, % of GDP, EU member states and Scotland, 2011***

This is principally because business expenditure on R&D – a key driver of productivity and economic performance– is weak, at between £600m and £700m per annum in 2011 prices. Scotland’s BERD performance is historically lower than its comparators; is concentrated within the manufacturing sector, which accounts for £500 million of the total; and is dominated by large and foreign-owned firms (with US ownership accounting for 41% of BERD compared to 30% for Scottish-owned firms).

In 2011, over one third of Scottish BERD expenditure was supported in just two product groups in the manufacturing sector: Pharmaceuticals and Precision instruments and optical products. Innovation in Scotland is also highly spatially concentrated, with almost 45 % of BERD expenditure undertaken by businesses located in just three local authority areas: The City of Edinburgh (22.5%), West Lothian (12.1%) and Aberdeen City (10.2%).

The combination of foreign ownership and sectoral and spatial concentration reflects policies which have aimed to attract foreign direct investment to Scotland. This is still successful in creating jobs, but based on current figures and trends unlikely to either support development in all regions of Scotland; or to deliver the EU 2020 target of 3% of GDP spent on RTDI.

***Figure 2: See Documents: ERDF graphics Figure 2: BERD Expenditure in Scotland, £ million (real terms, 2011 prices)***

Increasing the level of research and development activity, encouraging innovation and improving levels of commercialisation is recognised by the Scottish Government as being vital to boosting growth performance. The Government Economic Strategy, which also operates as part of Scotland’s Smart Specialisation approach, focuses on growth sectors, growth companies and growth markets. Within the Government Economic Strategy, the key sectors for innovation and development have been identified as:

- **Creative industries – particularly in sub-sectors such as broadcasting or games, music, textiles and increasingly in data storage and informatics**
- **Energy – research into technology and engineering, including test facilities, manufacture, installation and supply chain, and distribution, and particularly drawing on strengths in marine, off shore and other renewable energy technology**
- **Food and Drink – a key sector in rural Scotland with opportunities in value added markets reliant on high quality of nature, but also processing and packaging.**

- **Life Sciences – currently clustered near university and research facilities, and with high expansion and export opportunities in e-health and animal health/sustainable agriculture**

These will also guide funding for SME competitiveness, and skills development under the European Social Fund, although for SME Competitiveness and Skills they will be supplemented by other sectors identified in the Scottish Government Economic Strategy such as heritage and tourism, where there are particular business development opportunities around business tourism, major events and adventure tourism.

The assets in each of the sectors are unevenly distributed across Scotland, but collectively offer targeted opportunities in a wide range of locations. By understanding what companies can grow in each of the sectors, Scotland can target differentiated interventions on:

- locations offering the best mix of assets (international competitiveness)
- locations where development of new assets would make the most difference (regional competitiveness)
- locations which we need to connect more effectively to areas of opportunity (regional cohesion)

The gaps between BERD and HERD, and the concentration of BERD in large companies, suggests that more support is needed to encourage business-to-academia linkages, commercialisation of research produced by Scotland's world class higher education sector and to encourage business investment. This is particularly the case for motivating and engaging Scotland's many SMEs in innovation, but as noted in the Partnership Agreement for the UK, these companies often find it difficult to connect with an innovation system which operates multiple points of entry and funding options. SMEs also report learning more about such difficulties, *rather than overcoming them*, once they do engage.

Alongside developing the Smart Specialisation Strategy, the main innovation agencies in Scotland have therefore carried out work on alignment of their current offerings to business and academia. The role of these agencies is being refocused around demand side activities, which will result in more market-driven opportunities to accelerate the development of new products and services by Scottish companies. A significant amount of domestic funding is being aimed at this through Innovation Centres, with each centre planned around one of the Smart Specialisation sectors. The main role for ERDF focuses on supporting enterprises to engage with them e.g. through Interface, an advice service which will connect an individual business with the specialised academic skills it requires.

With the range of agencies involved, this work provides a strong link to Horizon 2020 funds; and allows the agencies to act in concert to promote innovation within businesses, link the funding options at different stages of innovation and product development, and support SMEs to access the centres of excellence and partnerships between academia and

business required to make the most of Scotland's existing research base and skills. Scotland has a particular ambition with this approach to get at least 50 SMEs to engage with and access Horizon 2020 funding through this more integrated approach over the 2014-20 programme period.

Scotland's dedication to this approach is shown through its leadership in a KIC initiative around healthy and active ageing and linked to bio-sciences. This centre brings together academia and business to commercialise and roll-out new developments in e.g. stratified medicine. In recognition of the value of sharing such facilities and knowledge across European partners, ERDF will be available through the innovation strand to support partnerships outside Scotland in accessing and working with this expertise.

As with innovation, the specific sectors identified in the Government Economic Strategy and the Smart Specialisation Strategy, will drive support towards business. For initiatives to be successful in encouraging greater demand for investment and development from the Scottish business base, the structure of that base must be taken into account, in particular the predominance of SMEs in the Scottish economy. Scotland's economy is 99% SMEs, with higher concentrations of small and micro businesses in rural areas than in cities. A high proportion of those SMEs are currently considered 'steady state' with limited capacity for growth. It is these existing companies, and new ones starting up, which need to be encouraged to become innovation and growth active if Scotland is to maximise their potential.

Manufacturing plays a significant part in the Scottish economy, employing 181,300 [16] people and accounting for 52 per cent of international exports and 54 per cent of all Scottish business R&D spending [17]. By the end of 2016 there had been a contraction in the manufacturing industries in particular, with a fall in manufacturing exports; the Index of Manufactured Exports (IME), in rolling annual terms to account for quarter-by-quarter volatility, fell for a fifth quarter in a row to the end of 2016, showing a 5.3% fall in the volume of manufacturing exports, comparing the most recent four quarters to the previous four quarters.

This fall in exports has been accompanied by falls in both employment and BERD between 2014 and 2015, with BERD in manufacturing falling from £521 million to £514 million [18] and employment from 189,000 to 181,000 [16]. As a result, Scottish Government and its agencies undertook a refresh of the strategic framework and a manufacturing action plan - A Manufacturing Future for Scotland (2016) - was launched in response to this downturn. This Plan is central to Scotland's wider innovation strategy. The new strategy and action plan concluded that, alongside existing support, including actions under Investment Priority 1b, the Circular Economy activity supported under 4f and the Developing the Young Workforce activities supported by the ESF programme, Scotland needs to do more to adopt and make advancements in more productive and energy efficient technologies alongside increased investment in skills and improved access to finance and support. There is therefore a role for ERDF in supporting strategic investments in infrastructure in both regions to accelerate the creation of new products and services, and deliver transformational growth, particularly within manufacturing.

The evidence shows a further four key areas for development in Scotland's businesses and business culture:

- *Entrepreneurialism and leadership*: Scottish entrepreneurial culture shows a marked fear of failure, measured at 10% higher than in the rest of the UK[1]. Evidence suggests this can be addressed through specific training and skills around entrepreneurial behaviour for an individual and for teams of people within a business and through access to business and investor networks and constructive feedback.
- *Exporting and internationalisation*: Scotland's export are growing, and are a well-recognised path to company growth. However, data from the Small Business Survey shows that only 13 per cent of SMEs in Scotland in 2012 were exporters, down from 16 per cent in 2007.[2] Barriers to exporting include lack of suitable product, lack of business planning around exporting or perceived barriers such as cost, time and identifying overseas customers.
- *Access to finance*: The prolonged economic downturn has meant a lack of finance available for business at appropriate risk levels. Despite improvements in 2012, the most recent evidence from the Bank of England suggesting that credit conditions remain constrained in the economy, particularly for small enterprises. Scotland has good experience with access to finance through Financial instruments, and will build on these to continue to support SME growth aspirations.
- *Digital Exploitation*: Although both the Small Business Survey and a 2010 SG Survey shows SMEs increasingly accessing and being connected to broadband, a recent report by Lloyds Banking Group[3] found that over a third (37 per cent) of UK SMEs do not have a website and that one in five (20 per cent) are 'deliberately disconnected' from the internet. Digitalisation has concrete benefits for business, including time savings, attracting more customers, increased marketing effectiveness, cost savings and an increase in sales.

As with innovation, there is significantly more domestic funding aimed at business development than there will be ERDF, simply because of the scale of programming in Scotland. This makes it important for the ERDF Programme to identify the right niche where the funds can help to shift long-term policy and performance. In addition to focusing on the sectors identified for innovation as part of Smart Specialisation, some sectors in the Government Economic Strategy have particular regional resonance and importance, for example around tourism, with business opportunities in nature and heritage, business tourism, major events (with three international events in 2014 alone) and destination towns and cities.

However, to ensure that support focuses on those sectors and areas which will genuinely help the economy grow, and does not duplicate domestic provision, the ERDF will focus exclusively on companies which are judged to have significant growth potential within five years of first engagement with one of the innovation or business development agencies; and which are not currently engaged through domestic programmes. The aim

should be to both build a stronger mid-sized business base to increase employment and diversity in the economy; and to help an increasing number of companies be ‘born global’, ready to innovate and export and deal with new markets in Europe and beyond.

Both business and innovation support is currently delivered through the ‘account managed company’ approach operated by the enterprise agencies, with generic business development support and advice delivered locally through Business Gateway. Both of these services are fully domestically funded and will not be eligible for ERDF. However, there is a significant gap between those services, especially in the early recognition and support for small companies with potential to escalate their growth – in effect moving a business beyond basic advice and towards being capable of either managing its own growth or accessing support by becoming an account managed business.

ERDF will therefore link and expand different elements of support at local, regional and national levels. By targeting new contacts rather than existing client businesses, this ‘pipeline’ of business growth support should both identify the next generation of high potential companies, and move them more quickly from start-up, through recognition, and onto individual support around the four development themes, including mentoring, loan funding, digital exploitation or advice on entering new markets.

Loan funding will be an important aspect of this, through Financial instruments, and in line with Country Specific Recommendation 5 of 2014 for the UK, to improve the availability of bank and non-bank financing to SMEs. Scotland has good experience with setting up and managing Financial Instruments through such examples as the Scottish Co-Investment Fund. As part of the needs assessment and ex-ante work, it has been noted that there are both some underlying policy changes; and some delivery issues with existing financial instruments which should be taken into account in determining the approach, for example to loan funding. For Innovation and SME Competitiveness in particular, the market gap has shifted considerably as the long-term impacts of the global recession in 2008 are continuing to be felt by the business community.

The evidence is mixed on the overall availability of finance for SMEs and changes in lending:

- Surveys of businesses show increasing availability of finance and easing of credit conditions for larger firms. Data shows that the overall stock of lending to UK businesses increased over the 3 months to August.
- The 3 month growth rate in the stock of lending to SMEs was positive in July for the first time since the series began 3 years ago. However, it is too early to say whether trend will be sustained especially given that survey evidence suggests credit conditions for small firms remain tight.
- Scotland level data from the BBA shows that net lending to SMEs was positive in Q2, although this was not the case for smaller businesses.

Since the financial crisis, there has been a significant fall in lending to SMEs. Part of this reflects a decrease in demand. However, there is also evidence of market failure, with

viable firms often unable to secure funds at affordable rates as it is challenging for lenders to distinguish between high-risk and low-risk companies.[4]

Innovation and competitiveness can also be supported through agglomeration – but these benefits can be achieved through the deployment and use of digital technology.. Scotland's cities start with the advantage of proximity, being located within easy travelling distance and covering over 86% of the population lives within an hour's commute of one of the cities. They are well placed to work collaboratively as test beds for deploying digital technology and projects, and they have been instrumental in rapidly progressing initiatives such as smart ticketing. The cities working together means that, from inception, new systems are designed to operate between cities and for all cities, enabling connectivity and offering investors an entry point to a collection of cities which are collectively at global scale and skills levels – any city is all the Cities.

The ambition is to make a step change in the use of smart technology for integrated city management not just individually but collectively, so creating the 8th city. This will support business growth directly:

- as suppliers to the public sector of technology and digital services
- through making data open that can be used in the development of new products and services) and by creating cities which support increased business productivity through a connected physical environment and city infrastructure catalysing more responsive and efficient services.

Aligning with significant domestic and local resources, and a detailed Cities Investment Plan, ERDF will act as the catalyst and signal to other investors the importance of the role of Cities to the Scottish economy. Business opportunities will complement those created by the objective of urban environmental improvement (covered in 'Sustainable Growth') helping to make Scotland's cities more attractive and environmentally sound places to live and invest.

### *Sustainable Growth*

Scotland's approach to Sustainable Growth targets two complementary areas: lowering the emissions and the carbon impact (outputs) of a range of activity, particularly taking advantage of Scotland's existing strengths in the energy sector; and lowering the level of resources (inputs) required to produce goods and services, and thus lowering the impact on the environment. In both cases, these are partly driven by environmental concerns such as climate change, resource depletion and environmental quality, but these two areas also represent significant growth opportunities for Scotland. The impact human life has on the environment is a common, global concern, and there is therefore a significant competitive advantage in developing the technologies and processes which can be widely adapted and adopted to address this.

In addition, there is an environmental protection and improvement component for urban areas to complement the EAFRD Operational Programme's focus on the rural environment.

Scotland's performance against EU 2020 targets on emission reduction and renewable energy generation has already exceeded the headline targets, with a 24.3% reduction in greenhouse gas emissions, and 24.1% of electricity requirements met from renewable sources; a figure which has nearly trebled in ten years.

As this performance shows, Scotland has the dedication to, and real competitive opportunities in, growing renewables. Scotland's practical offshore renewables resource has been estimated at 206 GW[5], a quarter of European off-shore potential and 10% of its wave power potential. By harnessing just a third of this resource, installed offshore renewables capacity could reach 68 GW by 2050 - more than ten times Scotland's peak electricity demand. Scotland is thus in a strong position to make a real contribution to both the UK's and Europe's achievement of these targets, and to align with and contribute significantly to the Strategic Energy Technology Plan. This is particularly the case in terms of reducing energy dependency through developing diversity of energy supply, one of the top priorities for the SET plan Steering group and the European Council.

Using this potential to make the transition to a low carbon economy is a key priority for growth in the Government Economic Strategy. It is estimated that jobs within the low carbon sector could grow by 4% a year to 2020 rising from 70,000 (2012) to 130,000 (over 5% of the Scottish workforce). A number of these opportunities exist in remote areas which currently suffer from gradual depopulation and lack of economic diversity, and could help address labour market mobility and social inclusion; and the low carbon opportunity encompasses supply chain development as well, strengthening both innovation and SME competitiveness. Investing in low carbon can in this way deliver multiple outcomes for the same amount of funding.

Domestically, Scotland has taken a strategic approach to identifying the best opportunities for low carbon investment through the National Renewables Infrastructure Plan[6], which also covers associated supply chain and SME opportunities). This has assessed existing facilities and ports, access to viable energy installation sites and likelihood of attracting investors. Key sites for three phases of development ranging from R&D and manufacture to installation and maintenance have been identified through this process, a joint public and private sector exercise which is complemented by the domestically financed National Renewables Infrastructure Fund to support its implementation.

Recent planning work carried out by Scottish Government and the enterprise agencies suggests that, in terms of low carbon investment – whether it is renewable heat or energy, low carbon products, alternative fuels or applying innovative retrofits of new technology on existing buildings – the bottleneck in Scotland is not necessarily funding. There are multiple private investors interested, as well as the Green Investment Bank at UK level

and the EIB at European level who would be willing and able to make significant projects happen on the ground.

However, a high number of potentially good quality projects never gain investment as the business plans are underdeveloped, returns expected over a very long time frame, or the projects are too small or localised to be of interest to serious investors. There is a clear role, not currently undertaken in Scotland, to help these projects become a robust and reliable pipeline of investable propositions; to de-risk the early stages of development of technology; and to bring smaller projects together to form larger, more investable ones.

The ambition is for investments in medium to high risk low carbon technology, products and developments to be normalised. Investors should know and be confident that the support is there to develop proposals; and smaller projects should be helped to access to market. Bringing about that change is likely to require the Funds to have a role in risk-sharing on projects which have long pay-off periods, or high initial risk profiles (e.g. new technology development for marine or tidal energy). However, this approach could also mean that for a relatively modest ERDF-led investment, significant amounts of private and institutional investment can be levered into decarbonising the economy as a whole.

Such an approach is by necessity demand-led, and so must be open to a broad spectrum of potential projects from technology to infrastructure; and focusing on those projects which are not yet market-ready.

Not all projects need to be on a large or industrial scale to have significant pay-off. Scotland already has a number of very successful energy-innovative or low carbon communities (e.g. making remote islands self-sufficient in energy), and this can both decrease the need for major infrastructure, secure local supply, and make communities more resilient and less likely to face fuel poverty. Whilst community scale development could be grant funded, it can also be an investment opportunity, particularly as some of the fore-runners of such models are generating significant returns e.g. through sale of energy to the main grid. Support and development of community-driven projects will therefore form a part of this approach, but focusing on investable projects with potential pay-offs.

Both community and larger-scale low carbon investment is a significant area of potential for financial engineering, but as the market is so under-developed in Scotland, the market gap is not yet clearly identifiable. Early work on establishing the project pipeline under this Programme will help to identify that gap, and potentially a suitable role for ERDF in setting up such instruments, or sub-funds under existing instruments. The allocation for financial instruments under the low carbon priority axis is therefore indicative, and the split between financial instruments and grant may need to be adjusted over the Programming period.

Whilst the investment approach described above is open to ideas in a range of sub sectors, some areas and products need a specific focus from ERDF to make headway on low carbon and emissions. For example, transport remains one of the main CO<sub>2</sub> and

particle emitters in Scotland: cars, vans and lorries accounted for the vast majority of miles travelled, within Great Britain, per year per Scottish resident. In 2011, 11.2 % of driver journeys were delayed due to congestion. There is a territorial dimension here, too: rural areas in Scotland are often sparsely or very sparsely populated, with significant distances between centres of population. This contributes both to higher fuel use in these areas (greater emissions) and also to fuel poverty.

The proportion of adults in Scotland usually travelling to work by public transport or active transport (such as walking or cycling) has remained broadly stable (at around just 10%) over the past decade, despite more than 70% of the population living in or near urban centres which could be suitable for active travel patterns. Whilst weather and topography in Scotland is a clear factor in individual travel choices, travel surveys suggest that the perceived danger of cycling, lack of secure lock-up facilities, poorly connected infrastructure where it exists and lack of critical mass are all prohibiting factors as well[7].

To address these challenges, the Scottish ERDF Programme will support two types of investments in this area. The first is to promote and increase the connectivity between different modes of active and public transport in urban settings. This should aim to make it attractive, safe and easy to take up active and public transport, and extend the distances and groups of the population for which it is seen as a feasible option.

The niche for ERDF here is not necessarily in building lots of new infrastructure, but rather in supporting the investments that join up existing infrastructure, or which support changing between different modes of green transport. This could be cycle storage at stations, or the promotion of new safe or segregated routes. Projects to be supported will be expected to have a sense of regional scale and strategy in terms of urban low-carbon mobility, and an awareness of what already exists, precisely to avoid new but disjointed infrastructure which would have only a very localised impact.

The second change is in how transport is powered. With transport one of the main CO<sub>2</sub> and particle emitters in Scotland, the development and testing of low-carbon energy sources for transport, such as green hydrogen, and the infrastructure required to support it, is a priority. ERDF will not support whole-sale roll-out of alternative fuelling, However, this is a relatively undeveloped area, with emerging technologies competing and risks for investors in picking the ‘wrong’ technology therefore very high Support will therefore be provided for regionalised (e.g. travel-to-work areas) pilot projects of low-carbon refuelling services. The pilot development of a network of hubs will explore the right ‘mix’ of fuels for different types of area and the transport options within them, as well as providing certainty of alternative fuel supply to overcome issues such as ‘range anxiety’.

In the long term, this should encourage a greater number of people to take up low carbon transport options, and show it as a viable commercial investment. This kind of project will only be supported where there is clear market failure, and will no longer be supported when and if it reaches commercial viability. It is an area which will be explored as part of the developing thinking around financial instruments for low carbon

investments, as this would allow an exit strategy for projects which become commercially viable.

Alongside Scotland also needs to invest in becoming resource efficient. It is estimated that businesses collectively lose 2% of annual profits through inefficient use of energy, water and waste with over 90% of the materials used in production not finding their way into the final product[8], and with some sectors such as food and drink; hospitality and tourism; textiles, petrochemical, pharmaceuticals; precision engineering; oil and gas; and non-domestic construction being particularly inefficient,

Scotland's recycling rates have seen an impressive eight-fold rise from 2001, but as this started from a low base, at 38.2% it remains modest compared to Europe's best performers. The Small Business Survey 2012 asked SMEs whether they had taken any steps to reduce their environmental impact[9], and found that while improvement had taken place, 66% of SMEs reported as unwilling to do more.

However, high-value nature (land, aquatic and marine) is an intrinsic and valuable part of Scotland's brand, contributing to tourism and high quality food and drink sectors; making Scotland an attractive place to live and work; as well as bringing health benefits through bio-diversity and a safe and secure food supply. The potential impact of high resource use is depletion of both amounts and quality. With global product and resource consumption increasing, developing lower-input production methods and products may also provide a competitive edge and a potential area of expertise for internationalisation and export, as well as increasing the resilience of the Scottish economy.

As with low carbon, what is required is not investment in specific state or private assets, but a change in culture so that resource efficiency is built in from the start. ERDF will support an accelerator programme to significantly upscale pilots, and technology in Scotland which develop, demonstrate and roll out resource efficient approaches. The approach will support full supply-chain assessment of resource flows, and will then encourage and support businesses to adopt lower-impact processes and products through a mix of advice; supply and demand side incentives to generate new industrial activity including clustering to take advantage of waste product cycles; direct business support to help existing companies adapt current processes; innovation programmes to catalyse the next wave of technology; and developing the workforce skills and community capacity to implement such solutions. This is in aligned with Zero Waste Plan (2010)[10] and Safeguarding Scotland's Resources (2013)[11] – Scotland's domestic programmes for reducing waste, using resources more efficiently and keeping materials and products in the economy as long as possible.

For projects to be eligible, the final beneficiaries involved will have to look significantly beyond what is required by statute and regulation and be committed to low-carbon, resource efficient and low-waste business models and premises. Projects should also link to key growth sectors, and to growth plans for the businesses involved. Development of empty properties without direct involvement from business occupiers will not be eligible.

For business-based support under both Smart and Sustainable growth, the focus is firmly on SMEs. However, on occasion, large companies may be supported where this is suitable (under TO 1 and TO 4), such as where it strengthens local supply chains. In line with State Aid regulations, where assistance from the Funds is granted to a large enterprise, the Managing Authority shall assure itself that the financial contribution from the Funds does not result in a substantial loss of jobs in existing locations within the Union.

Improving our environmental impact will also require us to look at Scotland's urban environments – home to over 70% of the population and the resource intensity that goes with them in terms of heating, lighting, consumption, travel and pollution. Some of these factors will be addressed through investments under 'Smart Growth', particularly data sharing and piloting smart cities management technology.

However, some of the fabric of the cities, such as derelict and polluted land, air and noise pollution, and low-quality habitats are inevitably the results of historic investments and industrial legacies. This can include (depending on the urban area) docklands, canals which are not suitable for wildlife, pollution from a high concentration of road and rail networks, and degradation of the built environment e.g. because of poor historical construction materials (asbestos). Poor quality environments and neighbourhoods are correlated with areas which also face deprivation and social exclusion, again traceable to a heavy-industrial past, and improving the environment therefore has a strong social dimension too. A number of successful projects have demonstrated the value of this, engaging local communities in for example urban farming (with food security and poverty benefits) or river remediation (wildlife and amenity/health benefits). Support from ERDF aims to upscale such projects to a regional level, creating more and better connections between green areas as well as enhancing the areas themselves.

Alongside better city management as part of innovation, Scotland's approach to meeting the principle of sustainable urban development will therefore involve constructing or reconstructing green infrastructure in priority corridors, identified through regional and national plans for wildlife and habitat preservation and improvement; and in deprived areas with low current environmental quality. This will complement local and domestic regeneration approaches to improve the quality of the urban fabric, and will overall help to make Scotland's cities more attractive, environmentally friendly places to live and invest. Projects will be based on regional strategies such as prioritised action frameworks and noise abatement plans, and draw on local communities, involving them in remedial works and choices of amenity. This will also act as a direct urban counterpoint to the significant investment being made by EAFRD into improving the rural environment.

### *Inclusive Growth*

The three EU 2020 themes of Smart, Sustainable and Inclusive growth are interlinked and mutually supportive. Although ERDF will not directly be investing in Inclusive Growth, the success of the programme set out here is dependent on a strong ESF contribution to building the human capital to match plans for growth sectors, innovation, low carbon and resource efficiency, and the ESF programme in turn dependent on these

sectors creating employment opportunities to achieve results around sustainable employment and decreased risk of poverty through higher-wage and higher skilled jobs.

Scotland's current skills mix and levels have the potential to act as a barrier to all of these ambitions, with 13% of the population leaving formal education with no qualifications; and a significant proportion of those who achieve tertiary education working in lower-skilled jobs than they are qualified for[12]. The Wood Commission, a 2013 major review of post-16 options for education, has also highlighted the lack of good quality vocational opportunities, as well as the need for these high level vocational skills in industry sectors.

This will be exacerbated by the forecast changes in the UK economy which will demand higher skills levels, thus potentially both causing greater social exclusion and poverty for those with limited skills; and holding back Scotland's overall competitiveness through a mismatch of available and required skills sets.

Lower skills and low achievement are both strongly correlated with lower pay, greater levels of deprivation, and lower life satisfaction, so there is an additional social dimension, and one which could create a virtuous circle: young people given more options for how to achieve higher skills through vocational and academic routes, and industry gaining a new generation of motivated and highly trained employees.

In order to support the plans set out in the Programme, the European Social Fund in Scotland will therefore focus on providing the higher vocational and academic skills mix which will be required to support growth in the identified sectors and sub-sectors. This will be tailored by regional skills plans and by the Smart Specialisation Strategy, to ensure that local educational institutions and employers are collaborating to create the skills, and the jobs for those skills, in parallel.

### *Territorial challenges for the ERDF Programme*

Scotland will have a single ERDF programme for the first time for 2014-20. This reflects the regional convergence over time, with the gap between GDP per capita between regions reducing. It also increases the focus on underlying needs of where Scotland is not yet meeting Europe 2020 aspirations and targets – causes rather than symptoms, in common parlance. For example, the shortage of suitable skills for the growth sectors identified for Smart Specialisation is common across Scotland; as is the need to exploit existing strengths in engineering, off-shore and renewables in the low carbon sector, where sites and opportunities exist in all regions.

However, within that approach there must be space for the specifics of different types of territories, and where relevant categories of regions, to deliver projects which are relevant and suitable for their particular challenges. There are three territorial aspects to ERDF in Scotland: urban, rural and the transition region in the Highlands and Islands.

### **Urban areas**

Scotland's cities are densely populated compared to the rest of Scotland – up to 4,000 people per square kilometre in Glasgow, for example, compared to 30 people per square kilometre in Perth and Kinross. The cities and surrounding regions are home to 86% of the population, and their history as population centres means they have a legacy of 'city-fabric' which is substantially different from other areas of Scotland, including industrial and post-industrial land, and dense road and rail networks.

This concentration of resources is both a challenge and an opportunity. A challenge because cities use more resources, create more pollution and degrade the environment more quickly and more obviously than rural populations; and an opportunity precisely because of that concentration, of businesses, people and intellectual resources and infrastructure.

Scottish cities are not global in scale – ranging from 40,000 people to 1 million – but they do each have specialisms, such as oil and gas in Aberdeen, creative industries in Dundee, engineering in Glasgow and financial services in Edinburgh. The Scottish Cities Alliance, bringing all seven cities together, has a clear vision for how each of these cities ought to develop to complement one another, and to collectively become the '8th city', a single virtual point of entry into any Scottish city and the talent and resources it has. ERDF will support this, and the Commission's ambitions for sustainable urban development, through putting in place the enabling infrastructure and piloting 'smart city' technology and approaches, with each city leading on particular trials.

Alongside this, the city regions need to address environmental challenges including noise, air and water quality, and habitat and wildlife preservation, so that city development overall becomes more sustainable. The Scottish ERDF programme is supporting this through green infrastructure, with regionalised plans and projects to revitalise and reinstate green areas where current environmental quality is poor.

For both the smart city and environmental objectives, the types of investment and activity could be very wide. Whilst ERDF will not generally support significant capital expenditure in Scotland between 2014 and 2020, these two areas of investment will be permitted capital expenditure where this can be directly linked to the objectives and specific results expected for the investment priorities. For example investments in data publishing platforms will support business growth while smart lighting systems can reduce energy use by only lighting up when people are in an area but can also feed back what is in effect data on movement of people for wider city management application. Likewise, some green infrastructure is likely to require limited infrastructure investment, for example in river banking or connecting access pathways.

### **Rural and Remote Rural areas**

Parts of rural Scotland, in particular in the Highlands and Islands and smaller parts of Dumfries and Galloway and the Borders, are very remote and face permanent geographical handicaps, very sparse populations (as low as 7 people per square kilometre

in the Western Isles), a high dependency on micro-businesses, self-employment and public sector employment, and falling employment in primary sectors.

The challenge for ERDF is two-fold. Firstly, in these areas, business support interventions need to be tailored to micro-to-small rather than small to medium sized enterprises. Secondly the sub-sectors identified as part of Smart Specialisation may not be present in significant enough scale to create the level of growth and jobs desired, or may present as very small companies with different development needs (e.g. a micro food and drink company will require very different types of support than one with 100 employees).

Conversely, the same geography that poses challenges also offers opportunities – many of the key sites for renewable and marine energy production in Scotland are in these areas, and the quality of the landscape and nature brings tourism (with the Highlands the second most visited tourist destination in Scotland, and the South of Scotland rebuilding and extending its reputation for high quality foods and textiles).

The intention therefore remains to support Smart Specialisation sectors to innovate and grow in all areas, and to align skills development (under ESF) with these sectors on a region-by-region basis; but respecting that these sectors will display with slightly different characteristics of size and growth potential in more rural areas. In addition, other sectors, and in particular tourism SMEs, will be eligible for support in rural areas and remote areas, where they generate considerable local employment.

### **Transition region**

The Transition region, the Highlands and Islands, faces a range of additional challenges: it is the locality most affected by permanent geographical handicaps, including distance and very sparse populations, and this in turn leads to particular market failures around infrastructure (digital, business, and enabling infrastructure for R&D and low carbon) as commercial process and terms are simply not attractive enough to overcome the physical barriers.

The region has seen positive developments over the past programming periods, with the extension of road and transport networks, digital networks and a significant enhancement of R&D and skills capacity through the establishment of the University of the highlands and Islands. The challenge, rather than to directly assist such development, is to focus on the remaining pieces of enabling infrastructure which will result in greater usage of the assets the region now has at its disposal.

In terms of remaining infrastructure challenges, the most obvious example is broadband infrastructure, where some peripheral areas are so difficult to get to and so sparsely populated that it is unlikely the market will ever deliver even the basic service required to connect this region, let alone support technological upgrades. Scotland therefore still has a number of ‘white areas’ with *no coverage at all* in terms of what is now regarded as a

basic and necessary service; and a much wider range of areas with basic speeds of below 2 Mbps.

Significant domestic funding is being invested into broadband infrastructure in the UK over the programming period, but the structure of network contracting in the UK means that 95% of the population will be covered. With the Highlands and Islands as remote as they are, it is not difficult to see which parts of the UK represent that 5% which the market will not serve.

Digital connectivity and usage is the focus of *Scotland's Digital Future: A Strategy for Scotland*. This national strategy aims at providing super-fast broadband, with upgrades to existing systems where this is not possible, and includes scope for local solutions for market failure[13]. Over the first half of the programming period, the UK will invest £250 million in remote rural roll-out, with at least £25 million of that in Scotland

The Scotland ERDF programme does not aim to cover or match this entire roll-out programme, but it will contribute to localised solutions for specific communities and areas which will not be picked up through contracting and procurement. Without this support, parts of Scotland will have less business support available (as an increasing range of services are offered on-line), less potential to exploit new business models (on-line sales, applications, web collaborations), fewer chances of benefiting from and contributing to service roll-outs such as e-health, and face a kind of remoteness and isolation caused by disconnectedness.

Another infrastructure constraint in the Transition region is the provision of strategic business infrastructure as an integral component of business development and job creation activity in the Highlands and Islands. It is part of a specific territorial approach to economic development across a region characterised by complex geography characterised by mountains and islands, peripherality and remoteness from markets and services, and very sparse population. These characteristics are the permanent physical and demographic handicaps identified in Art. 174 of the TFEU. Nordregio identified the **on-going** requirement to address these handicaps as a necessary part of realising a region's opportunities.[14]

Real-world examples include reluctance for the private sector to invest in infrastructure to support new sectors with growth potential; the additional build costs (e.g. through transportation and less market competition) outweighing modest returns on investment.

Scotland's growth sectors (smart specialisations) are identified in the Scottish Government Economic Strategy[15]. The Highlands and Islands has strengths and opportunities in particular EU 2020 relevant sectors and sub sectors within this, including energy (particularly offshore wind, wave and tidal), life sciences – (marine bio sciences, medical devices and digital healthcare), and food and drink; as well as in tourism (adventure tourism, culture and heritage tourism), and creative industries (cultural industries, media, publishing, music and fashion).

There are major opportunities for ERDF to enhance the cultural and natural heritage assets of the Highlands and Islands where this sector is vital for the economic and sustainable growth: the region benefits from a rich cultural and heritage portfolio spanning UNESCO World Heritage Sites, Geoparks, archaeology, language and music. The report – *Cultural Heritage Counts for Europe* - draws attention to the role cultural heritage plays in supporting sustainable economic regeneration and in the transition region it is particularly important in the more remote and fragile areas where there may be more limited economic development opportunities.

Where investment is required to break a deadlock and act as a catalyst in the growth of a sector, or sub sector, ERDF will therefore allow limited and sector specific infrastructure and capital support, e.g. for specialist builds and shared equipment. (existing successful examples of this are the European Marine Energy Centre in Orkney and the European Marine Science Park at Dunstaffnage). This must of course respect State Aid rules, must be in favour of a sector rather than a specific company, and will be based on an analysis showing market failure and the potential to treat such market failure specifically through a specific infrastructure investment.

In addition, support to regional ‘businesses of scale’ for capital investment where that is a component part of enhancing their business competitiveness, securing new markets and creating additional employment in remote and sparsely populated areas will be supported. Businesses of scale are SMEs under EU definitions, but in an area characterised by a high percentage of micro companies and lone operators, they tend to have 20-50 employees or higher, be within a Smart Specialisation sector, and to have significant UK and international business opportunities. They are often, however, not seen as a sufficiently attractive investments for financial instruments, as the returns can be relatively modest, but the regional impact of the additional employment is significant. Support may be through grant aid and / or suitable financial instruments if, and where, these are appropriate, as with other support for individual businesses, will have to meet State Aid rules as well as assessing the wider economic benefits of such investment, including the potential for knowledge-intensive and added-value jobs, diversification of narrow economic base in remote regions and spill-over effects of employment and efficiency gains into local supply chains.

Finally, the capacity for R&D&I is not yet as well-developed as in the rest of Scotland, either academically or in business terms. The innovation performance of Highlands and Islands businesses continues to lag that of businesses elsewhere in Scotland and beyond. Enterprises have limited capacity, capability and ambition to innovate. The agglomeration and critical mass benefits that drive innovation in urban centres is not present and it is a challenge to establish effective networks across the region. Support for innovation in the transition region must take account of these challenges.

The region’s university, UHI, has developed research and innovation capacity in a number of smart specialisation sectors such as life sciences, marine science and energy with previous ERDF support. This, along with the establishment in Scotland of eight Smart Specialisation Innovation Centres, offers the potential to enhance the region’s innovation performance by building on existing innovation specialism and increasing levels of business-to-academic collaboration. An important focus in the Highlands and

Islands is to build strong links between this academic expertise and the region's smart specialisation sectors and SMEs.

Aligning with this focus on innovation capacity is the need to increase the number of innovation active enterprises in the region and support them to realise their growth ambitions through higher levels of innovation. To maximise the impact of this programme in the Highlands and islands, activity, will include a mix of financial and advisory support, tailored to the needs of individual enterprises, together with a focus on sector specific developments and the opportunities emerging from low carbon, digital connectivity and the circular economy.

[1] Acs, Z.J., E. Autio, and Szerb, L. (2012), National Systems of Entrepreneurship: Measurement Issues and Policy Implications. SSRN eLibrary

[2] Scottish Government, 2012, Small Business Survey Report 2012. <http://www.scotland.gov.uk/Topics/Economy/ASBS/Report2012>. In this survey, an exporter is defined as a business which sold goods or services or licenced products outside of the UK.

[3] <http://businesshelp.lloydstsbbusiness.com/assets/pdf/Britains-Digital-Opportunity.pdf>

[4] Department for Business, Innovation, and Skills (January 2012), SME Access to External Finance. BIS Economics Paper 16.

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[6] <https://www.scottish-enterprise.com/~media/SE/Resources/Documents/Sectors/Energy/energy-renewables-reports/National-renewables-infrastructure-plan.ashx>

[7] <http://www.transportscotland.gov.uk/statistics/statistical-trends/private-transport#PrivateTransCycling>

[8] <http://www.scotland.gov.uk/Publications/2010/11/15085756/5>

[9] Scottish Government, 2012, Small Business Survey Report 2012. <http://www.scotland.gov.uk/Topics/Economy/ASBS/Report2012>

[10] <http://www.scotland.gov.uk/Resource/Doc/314168/0099749.pdf>

[11] <http://www.scotland.gov.uk/Resource/0043/00435308.pdf>

[12] [http://www.ons.gov.uk/ons/dcp171776\\_337841.pdf](http://www.ons.gov.uk/ons/dcp171776_337841.pdf)

[13] <http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf>

[14] Dubois A. and Roto J. (2012) Making the best of Europe’s Sparsely Populated Areas: On making geographic specificity a driver for territorial development in Europe – Nordregio Working Paper 2012:15 p72

[15] Scottish Government Economic Strategy 2011  
<http://www.scotland.gov.uk/Resource/Doc/357756/0120893.pdf>

[16] Register and Employment Survey (BRES), 2014, 2015

[17] A Manufacturing Future for Scotland, 2016

[18] Business Enterprise Research and Development Scotland 2015

1.1.2 A justification for the choice of thematic objectives and corresponding investment priorities having regard to the partnership agreement, based on an identification of regional and, where appropriate, national needs including the need to address the challenges identified in relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and the relevant Council recommendations adopted in accordance with Article 148(4) TFEU, taking into account the ex-ante evaluation.

**Table 1: Justification for the selection of thematic objectives and investment priorities**

Selected thematic objective	Selected investment priority	Justification for selection
01 - Strengthening research, technological development and innovation	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in	To reach EU 2020 targets, Scotland needs to see more of its businesses investing in innovation and drawing on the strong research base to maintain and increase global competitiveness.  This needs to be strengthened by building in agglomeration around and between Scotland’s cities, and their infrastructure and talent, so that these can collectively compete against bigger global centres.

Selected thematic objective	Selected investment priority	Justification for selection
	key enabling technologies and diffusion of general purpose technologies	
02 - Enhancing access to, and use and quality of, information and communication technologies	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy	A high number of ‘white areas’ with no digital coverage remain in remote rural Scotland, disadvantaging people and businesses, restricting opportunities and risking social exclusion and exclusion from services.
03 - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes	<p>Scotland needs to increase growth readiness and ambition of SMEs, as these make up 99% of business base, and many are currently ‘steady state’.</p> <p>There is a lack of finance available for SMEs who do wish to grow their business, also highlighted by the Country Specific Recommendations for the UK, and a lack of leadership capacity for growth. In more remote and rural territories, there is also a need to support diversification of the economic base and employment growth in fragile areas.</p>
04 - Supporting the shift towards a low-carbon economy in all sectors	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures	<p>Car and lorry transport is one of the main CO<sub>2</sub> and particle emitters in Scotland, and Scotland therefore needs to address the modal distribution in urban/commuter transport usage to lower carbon and active options.</p> <p>Given Scotland’s geography, emissions cannot be mitigated by urban travel patterns alone. The testing of low carbon energy sources for both longer and short-</p>

Selected thematic objective	Selected investment priority	Justification for selection
		distance transport should therefore also be supported.
04 - Supporting the shift towards a low-carbon economy in all sectors	4f - Promoting research and innovation in, and adoption of, low-carbon technologies	<p>To develop a globally competitive sector, Scotland needs to exploit the potential for low carbon technology and energy as a significant growth and employment opportunity. The aim should be a long-term cultural change whereby investment in this area is seen as a routine investment rather than perceived as a risk.</p> <p>Scotland also needs to reduce reliance on fossil fuels, particularly in communities susceptible to fuel poverty</p>
06 - Preserving and protecting the environment and promoting resource efficiency	6c - Conserving, protecting, promoting and developing natural and cultural heritage	The Transition region has key assets in its culture and natural heritage. There is a need to protect and sustainably manage key assets whilst maximising their economic and social potential.
06 - Preserving and protecting the environment and promoting resource efficiency	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure	<p>Urban areas in Scotland face social, economic and environmental challenges resulting from overcrowding, social inequity, pollution, flooding, noise, health problems and limited biodiversity.</p> <p>There is a need to unlock the social and economic potential of the urban environment through investment in green infrastructure and ensuring access to green spaces.</p>

Selected thematic objective	Selected investment priority	Justification for selection
06 - Preserving and protecting the environment and promoting resource efficiency	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors	SMEs need to become more resource efficient to lower their environmental impact, waste less resources and reduce the cost of production.  Scotland could exploit potential for growth in circular economies

## 1.2 Justification for the financial allocation

Justification for the financial allocation (Union support) to each thematic objective and, where appropriate, investment priority, in accordance with the thematic concentration requirements, taking into account the ex-ante evaluation.

As part of an advanced Member state economy such as the UK's, and with only one region in Scotland defined as a Transition region, Scotland's choices on thematic objectives are to a great extent defined by the Regulations and the need to align investments with the Europe 2020 strategy and targets. However, the Scottish Government Economic Strategy highlights the same areas for growth and development, and so this is not seen as a constraint but rather as a means of focusing on those investments which will have the greatest impact on long-term sustainable growth.

The baseline analysis undertaken as part of preparing the operational programmes has highlighted key needs and opportunities in respect of each of the chosen Thematic Objectives:

Scotland has an excellent university and research sector, but does not capitalise sufficiently on this to engender growth and additional employment. This is linked to a business culture which historically favours mergers and acquisitions over long-term innovation and investment, as well as the perceived high level of risk involved in even small-scale innovation. The chosen investment priority for **RTDI** will allow both promoting the services offered through centres of excellence where academia and SMEs can collaborate in Scotland's Smart Specialisation sectors, and ensuring that support for businesses interested in innovating ranges from awareness raising and relatively low-risk and small-scale support through to equity and investment in new technology.

**Digital connectivity** and advanced usage continues to be an issue in particular in rural areas of Scotland. Although the market is beginning to address some of these issues, the geography of Scotland, with some of the most sparse populations in Europe, means that there are some areas which the market will simply never gain, or seek to gain, a return in. For these areas, a lack of connectivity could in the long-term serve as a further disadvantage to competitiveness and social cohesion and inclusion, and so roll-out support of next generation networks is proposed specifically for those areas. As these areas represent only a small percentage of the population, and as projects are restricted to the transition region, to ‘white areas’ with no coverage after current public investment completes in 2017, or to areas which mix white areas and communities with very slow speeds and low reliability, the budget set aside for this type of investment is limited to €25 million, or just 5.24% of the programme value. This will be supported, under other thematic objectives, by initiatives to increase take-up and usage particularly for SMEs, and for communities where skills and access of digital technology is very low.

Scotland’s economy is heavily SME dependent, and so supporting those SMEs to grow and create increasing employment remains a priority. The chosen investment priority reflects a proposed focus from within domestic policy on the drivers of business behavioural change – leadership development, digital exploitation, export and internationalisation support and a need for risk sharing through access to finance. This is strongly linked to the proposed investment priorities around RTDI, which also deliberately focus on getting more SMEs to want to engage in investing in their own growth and **competitiveness**.

Scotland has set itself very challenging emissions and renewable energy targets, and is already exceeding the EU 2020 targets. The **Low carbon economy** remains a strong potential area of growth and employment across the country, but finding the right niche for the ESI Funds is especially important as there are significantly bigger investors than the Funds. The intended approach is to develop a pipeline of investor-ready projects, helping those projects reach market. The selected investment priority reflects the range of possible projects and areas that could be supported with an aim to de-carbonise the economy. Transport also remains a key sector of emissions to address through behavioural change, but the Funds must be realistic about what can be achieved within budgets and the inclusion of low carbon urban strategies will therefore focus on linking existing types of low carbon modes of transport at a regional level and making them more attractive to use.

The importance of these thematic objectives is reflected in Scotland’s financial allocations, with 86.85% of the ERDF programme dedicated to these four Thematic Objectives. Within that, Scotland respects that support needs to be targeted where it is needed most and where it has the greatest additionality, so improving ICT has been allocated just 5.22% of the ERDF Programme, compared to 32.28% for SME competitiveness (including access to finance through FEIs); 26.07% for the low carbon economy, and 23.28% for RTDI. These last three are closely related, in that they will all provide opportunity and support for SMEs, and with it support for local and regional employment growth.

Allied to growth opportunities, Scotland also needs to address resource efficiency, but again in the right niche, as significant funding is already directed at domestic efficiency. There is both a need and an opportunity to support business to become more efficient, wasting less and investing more, and a growth opportunity in treating waste as a resource for re-use or re-purposing, with significant environmental benefits possible. There is also a specific urban angle in supporting green infrastructure to reduce the impact of densely populated areas on the environment. This represents a further 11.16% of the ERDF.

Finally, a modest 2% is allocated to TA, reflecting Scotland's long experience in managing these funds, and its ability to do so effectively and cost-efficiently. The 2% reflects the costs of operation controls through the control bodies during the 2007-13 programme, as well as establishing a more results oriented IT support system. It also reflects Scotland's ambition to pro-actively identify and exploit synergies between the different funding instruments available for building towards Europe 2020 ambitions.

Many of the changes Scotland wants to see promoted with ERDF will not be possible without a direct and on-going link with activity supported by the ESF. This is particularly the case for the development of mid-tier and higher level skills to support growth and labour supply in the high value added sectors which form the bulk of Scotland's Smart Specialisation Strategy. The development of Scotland's future and existing workforce under the ESF programme will therefore also make a significant and complementary contribution to achieving the aims of the ERDF programme

**Table 2: Overview of the investment strategy of the operational programme**

Priority axis	Fund	Union support (€)	Proportion of total Union support for the operational programme	Thematic objective / Investment priority / Specific objective	Common and programme-specific result indicators for which a target has been set
1	ERDF	110,700,787.00	23.28%	<ul style="list-style-type: none"> <li>▼ 01 - Strengthening research, technological development and innovation</li> <li>▼ 1b - Promoting business investment in R&amp;I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies</li> <li>▼ SO1 - Increase business commercialisation and investment in RTDI, particularly in sectors identified through Smart Specialisation</li> </ul>	[PR11, PR12]
2	ERDF	24,879,767.00	5.23%	<ul style="list-style-type: none"> <li>▼ 02 - Enhancing access to, and use and quality of, information and communication technologies</li> <li>▼ 2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy</li> <li>▼ SO2 - Enable individuals and businesses throughout Scotland to access digital services and business opportunities</li> </ul>	[PR21]
3	ERDF	153,481,973.00	32.27%	<ul style="list-style-type: none"> <li>▼ 03 - Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)</li> <li>▼ 3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes</li> <li>▼ SO3 - support SME internationalisation as a route to growth and increasing employment, particularly in Smart Specialisation sectors and regionally important sectors in fragile areas</li> </ul>	[PR31, PR32]
4	ERDF	123,969,093.00	26.07%	<ul style="list-style-type: none"> <li>▼ 04 - Supporting the shift towards a low-carbon economy in all sectors</li> <li>▼ 4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures</li> </ul>	[PR41, PR42, PR43, SO44]

Priority axis	Fund	Union support (€)	Proportion of total Union support for the operational programme	Thematic objective / Investment priority / Specific objective	Common and programme-specific result indicators for which a target has been set
				<ul style="list-style-type: none"> <li>▼ SO4e - Increase the number of journeys undertaken by public and active travel or low energy vehicles</li> <li>▼ 4f - Promoting research and innovation in, and adoption of, low-carbon technologies</li> <li>▼ SO4f - Encourage investment in low carbon technology and development to exploit Scotland's vast potential</li> </ul>	
5	ERDF	53,070,222.00	11.16%	<ul style="list-style-type: none"> <li>▼ 06 - Preserving and protecting the environment and promoting resource efficiency</li> <li>▼ 6c - Conserving, protecting, promoting and developing natural and cultural heritage <ul style="list-style-type: none"> <li>▼ SO5d - To enhance the visitor experience to the Highlands and Islands through the sensitive promotion and enhancement of its natural and cultural heritage assets</li> </ul> </li> <li>▼ 6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure <ul style="list-style-type: none"> <li>▼ SO5d - To improve the quality, accessibility and usage of greenspace in urban environments and exploit the opportunities consequently for positive environmental, economic and social benefit</li> </ul> </li> <li>▼ 6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors <ul style="list-style-type: none"> <li>▼ SO5f1 - Making businesses in supported sectors more competitive through increased resource efficiency</li> <li>▼ SO5f2 - Grow re-processing and re-manufacturing industries through the reuse of waste products.</li> </ul> </li> </ul>	[PR51, PR61, PR62, PR63]
6	ERDF	9,469,531.00	1.99%	<p>TASO1 - support effective funds delivery</p> <p>TASO2 - Support synergies with other instruments</p>	[]

## 2. PRIORITY AXES

### 2.A DESCRIPTION OF THE PRIORITY AXES OTHER THAN TECHNICAL ASSISTANCE

#### 2.A.1 Priority axis

<b>ID of the priority axis</b>	1
<b>Title of the priority axis</b>	Strengthening Research, technological development and innovation

- The entire priority axis will be implemented solely through financial instruments
- The entire priority axis will be implemented solely through financial instruments set up at Union level
- The entire priority axis will be implemented through community-led local development
- For the ESF: The entire priority axis is dedicated to social innovation or to transnational cooperation, or both

#### 2.A.2 Justification for the establishment of a priority axis covering more than one category of region, thematic objective or fund (where applicable)

The needs analysis for Scotland around RTDI shows the gap between HERD and BERD as the biggest obstacle to achieving EU 2020, with BERD representing just 0.56% of GDP. This is caused primarily by caution from businesses (e.g. a higher ‘fear of failure’ than the rest of the UK) and sources of financing in investing in or trialling innovation, and both issues are prevalent across Scotland.

The aim of the priority axis is to build better connections between the existing high-quality research base and SMEs in particular, supporting businesses to commercialise existing research; and collaborate with academia and each other in creating new innovations. The activity necessary to do this – business engagement, networking, investment support – is also similar across Scotland.

The only area where there is a difference between transition and more developed regions is in the strength of the capacity of research and knowledge institutions. This is more prevalent in the more developed regions, with five top-rated universities, compared to the relatively recently established University of the Highlands and Islands. However, other knowledge institutions have also begun setting up specialist campuses within the transition region to exploit, for example, the location of low carbon test beds, and so whilst an element of capacity strengthening might be expected in the transition region, this is not the main focus of this investment priority. This will only form part of projects where it leads directly to a greater scale and depth of expertise around existing regional smart specialisations, such as marine energy, medical diagnostics and life sciences, and where it will lead directly to commercialisation and business development by a knowledge institution.

Finally, this priority axis seeks to develop agglomeration around city regions where this supports innovation and use of new technologies. The aim is to bind the cities more closely together into a virtual cluster of global scale and range of expertise, which in turn will encourage an increase in knowledge intensive activity within the cities. Although the needs of each city will vary depending on its historical development, size, population and industry/sectoral mix, the underlying need to find smarter and more technologically driven ways of managing a city and making it attractive are not unique to any one region or city.

The justification for and choice of thematic objective and investment priority are therefore the same across Scotland; but the selection of operations and the delivery structure will need to ensure that relevant local projects can be tailored to different regional needs, in particular paying attention to the location and mix of assets in sectors identified under the Smart Specialisation approach.

### 2.A.3 Fund, category of region and calculation basis for Union support

Fund	Category of region	Calculation basis (total eligible expenditure or eligible public expenditure)	Category of region for outermost regions and northern sparsely populated regions (where applicable)
ERDF	Transition	Public	
ERDF	More developed	Public	

## 2.A.4 Investment priority

<b>ID of the investment priority</b>	1b
<b>Title of the investment priority</b>	Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies

## 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO1
<b>Title of the specific objective</b>	Increase business commercialisation and investment in RTDI, particularly in sectors identified through Smart Specialisation
<b>Results that the Member States seek to achieve with Union support</b>	<p>Scotland has two major results to achieve with this investment priority:</p> <ul style="list-style-type: none"> <li>• Increase in BERD expenditure in identified Smart Specialisation sectors (baseline 2013) - this reflects that BERD makes up just less than one-third of innovation expenditure in Scotland at only 0.56% of GDP</li> <li>• Increase in the number of innovative active enterprises as a % of all businesses in Scotland - which reflects the acute sectoral and large-company concentration of R&amp;D and innovation activity, with vast number of SMEs not innovating</li> </ul> <p>The Office for National Statistics in 2013 registered £707 million in BERD for all of Scotland. However, this includes large companies which on estimate makes up over 70% of that figure, as well as non-targeted sectors. Current BERD relating only to</p>

smart specialisation sectors is £37m (2013). Trend projections indicate that there would have been minimal growth without substantial additional investment and that this is affected by the business cycle.

The level of business research and development lags behind that of most developed countries. It remains low, with Scottish BERD performance regularly ranked in the lowest quartile of OECD Countries. The ERDF programme will account for £125m of BERD activity over a 5 year period, which represents an increase in supported BERD activity of 51%.

The UK Innovation Survey 2013 shows a 44% baseline for innovative active enterprises in Scotland. The population for this 44% comprises only enterprises that are registered for VAT, have employees and are in all economic sectors. It thereby excludes companies which are not relevant to the types of activity supported by ERDF.

The baseline, when looking only at smart specialisation sectors and enterprises that can be supported by enterprise agencies, reduces to 30,000. The target is to bring Scotland closer to the next quartile of EU countries - currently Scotland is in the 4th quartile and is 25th out of 32 countries. This requires an additional 7000 innovative active enterprises. The ERDF programme alone will account for an increase of 20% in innovation active companies over the programme period, with other domestic funding contributing to the wider target of 18,000 in total.

**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO1 - Increase business commercialisation and investment in RTDI, particularly in sectors identified through Smart Specialisation						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR11	Number of innovative active enterprises	enterprises		11,000.00	2013	12,600.00	UK Innovation Survey	Annually
PR12	BERD Expenditure	GBP		37,000,000.00	2013	363,000,000.00	Office for National Statistics for Scotland	Annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### *2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries*

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<p>The focus of this Priority Axis is firmly on encouraging and supporting business investment and innovation, and helping businesses capitalise on the existing strength of Scottish research. To ensure that this is focused on maximising results, activity will be narrowly focused on specifically the sectors identified as part of Smart Specialisation; but this will be balanced by allowing a wide range of types of innovation:, for example process, product, service, technological and key enabling technologies. The Priority Axis will support activities which act as a catalyst for the implementation of the Manufacturing Action Plan for Scotland, equipping businesses to compete in future international markets through harnessing innovation and digital opportunities, in the Transition Region there will be a broader focus on those operations which advance research and innovation in the region's key sectors.</p> <p>In addition, this priority axis will encourage and catalyse investment to build Scottish “smart” cities that can support increased business productivity. This include sestablishing the enabling infrastructure and testing of smart cities technology that both produces data and allows the management and analysis of data to improve service quality and efficiency, using a ‘live’ city as a test bed for new technology.</p> <p>The types of actions supported to achieve this will include:</p> <ol style="list-style-type: none"><li>1. grant or voucher support for SMEs to engage with and commercialise or further develop academic research and knowledge</li><li>2. Knowledge transfer programmes to connect academia to business and create new collaborative opportunities, particularly through services and</li></ol>	

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<p>programmes in sectorally focused innovation centres and appropriate research institutions</p> <ol style="list-style-type: none"> <li>3. Support for KIC initiatives in Scotland around smart specialisations, including support for EU businesses to engage with these initiatives through Article 70</li> <li>4. Grant or loan funding of R&amp;TD&amp;I, particularly for new product development and piloting,</li> <li>5. Grant or loan funding for the development and early application of key enabling technology</li> <li>6. Networking to encourage businesses to work with each other, particularly around large-to-SME, and supply chain development and innovation</li> <li>7. Awareness raising of the benefits of innovation with SMEs who are not currently innovation active</li> <li>8. Grant and loan funding of business collaborations which develop innovation throughout the supply chain</li> <li>9. SMEs mentoring support and specialist support to achieve growth outcomes from their innovation process</li> <li>10. Individual business advice and engagement with design led, market led and digital environment to drive the creation of globally competitive products and services</li> <li>11. Funding to establish the integrated infrastructure and connected physical environment which will support data sharing in city management and to make non-personal data open to allow development of new applications and services based on this data</li> <li>12. Funding of pilots of smart city technology which both support individual service areas and capture data to allow wider and responsive city management</li> <li>13. Provision of new or enhanced research and innovation facilities to support academia and business collaboration, research and the development of new products, processes and techniques</li> <li>14. Provision of major capital equipment to facilitate RTDI</li> <li>15. Promotion of the services available through support facilities</li> <li>16. Provision of a manufacturing skills academy</li> </ol> <p>For the transition region, in recognition of innovation capacity still developing in key smart specialisation areas such as life sciences, marine energy and medical diagnostics, additional activity will be permitted to support the strengthening of knowledge institutions to engage with businesses in these sectors:</p>	

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<ol style="list-style-type: none"> <li>1. Support for PhD and post-doctoral places, particularly those working with local SMEs</li> <li>2. The provision of highly specialised equipment (e.g. medical diagnostics machinery or underwater acoustic profilers) to assist academic-to-business collaboration</li> </ol> <p>These actions will allow key parts of the innovation system - local businesses, larger firms, researchers, ICT networks - to come together and interact effectively. This will ultimately help to improve business engagement with, and investment in, Research Development and Innovation. Increased investment would strengthen research, technological development and innovation, which is a key objective. Local businesses would, in turn, benefit from the wider availability of information and support which would allow them to become more profitable and themselves take steps to innovate and invest.</p>	

**2.A.6.2 Guiding principles for selection of operations**

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p>	

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
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Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.

For RTDI, strategic interventions will be selected based on:

- fit with broader EU and Scottish policy priorities, particularly where long-term policy is changing considerably (e.g. EU industrial strategy) and requires support for implementation
- fit with the focus on the priority axis, in this case strategic interventions must demonstrate that they will address the lack of business engagement in innovation, with a particular focus on those sectors identified as part of the Smart Specialisation Strategy. They must be very specifically focused on demand-led support for those businesses, and show a clear link between promoting innovation, and using this as a route to growth and internationalisation.
- transformational potential in respect of an identified need or development potential, e.g. support for enabling technology or achieving growth in a Smart Specialisation sector
- long-term sustainability, namely the likelihood of funding for such a group of projects being mainstreamed beyond EU funding support
- Affordability within the EU Funds envelope, and certainty of match funding, to ensure high absorption rates and balanced programmes
- Differentiation from or alignment with existing domestic activity,
- Effective understanding of and engagement with synergies between different funding instruments, in this case particularly links to ETC and Horizon 2020; ambitions to involve more businesses in H2020 bids should be clearly demonstrated.
- Horizontal principles, such as a clear plan for Promoting sustainability and low carbon solutions at the core of the business innovation

Operations within each of such strategic interventions will subsequently be selected based on:

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<ul style="list-style-type: none"> <li>• Their ability to realistically deliver against the objectives and results for the strategic intervention and the priority axis – they must have a measurable and direct impact</li> <li>• The ability to respond to regional need, e.g. demonstrating an ability work with major sectoral clusters or a focus on particular sub-sectors identified through Smart Specialisation</li> <li>• Value for money, e.g. through evidence for a simplified cost model or testing the market through procurement</li> <li>• Additionality, e.g. evidence of how any specific operation fits alongside existing provision and improves the offer and outcomes of domestic policy alone</li> <li>• For capacity building (transition region only) and infrastructure (both regions), operations must be linked to smart specialisation sectors and demonstrate a direct link to engaging businesses, particularly SMEs, in commercialisation of innovation.</li> </ul>	

### 2.A.6.3 *Planned use of financial instruments* (where appropriate)

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<p>Scottish ERDF programmes have supported access to finance through loan and equity instruments since the 2000-06 period. The initial ex ante evaluation of financial instruments for Scotland found that the global downturn means there is a continuing need to support such instruments. This is particularly the case for SMEs who are about to embark on innovation and commercialisation projects which may introduce them to risks they have not previously dealt with, whether in terms of product or process development or their introduction to new markets. There is a specific market failure around early development, adoption and deployment of technology and new processes. Although a healthy cohort of venture capitalists and business angels exists in Scotland, this type of innovation investment is often still perceived as too risky, and there is a role for ERDF in sharing that risk to</p>	

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<p>overcome this.</p> <p>Subject to the outcome of the ex-ante assessment required by Article 37 (2) of the CPR, the financial instruments will be used to deliver this priority axis.</p> <p>The use of financial instruments in this way will align with the advice and grant support available to SMEs both in developing their approach to innovation, and in encouraging internationalisation, digital exploitation and other forms of sustainable business growth.</p>	

#### 2.A.6.4 *Planned use of major projects* (where appropriate)

<b>Investment priority</b>	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
<p>No major projects are planned, however this will be kept under review throughout the programming period.</p>	

## 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		Ib - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
CO26	Research, Innovation: Number of enterprises cooperating with research institutions	Enterprises	ERDF	Transition			400.00	Highlands and Islands Enterprise/Scottish Funding Council Management Information Systems	6 monthly
CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	ERDF	Transition			50.00	Highlands and Islands Enterprise/Scottish Funding Council Management Information System	6 monthly
CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	ERDF	Transition			250.00	Highlands and Islands/Scottish Funding Council Management Information System	6 monthly
PO11	Innovative Services in Cities Developed	whole number	ERDF	Transition			3.00	Scottish Cities Alliance	Annually
PO12	Data sets opened for innovation	data set (whole number)	ERDF	Transition			15.00	Scottish Cities Alliance	Annually
PO15	Area of Innovation	Square Metres	ERDF	Transition			1,282.00	EUMIS	Annually

Investment priority		1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
	Services Created								
CO26	Research, Innovation: Number of enterprises cooperating with research institutions	Enterprises	ERDF	More developed			800.00	Scottish Enterprise/Scottish Funding Council Management Information Systems	6 monthly
CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	ERDF	More developed			175.00	Scottish Enterprise/Scottish Funding Council Management Information System	6 monthly
CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	ERDF	More developed			800.00	Scottish Enterprise/Scottish Funding Council Management Information System	6 monthly
PO11	Innovative Services in Cities Developed	whole number	ERDF	More developed			17.00	Scottish Cities Alliance	Annually
PO12	Data sets opened for innovation	data set (whole number)	ERDF	More developed			135.00	Scottish Cities Alliance	Annually
PO14	Area of Innovation Services Created	Square Metres	ERDF	More developed			10,541.00	EUMIS	Annually

## 2.A.7 Social innovation, transnational cooperation and contribution to thematic objectives 1-7

Priority axis	1 - Strengthening Research, technological development and innovation
Not applicable to this Priority Axis	

## 2.A.8 Performance framework

**Table 6: Performance framework of the priority axis** (by fund and, for the ERDF and ESF, category of region)

Priority axis		1 - Strengthening Research, technological development and innovation											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where appropriate	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
						M	W	T	M	W	T		
CO28	O	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	ERDF	Transition			0			50.00	Scottish Government EUMIS System	
CO29	O	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	ERDF	Transition			0			250.00	Scottish Government EUMIS system	
100	F	expenditure	Euro	ERDF	Transition			8,654,125.00			31,851,312.00	Scottish Government EUMIS System	
1	I	Enterprises receiving support to introduce new to the firm or new to the market products	Number	ERDF	Transition			60			300.00	Scottish Government EUMIS system	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This key implementation step will monitor the number of enterprises which have received, or are still receiving, support to introduce new to the market or firm products.
CO28	O	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	ERDF	More developed			0			175.00	Scottish Government EUMIS system	

Priority axis		1 - Strengthening Research, technological development and innovation											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
CO29	O	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	ERDF	More developed			0			800.00	Scottish Government EUMIS system	
100	F	expenditure	Euro	ERDF	More developed			55,300,799.00			203,533,334.00	Scottish Government EUMIS system	
1	I	Enterprises receiving support to introduce new to the firm or new to the market products	Number	ERDF	More developed			195			975.00	Scottish Government EUMIS system	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This key implementation step will monitor the number of enterprises which have received, or are still receiving, support to introduce new to the market or firm products.

### Additional qualitative information on the establishment of the performance framework

Milestones and targets for this investment priority attempt to focus in on only those sectors which will be supported, and on the most likely type of company to use this support as an avenue for growth. It is also clearly anticipated that there will be spill-over effects from the types of activity delivered, as more SMEs see their competitors benefiting from innovation and so begin the process themselves. The key implementation step indicator relating to introducing new to the firm or market products has been identified as the most relevant for this priority for the milestone stage as enterprises may require a number of types of support over a long period and therefore an implementation step is more appropriate than the output indicator. This is the key activity under this priority and hence its choice for the milestones (for both the implementation step and output indicator). It is anticipated that 20% of the targeted enterprises will be receiving or have received support from operations by the end of 2018.

## 2.A.9 Categories of intervention

Categories of intervention corresponding to the content of the priority axis based on a nomenclature adopted by the Commission, and indicative breakdown of Union support.

### Tables 7-11: Categories of intervention

**Table 7: Dimension 1 - Intervention field**

Priority axis		1 - Strengthening Research, technological development and innovation	
Fund	Category of region	Code	€ amount
ERDF	Transition	001. Generic productive investment in small and medium –sized enterprises ('SMEs')	2,487,976.00
ERDF	More developed	001. Generic productive investment in small and medium –sized enterprises ('SMEs')	13,892,780.00
ERDF	Transition	058. Research and innovation infrastructure (public)	5,821,866.00
ERDF	More developed	058. Research and innovation infrastructure (public)	42,958,462.00
ERDF	Transition	062. Technology transfer and university-enterprise cooperation primarily benefiting SMEs	5,173,945.00
ERDF	More developed	062. Technology transfer and university-enterprise cooperation primarily benefiting SMEs	17,302,966.00
ERDF	Transition	064. Research and innovation processes in SMEs (including voucher schemes, process, design, service and social innovation)	5,627,000.00
ERDF	More developed	064. Research and innovation processes in SMEs (including voucher schemes, process, design, service and social innovation)	17,435,792.00

**Table 8: Dimension 2 - Form of finance**

Priority axis	1 - Strengthening Research, technological development and innovation
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Fund	Category of region	Code	€ amount
ERDF	Transition	01. Non-repayable grant	16,622,810.00
ERDF	More developed	01. Non-repayable grant	77,697,220.00
ERDF	Transition	03. Support through financial instruments: venture and equity capital or equivalent	995,191.00
ERDF	More developed	03. Support through financial instruments: venture and equity capital or equivalent	5,557,112.00
ERDF	Transition	04. Support through financial instruments: loan or equivalent	1,492,786.00
ERDF	More developed	04. Support through financial instruments: loan or equivalent	8,335,668.00

**Table 9: Dimension 3 - Territory type**

Priority axis		1 - Strengthening Research, technological development and innovation	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Large Urban areas (densely populated >50 000 population)	3,822,158.00
ERDF	More developed	01. Large Urban areas (densely populated >50 000 population)	45,795,000.00
ERDF	Transition	02. Small Urban areas (intermediate density >5 000 population)	7,644,315.00
ERDF	More developed	02. Small Urban areas (intermediate density >5 000 population)	18,318,000.00
ERDF	Transition	03. Rural areas (thinly populated)	7,644,314.00
ERDF	More developed	03. Rural areas (thinly populated)	27,477,000.00

**Table 10: Dimension 4 - Territorial delivery mechanisms**

Priority axis		1 - Strengthening Research, technological development and innovation		
Fund	Category of region	Code	€ amount	
ERDF	Transition	07. Not applicable	19,110,787.00	
ERDF	More developed	07. Not applicable	91,590,000.00	

**Table 11: Dimension 6 - ESF secondary theme (ESF and YEI only)**

Priority axis		1 - Strengthening Research, technological development and innovation		
Fund	Category of region	Code	€ amount	

**2.A.10 Summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries (where appropriate) (by priority axis)**

Priority axis:	1 - Strengthening Research, technological development and innovation			
The individual priority axes in the Scotland ERDF programme will not seek to support this, as Scotland's management of the Funds is mature and well-established. A separate TA priority Axis will support effective delivery of the funds.				

### 2.A.1 Priority axis

<b>ID of the priority axis</b>	2
<b>Title of the priority axis</b>	Enhancing access to, and use and quality of ICT

- The entire priority axis will be implemented solely through financial instruments
- The entire priority axis will be implemented solely through financial instruments set up at Union level
- The entire priority axis will be implemented through community-led local development
- For the ESF: The entire priority axis is dedicated to social innovation or to transnational cooperation, or both

### 2.A.2 Justification for the establishment of a priority axis covering more than one category of region, thematic objective or fund (where applicable)

N/A. This priority Axis covers the transition region only.

### 2.A.3 Fund, category of region and calculation basis for Union support

<b>Fund</b>	<b>Category of region</b>	<b>Calculation basis (total eligible expenditure or eligible public expenditure)</b>	<b>Category of region for outermost regions and northern sparsely populated regions (where applicable)</b>
ERDF	Transition	Public	

## 2.A.4 Investment priority

<b>ID of the investment priority</b>	2a
<b>Title of the investment priority</b>	Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy

## 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO2
<b>Title of the specific objective</b>	Enable individuals and businesses throughout Scotland to access digital services and business opportunities
<b>Results that the Member States seek to achieve with Union support</b>	<p>This priority aims specifically at increasing the access and uptake of NGA technology. In a region like the Highlands and Islands with permanent geographical handicaps and remote and sparse populations, the benefits of being able to access digital services are even more pronounced than in more populous areas. The result to be achieved is to therefore increase the number of high speed broadband subscriptions in household and business in the Highlands and Islands.</p> <p>Scottish Government business internet usage survey, with a sample size 4,000, including 2,000 in H&amp;I region, was carried out in July 2014. This study expected to be published by Scottish Government in December 2014. This shows the current uptake of NGA services in H&amp;I as just 11%, reflecting a combination of poor line speeds (end-of-exchange speeds can be below 2 Mbps) and complete lack of infrastructure/white areas . This figure has been used as a baseline for both Households and Businesses, as no separate figures are available for household take-up. The total numbers of households and businesses have then been calculated based on National Census 2011 data.</p> <p>Domestic funding is expected to reach 84% <i>coverage</i> (from 76% currently) and 30% <i>take-up</i>. The ERDF additional funding can extend this to 90% coverage and 40% take up. The greater increase in take-up figures, compared to coverage, reflect both increased efforts at demand stimulation; and survey evidence suggesting that take-up is higher in the more remote areas being targeted with ERDF spend, as the benefits are more easily perceived (service access in particular).</p>

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**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO2 - Enable individuals and businesses throughout Scotland to access digital services and business opportunities						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR21	No of high speed broadband residential and business subscriptions in the Highlands and Islands	subscriptions	Transition	24,499.00	2014	89,087.00	Scottish Government Scotland wide business internet usage survey	Bi-annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### *2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries*

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
<p>The geography and population concentrations in remote parts of the Highlands and islands means there is a continuing need to support and catalyse investment in broadband infrastructure for communities which would otherwise be left with no coverage, or with very low speeds unsuitable for even current applications and usage.</p> <p>The current domestic funding will extend coverage to just 84%; and take-up to an expected 30%. This will continue to lag behind EU Digital Agenda ambitions unless further public support is available to address the hardest to reach areas. As in the rest of the UK, the presence of these Funds, even in modest amounts, signals the importance of the investment, and acts to draw in wider investment including increased market interest.</p> <p>This Priority Axis does not seek to support whole scale roll-out, but will instead work in alignment with the EAFRD programme for Scotland to extend coverage of high speed broadband provision. Investment with ERDF will be limited to the transition region which reflects its greater need in terms of missing links and availability of service. Increasing access to households and businesses is the key output - increasing from the 84% envisaged at the end of the current investments to 90%.</p> <p>The specific role for ERDF will be to will deliver enhanced open access backhaul connections in parts of the region not served by existing routes; and next generation access networks in areas that won't be reached either by commercial roll-out or planned public investment. This would include fibre, fixed wireless access solutions and the deployment of certain wireless solutions in underserved or poorly served areas. Scottish Government will ensure that State Aid requirements are met by undertaking an Open Market Review and public consultation to identify an updated intervention area. Activity will then be delivered through a procurement process. Where bespoke State Aid approval is required, and activity is not covered either by</p>	

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
<p>the existing UK scheme or the General Block Exemption Regulations, this will be sought as individual projects and operations are specified.</p> <p>To ensure that communities and remotely located businesses can connect to this new backhaul, ERDF will additionally support a series of regionally aggregated procurements, separate from existing Digital Scotland contractual arrangements. In many cases, the geography will require the use of alternative access technologies, not currently available through the main Digital Scotland delivery contract. Scottish Government will identify the specific areas where mainstream contracts will not deliver (at 6 digit postcode level), de-scope these from the mainstream contract, and procure separately.</p> <p>Community Broadband Scotland is testing this approach through the Argyll Isles project during 2014. CBS have helped create a ‘community of interest’ comprising 1,500 premises, spread across 4 island locations, that are not part of mainstream planned deployment through the existing Digital Scotland programme. If successful, this will form the blueprint of the Scottish approach for spending ERDF</p> <p>Finally, ERDF will extend demand stimulation activities to run locally and alongside infrastructure roll-out ensuring that communities and businesses are aware of the services coming to their areas, the benefits of using them, and have the skills to take them up. Operations will be expected to demonstrate direct links between further roll-out support and demand stimulation activity. Take up is critical and is the key result of this priority - increasing levels from 30% to 40%.</p> <p>Other activities, particularly encouraging advanced business usage; and developing the skills required for Scotland’s growing ICT sector, will be supported under other thematic objectives and Priority Axis, including by the European Social Fund. This recognises that supply-side intervention will not be enough to make roll-out successful or for it to have an impact on the needs to seeks to address (e.g. remoteness, access to public services and advice, business opportunities). It also aligns with and helps to achieve the aims of the Digital Agenda for Europe and Scotland’s own Digital Strategy, which stresses both access and usage, and underlines that the relatively modest priority axis in this programme is complemented by significantly larger domestic resources.</p> <p>The results for this investment priority thus reflect an impact that can only be achieved through a combination of broadband roll-out AND measures</p>	

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
elsewhere in this and domestically funded programmes which increase usage.	

### ***2.A.6.2 Guiding principles for selection of operations***

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p> <p>Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.</p> <p>For this Priority Axis, both strategic interventions and subsequent individual operations will be selected based on</p> <ul style="list-style-type: none"> <li>• State aid and procurement compliance</li> <li>• Focus on the most remote and difficult to reach communities, where either no coverage exists or where lack of coverage in some areas is combined with speeds below 2 Mbps in other areas to be treated</li> <li>• Community engagement</li> <li>• A suitable options appraisal to ensure the right kind of technology is being applied to difficult and remote territories</li> <li>• A demonstration of direct links between further roll-out support and demand stimulation activity for communities and businesses</li> <li>• Affordability within the EU Funds envelope, and certainty of match funding, to ensure absorption and balanced programmes</li> </ul>	

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
<ul style="list-style-type: none"> <li>• Additionality, e.g evidence of how any specific operation fits alongside existing provision and improves the offer and outcomes of domestic policy alone</li> </ul>	

#### 2.A.6.3 *Planned use of financial instruments* (where appropriate)

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
<p>The roll-out of broadband infrastructure where there is market failure has been investigated as part of establishing this Scottish ERDF Programme, and forms part of the ex ante assessment of suitable uses for financial instruments. Whilst it would be desirable to lever in private investment, this does not appear to be feasible for areas with sparse populations and longer distances between users. The same appears to be the case for investment in upgrades, for example in the many areas of Scotland which are still limited to 2 Mbps speeds. Financial instruments are therefore not foreseen for this priority axis.</p>	

#### 2.A.6.4 *Planned use of major projects* (where appropriate)

<b>Investment priority</b>	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
<p>No major projects are planned. Delivery of broadband roll-out under the 2014-20 programme is expected to be through smaller, regionalised projects covering those areas where mainstream delivery is not possible. these are unlikely to form major projects.</p>	

### 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
CO10	ICT Infrastructure: Additional households with broadband access of at least 30 Mbps	Households	ERDF	Transition			11,833.00	Scottish Government	Annually
PO21	additional businesses with broadband access of at least 30 Mbps	businesses	ERDF	Transition			1,530.00	Scottish Government	Annually

### 2.A.7 Social innovation, transnational cooperation and contribution to thematic objectives 1-7

Priority axis	2 - Enhancing access to, and use and quality of ICT
Not applicable to this Priority Axis	

## 2.A.8 Performance framework

**Table 6: Performance framework of the priority axis (by fund and, for the ERDF and ESF, category of region)**

Priority axis		2 - Enhancing access to, and use and quality of ICT											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where appropriate	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
						M	W	T	M	W	T		
CO10	O	ICT Infrastructure: Additional households with broadband access of at least 30 Mbps	Households	ERDF	Transition			0			11,833.00	Scottish Government EUMIS system	
100	F	expenditure	Euro	ERDF	Transition			11,537,290.00			45,235,940.00	Scottish Government EUMIS System	
3	I	ICT infrastructure contract let and implementation commenced	Date	ERDF	Transition			1			3.00	Scottish Government Management Information System	The focus of the priority is on supporting ICT infrastructure improvements in the transition region to support better connectivity in areas of poor provision. The outputs will not be fully implemented by the end of 2018 and so an implementation step is included as progress should be made on letting contracts and starting construction work.

### Additional qualitative information on the establishment of the performance framework

The key output is to increase the number of households and businesses that have access to superfast broadband in the transition region. Increasing the levels of access will be coupled with a focus on increasing take up which is very low.

By the end of 2018, the key outputs cannot be achieved due to the timescales forecast for designing and contracting work. The performance framework will therefore use an implementation step - it is envisaged that there will be a number of contracts required. By the end of 2018, at least one of these will have been let and the contract commenced.

## 2.A.9 Categories of intervention

Categories of intervention corresponding to the content of the priority axis based on a nomenclature adopted by the Commission, and indicative breakdown of Union support.

### Tables 7-11: Categories of intervention

**Table 7: Dimension 1 - Intervention field**

Priority axis		2 - Enhancing access to, and use and quality of ICT	
Fund	Category of region	Code	€ amount
ERDF	Transition	046. ICT: High-speed broadband network (access/local loop; >= 30 Mbps)	24,879,767.00

**Table 8: Dimension 2 - Form of finance**

Priority axis		2 - Enhancing access to, and use and quality of ICT	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Non-repayable grant	24,879,767.00

**Table 9: Dimension 3 - Territory type**

Priority axis		2 - Enhancing access to, and use and quality of ICT	
Fund	Category of region	Code	€ amount
ERDF	Transition	02. Small Urban areas (intermediate density >5 000 population)	12,439,883.00

Priority axis		2 - Enhancing access to, and use and quality of ICT	
Fund	Category of region	Code	€ amount
ERDF	Transition	03. Rural areas (thinly populated)	12,439,884.00

**Table 10: Dimension 4 - Territorial delivery mechanisms**

Priority axis		2 - Enhancing access to, and use and quality of ICT	
Fund	Category of region	Code	€ amount
ERDF	Transition	07. Not applicable	24,879,767.00

**Table 11: Dimension 6 - ESF secondary theme (ESF and YEI only)**

Priority axis		2 - Enhancing access to, and use and quality of ICT	
Fund	Category of region	Code	€ amount

**2.A.10 Summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries (where appropriate) (by priority axis)**

Priority axis:	2 - Enhancing access to, and use and quality of ICT
<p>The individual priority axes in the Scotland ERDF programme will not seek to support this, as Scotland's management of the Funds is mature and well-established. A separate TA Priority Axis will support effective delivery of the funds.</p>	

### 2.A.1 Priority axis

<b>ID of the priority axis</b>	3
<b>Title of the priority axis</b>	Enhancing the Competitiveness of SMEs

- The entire priority axis will be implemented solely through financial instruments
- The entire priority axis will be implemented solely through financial instruments set up at Union level
- The entire priority axis will be implemented through community-led local development
- For the ESF: The entire priority axis is dedicated to social innovation or to transnational cooperation, or both

### 2.A.2 Justification for the establishment of a priority axis covering more than one category of region, thematic objective or fund (where applicable)

Scotland's economy is dominated by SMEs, with more than 90% of the business base having fewer than 10 employees. The focus of ERDF in Scotland under this thematic objective and priority axis is to get a greater number of these SMEs to grow by accessing wider markets, thereby broadening the economic base; and providing increased employment opportunities.

There are particular opportunities for international and regional growth around the sectors identified through Smart Specialisation, with global possibilities for low carbon, life sciences, creative industries and food and drink in all regions. To gain maximum results for growth and jobs, this priority axis will focus on those sectors identified in Smart Specialisation, thus complementing the approach to innovation and skills development; and on one additional sector highlighted in the government Economic Strategy, which is vital for rural areas in particular: tourism and heritage.

Business support services in Scotland are currently aimed at either those who have already demonstrated a capacity to grow (and might do so again unaided), or at generic advice around starting up and business planning. If Scottish businesses are to be 'born global', with export and internationalisation as recognised routes to growth, these regionalised and localised services need to join up and create a 'pipeline' approach which enables a business to

access support repeatedly as it develops and grows. As this priority axis will focus on identifying and supporting SMEs with regional, national or international growth potential, this includes a joining up of how such companies are identified.

The justification for and choice of thematic objective and investment priority are therefore the same across Scotland; but the selection of operations and the delivery structure will need to ensure that relevant local projects can be tailored to different regional needs, and to the specific sub-sectors which present most strongly in each region (e.g. for a Smart Specialisation sector such as low carbon, product development, manufacture and install, testing and engineering are likely to be strongest in different areas of Scotland).

In addition to regional Smart Specialisation tailoring, some additional activity will be permitted in the transition region as set out in the Strategy section on territorial needs. This is because the Highlands and Islands economy is dependent on SMEs, with a higher proportion of very small and micro firms, and with the growth potential for both existing businesses and new sectors constrained by geography and distance. The impact of supporting the establishment of new knowledge-intensive sectors and SMEs with the potential to become even relatively modest sized employers of 20-50 employees is correspondingly greater in such areas. The objective in the region remains the same, to get businesses to grow and internationalise, but to assist initial phases of business or sectoral development, ERDF in Scotland will permit investment support for limited infrastructure investment to overcome specific market failures. The specific cases where this will be permitted are outlined in section 2.A.6.1.

### 2.A.3 Fund, category of region and calculation basis for Union support

Fund	Category of region	Calculation basis (total eligible expenditure or eligible public expenditure)	Category of region for outermost regions and northern sparsely populated regions (where applicable)
ERDF	Transition	Public	
ERDF	More developed	Public	

## 2.A.4 Investment priority

<b>ID of the investment priority</b>	3d
<b>Title of the investment priority</b>	Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes

## 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO3
<b>Title of the specific objective</b>	support SME internationalisation as a route to growth and increasing employment, particularly in Smart Specialisation sectors and regionally important sectors in fragile areas
<b>Results that the Member States seek to achieve with Union support</b>	<p>This investment priority is focused on achieving growth in Scotland's SME and particularly its potential Midcap base, through export and internationalisation, and achieving employment through that growth. there are two results which will be pursued:</p> <ul style="list-style-type: none"> <li>• Increase in number of businesses exporting</li> <li>• Employment increase (FTE's) in Smart Specialisation Sectors</li> </ul> <p>The 2012 Small Business Survey Report reports 13% of SMEs exporting, down from 16% before the economic crisis. The baseline has been calculated against the Census 2011 data on the number of SMEs in Scotland. The overall ambition is to increase the % of SMEs exporting to between 25% and 30%, with the higher number more representative of the more densely populated and more developed regions. An average figure, slightly weighted in favour of the more populous regions, of 28% has therefore been applied. This is a very ambitious target, seeking to more than double the number of exporters from Scotland.</p> <p>Current employment figures in the targeted sectors are calculated from employment in key growth sectors (from Scottish Government's Growth Sector database), but adjusting to exclude Financial Services (this is not a targeted sector using ERDF) and excluding 70% of tourism sector, which represents basic-level hospitality jobs and are therefore also not the ones being</p>

targeted.

The target is based on projections of assisting 9,400 companies; and creating 13,000 jobs in those assisted companies. This ratio of employment growth on FTE's has been applied to the total level of jobs in targeted sectors to give an overall increase of just over 50,000 FTEs.

**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO3 - support SME internationalisation as a route to growth and increasing employment, particularly in Smart Specialisation sectors and regionally important sectors in fragile areas						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR31	number of SMEs exporting	SMEs		44,064.00	2012	94,906.00	Small Business Survey Report	Annually
PR32	Employment in Smart Specialisation Sectors	FTE equivalents		317,250.00	2012	368,067.00	Scotland Performs - growth sector database	Annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### 2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>Actions this Investment Priority will include:</p> <ol style="list-style-type: none"><li>1. Early identification and one-to-one mentoring and grant and loan support for companies with growth potential within the Smart Specialisation sectors, or within regionally important sectors identified in the government Economic Strategy such as tourism and heritage. ‘Growth potential’ will be identified for example through recent employment growth rate, turn-over growth rate, registration of patents, and/or indications of investment offers (in which case development support but not investment might be offered).</li><li>2. Training and mentoring for SME management teams and individuals (one-to-one and one-to-many events) on growth strategies and techniques, including introductions to business advice on innovation and innovation funding</li><li>3. business advisory and grant support on key growth issues, including entrepreneurial development, leadership and strategy support, business efficiency/productivity, market analysis and financial planning</li><li>4. Sector-specific actions, reflecting Scotland’s Smart Specialisation priorities, to enhance business collaboration and supply-chain development, and facilitate clustering opportunities at the regional level. This could include both advice and funding through grants or loans</li><li>5. Individual and group business support for Digital Exploitation, such as voucher schemes, training or specialist advice for SMEs on advanced utilisation of digital media, connectivity and business models</li><li>6. Support for internationalisation through providing tailored knowledge of new markets, improving how SMEs target/engage international clients (including collaboratively), and supporting participation in international trade fairs and expositions (this activity supports promotional support only, no export subsidies are permitted)</li><li>7. Support to SMEs through financial instruments</li></ol>	

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>In the transition region, additional specific activity will be permitted in recognition of the greater dominance of micro and small enterprises and the difficulty in securing new sectoral investments:</p> <p>8. Enabling infrastructure for Smart Specialisation sectoral development, and regionally important sectoral development</p> <ul style="list-style-type: none"> <li>• infrastructure investment in regionally significant business infrastructure which will be catalytic in the development of Smart Specialisation sectors and subsectors including energy (particularly offshore wind, wave and tidal), life sciences (marine bio sciences, medical devices and digital healthcare), food and drink, and creative industries (media, publishing, music and fashion). In each and every case, investments will address clearly defined infrastructure gaps and may include, for example, specialised business space or product testing capacity and equipment.</li> <li>• Enabling infrastructure investment in the regionally important tourism and cultural sector, particularly linked to growth areas such as adventure tourism and archaeology. This will only be permitted where such investment forms a key component of a regional economic development plan and is assessed to lead directly to SME growth and employment.</li> <li>• These investments will only be supported where there is clear evidence of market failure, i.e. the private sector is not seeking to provide this infrastructure and SMEs cannot attract the investment to provide it; and where the investment supports SME growth and leads to creation of high value jobs.</li> <li>• The Transition region is expected to see 3-5 of such developments over the programming period. Although modest, evidence from previous programming rounds suggests this can be expected to deliver 450 jobs and benefit 50 SMEs in fragile economic areas.</li> </ul> <p>9. Supporting infrastructure for Businesses of scale</p> <ul style="list-style-type: none"> <li>• Support for capital investment where this is a component part of enhancing a business competitiveness, securing new markets and creating additional employment for an identified business of scale in the region</li> <li>• Businesses of scale will be defined as an SME, either currently or with the potential to employ 20-50 or more full-time equivalents, providing skilled and high-paid jobs, in one of the Smart Specialisation sectors or a sector that is economically significant in its locality</li> </ul>	

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<ul style="list-style-type: none"> <li>• To qualify for support, the business in question must have a growth plan in place and the proposed investment must be a fundamental component of realising that plan.</li> <li>• Each investment case will be subject to an economic impact assessment, identifying the scale and nature of the market failure and the rationale for public investment (EU and other). This assessment will cover growth capacity, improved productivity, new products and/or processes; as well as wider regional benefits such as the creation of high-value jobs, diversification of a narrow local economic base, wide productivity gains and spill-over into local and regional supply chains. This assessment will also consider possible sources of support for such investments.</li> <li>• The transition region is expected to make 12 of such investments over the programming period, at a cost of €3.6m of the relevant allocation for the region.</li> </ul> <p>These actions will contribute to the specific objective in two ways. Firstly, they will support a higher number of SMEs with growth potential to achieve that potential from the early and more risky stages, by recognising that the factors affecting growth such as innovation, leadership and funding are interlinked. Secondly, the actions will place the Scottish economy on a firmer footing on the international stage by helping more businesses to engage in export activity, in turn ensuring Scotland becomes a more open and attractive place to do business.</p>	

### 2.A.6.2 Guiding principles for selection of operations

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p> <p>Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to</p>	

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.</p> <p>Strategic Interventions will be selected based on:</p> <ul style="list-style-type: none"> <li>• Their fit with EU and Scottish policy priorities, particularly where long-term policy is changing considerably and requires support for implementation</li> <li>• Their transformational potential in respect of an identified need or development potential</li> <li>• Their long-term sustainability and ability to be mainstreamed beyond EU funding support</li> <li>• Affordability within the EU Funds envelope, and certainty of match funding, to ensure absorption and balanced programmes</li> </ul> <p>For this Priority Axis, strategic interventions must demonstrate genuine additionality to existing domestic programmes and policy, as there are significant resources aimed at existing and known growth companies as well as at generic business support and advice. Interventions should demonstrate how businesses will be able to draw on a range of support as they grow and develop; and be clearly focused on achieving growth and growth in employment in the key sectors identified in the Smart Specialisation Strategy, or sectors which are regionally important and identified in the government Economic Strategy.</p> <p>Operations within each of such strategic interventions will be selected based on:</p> <ul style="list-style-type: none"> <li>• Their ability to realistically deliver against the objectives and results for the strategic intervention – they must have a measurable and direct impact</li> <li>• The prospective growth profile, innovative capacity, scope for job growth, financial soundness, and strategic fit in terms of RIS3 and other relevant Strategies in Scotland of the company or companies to be supported</li> <li>• The ability to respond to regional need, e.g. demonstrating an ability work with major sectoral or regional employers</li> <li>• Value for money, e.g. through evidence for a simplified cost model or testing the market through procurement</li> <li>• Additionality, e.g. evidence of how any specific operation fits alongside existing provision and improves the offer and outcomes of domestic</li> </ul>	

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>policy alone</p> <p>In the Transition Region:</p> <ul style="list-style-type: none"> <li>• Projects which seek to support SME enabling infrastructure will be limited to the identified sub-sectors within Smart Specialisation in the Transition Region and to the regionally significant culture and tourism sector, and must demonstrate clearly the sectoral impact such an investment would have in terms of new and value-added employment and SME growth. General purpose or speculative infrastructure is not permitted, and investments must have the potential to create a minimum of 20 jobs, or ten in the most sparsely populated regions.</li> <li>• Projects which seek to support individual businesses of scale (i.e. regionally significant SMEs with employment and economic growth potential) must demonstrate clear market failure of other sources of investment, as well as wider economic benefits such as diversifying the local economic base, value-added jobs and spill-over benefits to the local and regional supply chain</li> </ul> <p>For this priority axis, it will also be important for operations to demonstrate State Aid compliance, for example in terms of investment and capital support or ensuring that individual businesses are not being unduly favoured by public support.</p>	

#### 2.A.6.3 *Planned use of financial instruments* (where appropriate)

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>Scottish ERDF programmes have supported access to finance through loan and equity instruments since the 2000-06 period. Although the market failure has shifted over that period, the global downturn means there is a continuing need to support such instruments, as well as a recognised constituency of business angels in Scotland who are willing to co-invest with European Funds.</p>	

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>As part of the needs assessment and ex-ante work, it has been noted that there are both some underlying policy changes; and some delivery issues with existing financial instruments which should be taken into account in determining the approach, for example to loan funding. For Innovation and SME Competitiveness in particular, the market gap has shifted considerably as the long-term impacts of the global recession in 2008 are continuing to be felt by the business community.</p> <p>Investment is a key component of economic growth - both in the short-term (by increasing demand in the economy) and in the long-term (through its effect on productivity). <b>UK data shows that business investment rose by an estimated 5.0 per cent in 2014 Q1 compared with the previous quarter.</b> Business investment remains below its pre-recession peak but is at its highest level since 2008 Q3 and it is the first time since 1998 that there have been 5 consecutive periods of growth in business investment. The picture remains mixed, however, with the easing of credit availability not yet reaching smaller companies.</p> <p>Further, on the supply side, the need for further debt support was highlighted in the work recently completed by independent consultants SQW, who attempted to estimate the level of demand that exists for a new flexible public sector debt product that can adapt to individual circumstances and risk profiling, an area of concern for some SMEs given subdued overall lending levels. Whilst the SQW report identified evidence of a potential market failure in lending to those SMEs who export or have growth potential, the evidence is not conclusive on the need to develop a specifically new public sector debt product at this stage but adaption, and increase in the scale, of an existing, ERDF funded Financial Instrument would be the preferred option. i.e. the Local Authorities in Scotland are planning to replace the West of Scotland Loan Fund and East of Scotland Investment Fund with a similar pan-Scotland debt product aimed at new start-ups and existing businesses.</p> <p>The main Financial instrument set up to disburse ERDF to SMEs, the Scottish Investment Bank, has been in receipt of ERDF for more than one full programme cycle to support risk capital investment in the early stage risk capital market for new and young innovative knowledge based companies, which the main banks would not support as many of these business will be pre-revenue. The activity of the Scottish Investment Bank has been highly successful in the past years in not just stimulating the level of investment deals that take place annually within the Scottish investment market but also, more importantly, increased the number of active investors, for example Scotland now has 19 activity business angel syndicates and is recognised as one of the most activity early stage investment market in the UK and across Europe.</p>	

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>On the downside, SIB has not yet started showing the rates of return originally expected, due to the current market conditions, although trade sales are generating healthy annual returns. This is mainly attributed to the financial crisis, and lack of confidence in the IPO market which is hindering the pipeline for investment “exits” in Scotland, as experienced elsewhere across Europe. The other Financial Instrument aimed at SMEs, the Local Authority Loan Fund, is seeing returns, but perhaps not at the expected rate of growth in companies supported that was anticipated, but again this is evident in the wide SME market in which “business confidence” has taken the full impact of the financial crisis and until businesspeople see evidence of economic upturn, which is beginning to emerge, growth will continue to be hindered by uncertainty.</p> <p>Subject to the outcome of the ex-ante assessment required by Article 37 (2) of the CPR, the financial instruments will be used to deliver this priority axis.</p> <p>However, because of the current delivery queries, and because of other significant opportunities arising for Financial instruments in low carbon and resource efficiency, the intention is to capitalise on the experience acquired in previous programmes to improve delivery and rate of returns, and reassess the Financial Instruments landscape in Scotland as ambitions for FIs around other objectives (notably low carbon and resource efficiency) become clearer.</p>	

**2.A.6.4 Planned use of major projects** (where appropriate)

<b>Investment priority</b>	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
<p>No major projects are planned, however this will be kept under review throughout the programming period.</p>	

### 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
CO01	Productive investment: Number of enterprises receiving support	Enterprises	ERDF	Transition			2,600.00	Scottish Government Management Information System	6 monthly
CO02	Productive investment: Number of enterprises receiving grants	Enterprises	ERDF	Transition			250.00	Highlands and Islands Enterprise/Business Gateway Management Information Systems	6 monthly
CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	ERDF	Transition			15.00	Highlands and Islands Enterprise/Business Gateway Management Information Systems	6 monthly
CO04	Productive investment: Number of enterprises receiving non-financial support	Enterprises	ERDF	Transition			2,350.00	Highlands and Islands Enterprise/Business Gateway Management Information Systems	6 monthly
CO05	Productive investment: Number of new enterprises supported	Enterprises	ERDF	Transition			250.00	Highlands and Islands Enterprise/Business Gateway Management Information Systems	6 monthly
CO07	Productive investment: Private investment matching public support to enterprises (non-grants)	EUR	ERDF	Transition			3,600,000.00	Scottish Government Management Information System	6 monthly
CO08	Productive investment: Employment increase in supported enterprises	Full time equivalents	ERDF	Transition			400.00	Highlands and Islands Enterprise/Business Gateway Management Information System	6 monthly
CO01	Productive investment: Number of enterprises receiving support	Enterprises	ERDF	More developed			9,200.00	Scottish Government Management Information System	6 monthly
CO02	Productive investment: Number of enterprises receiving grants	Enterprises	ERDF	More developed			3,100.00	Scottish Enterprise/Business Gateway Management Information Systems	6 monthly

Investment priority		3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes								
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting	
					M	W	T			
CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	ERDF	More developed			670.00	Scottish Enterprise/Business Management Information Systems	Gateway	6 monthly
CO04	Productive investment: Number of enterprises receiving non-financial support	Enterprises	ERDF	More developed			9,200.00	Scottish Enterprise/Business Management Information Systems	Gateway	6 monthly
CO05	Productive investment: Number of new enterprises supported	Enterprises	ERDF	More developed			800.00	Scottish Enterprise/Business Management Information Systems	Gateway	6 monthly
CO07	Productive investment: Private investment matching public support to enterprises (non-grants)	EUR	ERDF	More developed			186,000,000.00	Scottish Government Information System	Management	6 monthly
CO08	Productive investment: Employment increase in supported enterprises	Full time equivalents	ERDF	More developed			9,650.00	Scottish Enterprise/Business Management Information System	Gateway	6 monthly

### 2.A.7 Social innovation, transnational cooperation and contribution to thematic objectives 1-7

Priority axis	3 - Enhancing the Competitiveness of SMEs
Not applicable to this Priority Axis	

## 2.A.8 Performance framework

**Table 6: Performance framework of the priority axis (by fund and, for the ERDF and ESF, category of region)**

Priority axis		3 - Enhancing the Competitiveness of SMEs											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where appropriate	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
						M	W	T	M	W	T		
CO01	O	Productive investment: Number of enterprises receiving support	Enterprises	ERDF	Transition			0			2,600.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This output indicator represents over 50% of the funding for this priority.
100	F	expenditure	Euro	ERDF	Transition			13,418,461.00			49,386,338.00	Scottish Government EUMIS System	
4	I	Enterprises receiving support	Number	ERDF	Transition			520			2,600.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This key implementation step will monitor the number of enterprises which have received, or are still receiving, support and represents over 50% of the funding for this priority.
CO01	O	Productive investment: Number of enterprises receiving support	Enterprises	ERDF	More developed			0			9,200.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This output indicator represents over 50% of the funding for this priority.
100	F	expenditure	Euro	ERDF	More developed			66,507,016.00			275,222,600.00	Scottish Government EUMIS System	
4	I	Enterprises receiving support	Number	ERDF	More developed			1800			9,200.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This key implementation step will monitor the number of enterprises which have received, or are still receiving, support and represents over 50% of the funding for this priority.

### Additional qualitative information on the establishment of the performance framework

Milestones and targets for this investment priority attempt to focus in on only those sectors which will be supported, and on the most likely type of company to use this support as an avenue for growth. The key implementation step indicator, relating to enterprises receiving both financial and non-

financial support, has been identified as the most relevant for this priority for the milestone stage as enterprises may require a number of types of support over a long period and therefore an implementation step is more appropriate than the output indicator. It is anticipated that 20% of the targeted enterprises will be receiving or have received support from operations by the end of 2018. As operations will be longer than 3 years it is not possible to use a milestone for the corresponding output indicator.

## 2.A.9 Categories of intervention

Categories of intervention corresponding to the content of the priority axis based on a nomenclature adopted by the Commission, and indicative breakdown of Union support.

### Tables 7-11: Categories of intervention

**Table 7: Dimension 1 - Intervention field**

Priority axis		3 - Enhancing the Competitiveness of SMEs	
Fund	Category of region	Code	€ amount
ERDF	Transition	001. Generic productive investment in small and medium –sized enterprises ('SMEs')	13,139,485.00
ERDF	More developed	001. Generic productive investment in small and medium –sized enterprises ('SMEs')	74,054,475.00
ERDF	Transition	066. Advanced support services for SMEs and groups of SMEs (including management, marketing and design services)	16,492,318.00
ERDF	More developed	066. Advanced support services for SMEs and groups of SMEs (including management, marketing and design services)	49,795,695.00

**Table 8: Dimension 2 - Form of finance**

Priority axis		3 - Enhancing the Competitiveness of SMEs	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Non-repayable grant	24,954,407.00
ERDF	More developed	01. Non-repayable grant	76,608,762.00
ERDF	Transition	03. Support through financial instruments: venture and equity capital or equivalent	1,870,958.00
ERDF	More developed	03. Support through financial instruments: venture and equity capital or equivalent	18,896,563.00
ERDF	Transition	04. Support through financial instruments: loan or equivalent	2,806,438.00
ERDF	More developed	04. Support through financial instruments: loan or equivalent	28,344,845.00

**Table 9: Dimension 3 - Territory type**

Priority axis		3 - Enhancing the Competitiveness of SMEs	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Large Urban areas (densely populated >50 000 population)	5,926,361.00
ERDF	More developed	01. Large Urban areas (densely populated >50 000 population)	61,925,085.00
ERDF	Transition	02. Small Urban areas (intermediate density >5 000 population)	11,852,721.00
ERDF	More developed	02. Small Urban areas (intermediate density >5 000 population)	24,770,034.00
ERDF	Transition	03. Rural areas (thinly populated)	11,852,721.00
ERDF	More developed	03. Rural areas (thinly populated)	37,155,051.00

**Table 10: Dimension 4 - Territorial delivery mechanisms**

Priority axis		3 - Enhancing the Competitiveness of SMEs	
Fund	Category of region	Code	€ amount
ERDF	Transition	07. Not applicable	29,631,803.00
ERDF	More developed	07. Not applicable	123,850,170.00

**Table 11: Dimension 6 - ESF secondary theme (ESF and YEI only)**

Priority axis		3 - Enhancing the Competitiveness of SMEs	
Fund	Category of region	Code	€ amount

**2.A.10 Summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries (where appropriate) (by priority axis)**

Priority axis:	3 - Enhancing the Competitiveness of SMEs
The individual priority axes in the Scotland ERDF programme will not seek to support this, as Scotland's management of the Funds is mature and well-established. A separate TA Priority Axis will support effective delivery of the funds.	

### 2.A.1 Priority axis

<b>ID of the priority axis</b>	4
<b>Title of the priority axis</b>	Supporting a shift towards a low carbon economy in all sectors

- The entire priority axis will be implemented solely through financial instruments
- The entire priority axis will be implemented solely through financial instruments set up at Union level
- The entire priority axis will be implemented through community-led local development
- For the ESF: The entire priority axis is dedicated to social innovation or to transnational cooperation, or both

### 2.A.2 Justification for the establishment of a priority axis covering more than one category of region, thematic objective or fund (where applicable)

The opportunities identified in section 1 under this thematic objective are located across Scotland. They include renewable energy (production, research, testing and install/maintenance), but also supply chain development and low carbon products.

The main need identified is project maturity, i.e. that projects are of scale and developed far enough to attract major investor attention. This need is not differentiated for any particular territory – the need for investment, the opportunities arising from it including employment, and the requirement to develop a suitable project pipeline are identical. Only the scale or type of local projects might differ, particularly around community engagement where projects will depend on the requirements of individual areas.

For the investment priority which addresses urban low carbon strategies, the main needs identified are around cultural change, in particular effecting the shift from car journeys to active and green transport over shorter distances. The factors preventing this shift, such as lack of joined-up infrastructure at regional level, ease of use, and the perception of danger being higher than the reality, are again similar across Scotland.

The justification for and choice of thematic objective and investment priorities are therefore the same across Scotland, and a single priority axis is proposed. The selection of operations will ensure that relevant local projects can be tailored to different regional needs.

### 2.A.3 Fund, category of region and calculation basis for Union support

Fund	Category of region	Calculation basis (total eligible expenditure or eligible public expenditure)	Category of region for outermost regions and northern sparsely populated regions (where applicable)
ERDF	Transition	Public	
ERDF	More developed	Public	

### 2.A.4 Investment priority

<b>ID of the investment priority</b>	4e
<b>Title of the investment priority</b>	Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures

### 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO4e
<b>Title of the specific objective</b>	Increase the number of journeys undertaken by public and active travel or low energy vehicles

**Results that the Member States seek to achieve with Union support**

The main focus of this investment priority will be to

- Increase in journeys to work undertaken by public or active travel
- No of journeys undertaken through smart ticketing

The proportion of journeys is expressed as a percentage rather than an absolute number (30.7%) as this is more relevant - the actual number of journeys may fluctuate for a number of reasons such as cost of fuel, ticket pricing strategies, or even weather. The data is taken from the Scottish Household Survey 2013.

There is a challenge in increasing this current baseline which has actually seen relatively little change since 1999. Factors include ability to get to work in a way that is convenient, weather conditions, availability of parking and distance to work. These are coupled with a trend in increasing specialisation of employment, variations in the cost of housing, concentration of employment on larger sites away from household base and a rise in households with two or more workers in specialist skills areas. The ERDF investment is trying to affect a change in behaviour through investing in more active, sustainable and public routes to work. The target is based on a 0.25% annual change which may seem low but is ambitious in relation to the existing trend pattern.

In addition to using this indicator, ways of evaluating other indicators relating to commuting patterns in the areas most affected by the investments will be explored and undertaken. This will provide additional data, including qualitative data, on which programme performance will be based.

For Smart ticketing, the Investment priority will also monitor the *use of* the proposed Smart Ticketing Scheme (a key output) by tracking the number of journeys undertaking using the new scheme on an annual basis throughout the lifetime of the programme (from when the scheme is operational). Due to this scheme operating across Scotland and for cross border journeys, it will not be possible to monitor for each category of region separately, although it will clearly impact across both regions.

	<p>Whilst no full smart ticketing scheme exists in Scotland, there is a smart ticket national concession travel scheme. This does not cover all modes of transport which is part of the ERDF investment under this priority., but is the nearest proxy available (data is from transport Scotland). The increase reflects the number of journeys that would be planned to be delivered through combining and increasing the number of smart journeys undertaken across rail and bus and ferry modes in Scotland.</p>
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**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO4e - Increase the number of journeys undertaken by public and active travel or low energy vehicles						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR41	Proportion of journeys to work undertaken by public or active travel	% of journeys		30.70	2013	32.20	Scottish Household Survey	Annually
PR42	Journeys undertaken using smart ticketing	journeys (whole number)		146,000,000.00	2014	276,800,000.00	Transport Scotland	Annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### 2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
<p>All actions under this investment priority will contribute towards ‘decreasing greenhouse gas emissions through uptake of environmentally friendly transport modes’. The actions will support activity that will address the perception of public or active travel as disjointed and lacking adequate facilities and services. The target groups for projects such as this include those who use the car for short journeys, those who are at risk of health issues due to lack of exercise and those who are excluded from employment opportunities in areas which lack adequate transport links. Actions will also encourage the usage and take-up of more sustainable technologies, including ultra-low emission vehicles, through the provision of services to provide certainty of supply and address market failure.</p> <p>Specific actions include</p> <ol style="list-style-type: none"><li>1. investment in active travel hubs and improved links to public transport, for example providing local facilities to link affordable bike hire and parking, safe, secure and convenient cycling and walking routes; linking active and public transport options, and promoting public transport as an alternative to taking the car</li><li>2. supporting pilot low carbon transport hubs, based on travel to work areas and key routes, and testing different mixes of alternative fuels. This will address perceived shortages of availability of low carbon fuel, and encourage take-up of low carbon choices such as electric vehicles.</li><li>3. Support for the development of integrated ticketing at a national and regional scale to provide a more modern, better integrated public transport network</li></ol> <p>In combination with activity under Investment Priority 6d, i this investment priority will also support communities in making greener transport</p>	

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
choices, for example by linking local transport to small-scale renewables projects to support the production and use of green hydrogen.	

### 2.A.6.2 Guiding principles for selection of operations

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p> <p>Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.</p> <p>Under this investment priority, Strategic Interventions will be selected based on:</p> <ul style="list-style-type: none"> <li>• Their fit with EU and Scottish policy priorities, particularly regional transport plans</li> <li>• Their transformational potential in respect of new technology, or implementation of that technology</li> <li>• Their long-term sustainability, and potential to drive up usage</li> <li>• Affordability within the EU Funds envelope, and certainty of match funding, to ensure absorption and balanced programmes</li> <li>• Commitment to working with business and community projects to develop their solutions</li> </ul>	

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
<ul style="list-style-type: none"> <li>• Consideration of how to create synergies with other funding instruments, particularly the European Investment Bank and ETC programmes</li> </ul> <p>Operations within each of such strategic interventions will be selected based on:</p> <ul style="list-style-type: none"> <li>• Their ability to realistically contribute to the long-term results sought</li> <li>• the existence of a comprehensive local or regional plan which takes account of existing infrastructure and domestic provision, and which seeks to increase demand for active/green transport options as well as supply</li> <li>• the ability to contribute to or address sustainable urban mobility plans, noise abatement plans (Environmental Noise Directive (2002/49/EC)), air quality plans (Ambient Air Quality Directive (2008/50/EC), Gothenburg Protocol), and "Low carbon strategy" for the territory</li> <li>• Value for money, e.g. through evidence for a simplified cost model or testing the market through procurement</li> <li>• Additionality, e.g. evidence of how any specific operation fits alongside existing provision and improves the offer and outcomes of domestic policy alone</li> <li>• Consideration of synergies with other funding streams and potential partners, including through the ETC programmes</li> <li>• Specifically for low carbon transport hubs, the absence of a commercially viable option and demonstration of market failure</li> <li>• Specifically for any infrastructure investment, clear evidence that any investment would be directly enabling for developing or piloting a low carbon solution or project, and that the project will not be able to deliver the change sought without such investment</li> </ul>	

### 2.A.6.3 *Planned use of financial instruments* (where appropriate)

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
No use of Financial instruments planned or expected.	

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures

#### 2.A.6.4 Planned use of major projects (where appropriate)

<b>Investment priority</b>	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
No major projects are planned, however this will be kept under review throughout the programming period.	

#### 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
PO42	Low carbon travel and transport hubs supported	Hubs	ERDF	Transition			5.00	Transport Scotland	Annually

Investment priority		4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
PO44	cycle networks or walking paths constructed	Km	ERDF	Transition			20.00	Transport Scotland	Annually
PO42	Low carbon travel and transport hubs supported	Hubs	ERDF	More developed			15.00	Transport Scotland	Annually
PO44	cycle networks or walking paths constructed	Km	ERDF	More developed			80.00	Transport Scotland	Annually
PO41	Smart Ticketing schemes created	scheme	ERDF				1.00	Transport Scotland	Annually
PO43	No of ULEV registrations in Scotland	registrations	ERDF				100.00	Transport Scotland	Annually

#### 2.A.4 Investment priority

<b>ID of the investment priority</b>	4f
<b>Title of the investment priority</b>	Promoting research and innovation in, and adoption of, low-carbon technologies

#### 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO4f
<b>Title of the specific objective</b>	Encourage investment in low carbon technology and development to exploit Scotland's vast potential

**Results that the Member States seek to achieve with Union support**

The investment priority is focussed on increasing the number of investment ready low carbon proposals as well as piloting new approaches. A key result will be to contribute towards the decrease in annual GHG emissions, although that has been classed as an "output" indicator in the European Commission guidance and so is recorded in that section. The results being sought are:

- Increase low carbon investment levered into Scotland by private and institutional investors
- Increase employment in low carbon sector in Scotland

The main area of focus for the priority is to support projects to investment readiness stage and therefore increase leverage from private sector investment to low carbon projects, but it is also important to acknowledge this is a relatively young but growing part of the Scottish economy.

The baseline is taken from Pew Research Country Profiles 2013. The investment in a new collaborative project development unit aims to significantly stimulate investment levels and aims to double current levels. The data available is from research however the Office of National Statistics is currently preparing research in this area which will be published in 2015. This may affect the baseline and we consider whether adjustments are required on publication.

For employment, the current baseline is derived from Low Carbon and Environmental Good and Services Survey. However, a new Office of National Statistics survey starting in 2015 will include a better level of information on low carbon sector employment. This may impact on baselines and associated targets. The target of 5% growth in employment in the sector is predicated on doubling the current employment trends given we are aiming to double the level of investment levered in.

Other results will be monitored through evaluations, including the maturity of project pipelines.

**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO4f - Encourage investment in low carbon technology and development to exploit Scotland's vast potential						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR43	Low carbon investment levered into Scotland by private and institutional investors (EUR)	Euros per annum		28,500,000.00	2013	59,000,000.00	Pew Research Country Profiles	Annually
SO44	Employment in low carbon sector in Scotland	FTEs		78,000.00	2012	81,900.00	ONS: Low Carbon and Environmental Good and Services Survey	Annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### *2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries*

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
<p>This investment priority will develop a pipeline of investor ready projects, by supporting individual projects to develop better business cases and joining up to achieve scale; and by supporting the initial stages of development and testing of new technology or implementation which can be riskier and less likely to achieve market investment. Activities throughout the implementation of this project will result in increased resource efficiency and energy demand reduction, accelerated decarbonisation of heat and transport fuels and an accelerated build rate of a new renewable energy generation.</p> <p>There will be five main areas for support under this investment priority:</p> <p><u>1. Advice and support</u></p> <ul style="list-style-type: none"><li>• Project development and business case advice for large scale generation or roll-out of new technologies, with the aim of achieving external investment</li><li>• support for smaller projects to develop joint business cases for investment</li><li>• support and advice for businesses, particularly SMEs, on the possibilities offered by low carbon investment and adoption</li><li>• sign-posting to non-ERDF funding</li></ul> <p><u>2. Demonstrator and development fund</u></p>	

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
<ul style="list-style-type: none"> <li>• Grant support for research and development of new technologies, or new applications of technologies, and products</li> <li>• Support for businesses, particularly SMEs and particularly in demonstrator scenarios, in adopting new technologies</li> <li>• Support for testing and piloting innovative renewable energy, heat, biowaste and other low carbon technology and installation methods</li> <li>• Piloting and early technological development of biogas (e.g. green hydrogen) to grid transmission</li> <li>• Piloting carbon storage or capture</li> </ul> <p><u>3. Community development</u></p> <ul style="list-style-type: none"> <li>• Support for community micro-generation of renewable energy,</li> <li>• Support for development of low carbon community plans to address fuel poverty, shortage or source dependency. This may include development of local sources as well as storage of alternative fuels.</li> </ul> <p><u>4. Enabling infrastructure</u></p> <p>This investment priority does not seek to develop major state-owned or operated infrastructure. However, to effect the scale of culture change sought under this investment priority, some enabling infrastructure will have to be supported. This applies to three types of investment:</p> <ul style="list-style-type: none"> <li>• Research and development: in particular cases, the best sites for the testing and development of new technologies are located remotely, and do not have adequate grid connections. In such circumstances, and where this particular investment would provide a catalyst for a site becoming productive and helping to achieve a better low carbon energy mix, small scale grid development to increase capacity and connectivity to existing networks may be supported.</li> <li>• Industry: Demonstrators and adoption of new technology are likely to need support for infrastructure investment by businesses while technologies are still perceived as new and risky. Such support will not exceed State Aid limitations for an individual undertaking.</li> </ul>	

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
<ul style="list-style-type: none"> <li>• Communities: demonstrators and adoption projects, for example grid infrastructure to support local renewable energy or heat</li> </ul> <p><u>5. Investment</u></p> <p>A part of the allocation for this investment priority is ear-marked for support being awarded to demonstrator projects through repayable assistance. In ensuring that an element is provided on a repayable basis, funding can be recycled when criteria has been met and it can be reused to fund further activity in supporting the development of low carbon technologies beyond the initial scope of the Programme. This gives the opportunity to expand activity supported and associated results, during and beyond the life of the ERDF supported operations.</p>	

### *2.A.6.2 Guiding principles for selection of operations*

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p> <p>Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.</p> <p>Under this priority axis, Strategic Interventions will be selected based on:</p>	

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
<ul style="list-style-type: none"> <li>• Their fit with EU and Scottish policy priorities, particularly the Strategic Energy Technology Plan and the Government Economic Strategy’s focus on green and low carbon jobs</li> <li>• Their transformational potential in respect of new technology, or implementation of that technology</li> <li>• Their long-term sustainability, particularly the plans and likelihood of achieving commercial maturity and move out of EU Funding in the long-term, and their contribution to sustainable development and use of resources</li> <li>• Affordability within the EU Funds envelope, and certainty of match funding, to ensure absorption and balanced programmes</li> <li>• Commitment to working with business and community projects to develop their solutions</li> <li>• Consideration of how to create synergies with other funding instruments, particularly the European Investment Bank and ETC programmes</li> <li>• Ability to lever in other sources of investment, and over the long term contribute to a change in the current market failure or market gaps around low carbon investment by de-risking this kind of investment and demonstrating it as viable and profitable</li> </ul> <p>Operations within each of such strategic interventions will be selected based on:</p> <ul style="list-style-type: none"> <li>• Their ability to realistically contribute to the long-term results sought</li> <li>• a good understanding of State Aid restrictions and possibilities, not least through the proposed intervention rates for individual businesses or investment projects.</li> <li>• Operations should be seeking, as an inherent part of making investments, to developing and delivering green jobs within the low carbon sector.</li> <li>• The ability to respond to regional need, e.g. demonstrating an understanding of geography, restrictions and bottlenecks on existing infrastructure, and interest from regional players such as major companies or investors</li> <li>• Value for money, e.g. through evidence for a simplified cost model or testing the market through procurement</li> <li>• Additionality, e.g. evidence of how any specific operation fits alongside existing provision and improves the offer and outcomes of domestic policy alone</li> <li>• Consideration of synergies with other funding streams and potential partners, including through the ETC programmes</li> <li>• Specifically for any infrastructure investment, clear evidence that any investment would be directly enabling for developing or piloting a low</li> </ul>	

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
carbon solution or project, and that the project will not be able to deliver the change sought without such investment	

### 2.A.6.3 *Planned use of financial instruments* (where appropriate)

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
<p>The Low Carbon Infrastructure Transition programme is a strategic intervention aimed at developing projects up to the point where other low carbon public/private funds can invest in them. It is recognised that access to funding once projects have reached maturity is relatively well established and resource rich, for example through the EIB, private equity and sovereign funds and the Green Investment Bank.</p> <p>There is therefore no intention to create a separate and further investment fund of scale for low carbon projects, but rather a focus on helping a range of projects reach investable maturity. Operations in the Low Carbon Transition Fund are likely to transit through grant and revenue support, into loans and equity for technological development or test deployments, and finally onto the open market, at which point the aim of the ERDF will be to withdraw.</p> <p>Repayable Assistance will be used to fund large-scale demonstrator projects and elements of development support alongside non-repayable grants. Support is designed to develop and/or demonstrate the viability of new technologies in Scotland. Due to the innovative nature of the activities and the inherent unpredictability of such demonstration projects. Projects will be supported on a grant basis, with the potential for repayment to the beneficiary where projects are successful. The use of Repayable Assistance will maximise the long-term impact as it maximises the proportion of the ERDF funding which will be reused for this type of activity.</p>	

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies

**2.A.6.4 Planned use of major projects** (where appropriate)

<b>Investment priority</b>	4f - Promoting research and innovation in, and adoption of, low-carbon technologies
No major projects are planned, however this will be kept under review throughout the programming period.	

**2.A.6.5 Output indicators by investment priority and, where appropriate by category of region**

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

<b>Investment priority</b>		<b>4f - Promoting research and innovation in, and adoption of, low-carbon technologies</b>							
<b>ID</b>	<b>Indicator</b>	<b>Measurement unit</b>	<b>Fund</b>	<b>Category of region (where relevant)</b>	<b>Target value (2023)</b>			<b>Source of data</b>	<b>Frequency of reporting</b>
					<b>M</b>	<b>W</b>	<b>T</b>		
CO34	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	ERDF	Transition			10,667.00	Scottish Government Management Information System	Annually
PO45	Low carbon projects receiving non-financial support	projects	ERDF	Transition			112.00	Scottish Government	Annually

Investment priority		4f - Promoting research and innovation in, and adoption of, low-carbon technologies							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
PO46	Low carbon projects receiving financial support	projects	ERDF	Transition			38.00	Scottish Government	Annually
PO47	Low carbon change leader/demonstration projects delivered	projects	ERDF	Transition			5.00	Scottish Government	Annually
CO34	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	ERDF	More developed			200,774.00	Scottish Government Management Information System	Annual
PO45	Low carbon projects receiving non- financial support	projects	ERDF	More developed			586.00	Scottish Government	Annually
PO46	Low carbon projects receiving financial support	projects	ERDF	More developed			197.00	Scottish Government	Annually
PO47	Low carbon change leader/demonstration projects delivered	projects	ERDF	More developed			20.00	Scottish Government	Annually

## 2.A.7 Social innovation, transnational cooperation and contribution to thematic objectives 1-7

Priority axis	4 - Supporting a shift towards a low carbon economy in all sectors

## 2.A.8 Performance framework

**Table 6: Performance framework of the priority axis (by fund and, for the ERDF and ESF, category of region)**

Priority axis		4 - Supporting a shift towards a low carbon economy in all sectors											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where appropriate	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
						M	W	T	M	W	T		
100	F	expenditure	Euro	ERDF	Transition			10,943,889.00			42,909,305.00	Scottish Government EUMIS system	
2	I	Low carbon projects receiving non-financial or financial support	Number	ERDF	Transition			23			150.00	Scottish Government EUMIS System	Operations will last more than 3 years and will not be complete and so an implementation step has been used. This relates to a combination of the two output indicators that will cover at least 50% of the funding for this priority axis and so are the most relevant. Projects that have either received support or still receiving support will be monitored and reported.
7	I	Transport hubs with contracts let or construction commenced	Number	ERDF	Transition			2			5.00	Scottish Government EUMIS/Transport Scotland	The other activity related indicators for this investment priority are longer term. It is anticipated that a number of transport hubs will have commenced by the mid point of the programme.
PO45	O	Low carbon projects receiving non-financial support	projects	ERDF	Transition			0			112.00	Scottish Government EUMIS System	This output, along with projects receiving financial support, combine to cover at least 50% of the funding for this priority axis and so are the most relevant.
PO46	O	Low carbon projects receiving financial support	projects	ERDF	Transition			0			38.00	Scottish Government EUMIS System	This output, along with projects receiving financial support, combine to cover at least 50% of the funding for this priority axis and so are the most relevant.
100	F	expenditure	Euro	ERDF	More developed			55,676,512.00			218,274,467.00	Scottish Government EUMIS system	
2	I	Low carbon projects receiving non-financial or financial support	Number	ERDF	More developed			118			783.00	Scottish Government EUMIS System	Operations will last more than 3 years and will not be complete and so an implementation step has been used. This relates to a combination of the two output indicators that will cover at least 50% of the funding for this priority axis and so are the most relevant. Projects that have either received support or still receiving support will be monitored and reported.
7	I	Transport hubs with contracts let or construction commenced	Number	ERDF	More developed			4			15.00	Scottish Government EUMIS/Transport Scotland	The other activity related indicators for this investment priority are longer term. It is anticipated that a number of transport hubs will have commenced by the mid point of the programme.
PO45	O	Low carbon projects receiving non-financial support	projects	ERDF	More developed			0			586.00	Scottish Government EUMIS System	This output, along with projects receiving financial support, combine to cover at least 50% of the funding for this priority axis and so are the most relevant.
PO46	O	Low carbon projects receiving financial support	projects	ERDF	More developed			0			197.00	Scottish Government	This output, along with projects receiving financial support, combine to cover at least 50% of the funding for this priority axis and so are the most relevant.

Priority axis		4 - Supporting a shift towards a low carbon economy in all sectors											
ID	Indicator type	Indicator or implementation step	key	Measurement unit, where	Fund	Category of region	Milestone for 2018			Final target (2023)		Source of data	Explanation of relevance of indicator, where appropriate
												EUMIS System	

### Additional qualitative information on the establishment of the performance framework

In line with Commission guidance, the indicators chosen for the framework, with associated milestone, represent the majority of the activity under this priority under both investment priorities. The low carbon project indicator is a key implementation step as these are envisaged to take a long time from support for the development of the idea to investment ready status. A key component also of this priority is the need to build capacity in the sector and this development support will provide a major focus in the first three years to enable the longer term results. It is anticipated that 15% of the full target for low carbon projects will be receiving or have received support from operations by the end of 2018. The transport hubs shares the same issues - these will be developed over a longer period and the first half of the programme will have a heavy emphasis on identification of the locations and nature of the hubs hence an implementation step is utilised. As all operations are lasting more than 3 years then no output milestones for 2018 are included.

### 2.A.9 Categories of intervention

Categories of intervention corresponding to the content of the priority axis based on a nomenclature adopted by the Commission, and indicative breakdown of Union support.

### Tables 7-11: Categories of intervention

Table 7: Dimension 1 - Intervention field

Priority axis	4 - Supporting a shift towards a low carbon economy in all sectors
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<b>Fund</b>	<b>Category of region</b>	<b>Code</b>	<b>€ amount</b>
ERDF	Transition	013. Energy efficiency renovation of public infrastructure, demonstration projects and supporting measures	776,249.00
ERDF	More developed	013. Energy efficiency renovation of public infrastructure, demonstration projects and supporting measures	2,758,510.00
ERDF	Transition	036. Multimodal transport	2,973,630.00
ERDF	More developed	036. Multimodal transport	10,530,728.00
ERDF	Transition	043. Clean urban transport infrastructure and promotion (including equipment and rolling stock)	3,717,037.00
ERDF	More developed	043. Clean urban transport infrastructure and promotion (including equipment and rolling stock)	13,163,410.00
ERDF	Transition	044. Intelligent transport systems (including the introduction of demand management, tolling systems, IT monitoring control and information systems)	743,407.00
ERDF	More developed	044. Intelligent transport systems (including the introduction of demand management, tolling systems, IT monitoring control and information systems)	2,632,682.00
ERDF	Transition	065. Research and innovation infrastructure, processes, technology transfer and cooperation in enterprises focusing on the low carbon economy and on resilience to climate change	8,767,630.00
ERDF	More developed	065. Research and innovation infrastructure, processes, technology transfer and cooperation in enterprises focusing on the low carbon economy and on resilience to climate change	34,569,090.00
ERDF	Transition	071. Development and promotion of enterprises specialised in providing services contributing to the low carbon economy and to resilience to climate change (including support to such services)	8,767,630.00
ERDF	More developed	071. Development and promotion of enterprises specialised in providing services contributing to the low carbon economy and to resilience to climate change (including support to such services)	34,569,090.00

**Table 8: Dimension 2 - Form of finance**

<b>Priority axis</b>		<b>4 - Supporting a shift towards a low carbon economy in all sectors</b>	
<b>Fund</b>	<b>Category of region</b>	<b>Code</b>	<b>€ amount</b>

Priority axis		4 - Supporting a shift towards a low carbon economy in all sectors	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Non-repayable grant	18,555,371.00
ERDF	More developed	01. Non-repayable grant	67,227,403.00
ERDF	Transition	02. Repayable grant	7,190,212.00
ERDF	More developed	02. Repayable grant	30,996,107.00

**Table 9: Dimension 3 - Territory type**

Priority axis		4 - Supporting a shift towards a low carbon economy in all sectors	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Large Urban areas (densely populated >50 000 population)	5,149,117.00
ERDF	More developed	01. Large Urban areas (densely populated >50 000 population)	49,111,755.00
ERDF	Transition	02. Small Urban areas (intermediate density >5 000 population)	10,298,233.00
ERDF	More developed	02. Small Urban areas (intermediate density >5 000 population)	19,644,702.00
ERDF	Transition	03. Rural areas (thinly populated)	10,298,233.00
ERDF	More developed	03. Rural areas (thinly populated)	29,467,053.00

**Table 10: Dimension 4 - Territorial delivery mechanisms**

Priority axis	4 - Supporting a shift towards a low carbon economy in all sectors
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Fund	Category of region	Code	€ amount
ERDF	Transition	07. Not applicable	25,745,583.00
ERDF	More developed	07. Not applicable	98,223,510.00

**Table 11: Dimension 6 - ESF secondary theme (ESF and YEI only)**

Priority axis	4 - Supporting a shift towards a low carbon economy in all sectors		
Fund	Category of region	Code	€ amount

**2.A.10 Summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries (where appropriate) (by priority axis)**

Priority axis:	4 - Supporting a shift towards a low carbon economy in all sectors
The individual priority axes in the Scotland ERDF programme will not seek to support this, as Scotland's management of the Funds is mature and well-established. A separate TA Priority Axis will support effective delivery of the funds.	

### 2.A.1 Priority axis

<b>ID of the priority axis</b>	5
<b>Title of the priority axis</b>	Preserving and protecting the environment and promoting resource efficiency

- The entire priority axis will be implemented solely through financial instruments
- The entire priority axis will be implemented solely through financial instruments set up at Union level
- The entire priority axis will be implemented through community-led local development
- For the ESF: The entire priority axis is dedicated to social innovation or to transnational cooperation, or both

### 2.A.2 Justification for the establishment of a priority axis covering more than one category of region, thematic objective or fund (where applicable)

The Scotland ERDF Programme is establishing a priority axis around resource efficiency to address and lower the impact on our environment by industry; and by high concentrations of population. Addressing the impact here means reducing the input required to produce the same output, e.g. reducing the amount of water or raw materials required for a particular product, or reducing the amount of energy required to maintain a current service or product. This is particularly important as two key sectors in the Scottish economy – food and drink and tourism – rely heavily on Scotland’s high value nature. It provides a competitive opportunity in developing technologies which can be applied widely to reduce costs, and which can be sold and exported. And there are also significant public health benefits delivered through a better environment, e.g. food security and water and air quality, particularly because poor environmental quality tends to disproportionately affects groups and geographical areas also affected by poverty and social exclusion. Protecting that natural environment therefore has much wider benefits.

A common slogan in this area is ‘reduce, re-use, recycle’. This is mostly applied to domestic resource use, but a significant positive impact could come through the industrial application of that principle. The evidence base highlights current business waste of resources, with 90% of these not making it into final products. But there are also excellent examples of industrial clustering whereby businesses re-use or re-purpose each other’s waste materials as a resource, e.g. waste heat going into energy intensive paper production.

To complement action on the transition to resource efficiency, Scotland is also selecting the investment priorities on green infrastructure and natural and cultural heritage. In terms of Green Infrastructure, this, in many ways, seeks to address the impact of historic industrial and investment decisions in urban areas, which has led to areas being altered, degraded or contaminated. Local and regional projects will seek to improve environments including brownfield sites, waterways, and urban green spaces (or areas which could be green spaces). In the Transition region, tourism related to natural and cultural heritage contributes significantly to economic and social growth and, to complement other investment through the Programme in these areas, targeted projects, including infrastructure, will seek to promote and protect this heritage whilst creating local environmental, economic and social benefits.

As with other priority axes, the underlying need of getting industry and communities to innovate, cluster and take up more resource efficient technologies and production or operating methods is the same across Scotland – only the scale will differ, and then largely between urban and rural areas rather than by specific region or category of region. The same holds true for green infrastructure where all urban areas in Scotland have areas which would benefit from improvements and actions supporting natural and cultural heritage in the Highlands & Islands, the primary difference will be in the scale and concentration of projects.

The justification for and choice of thematic objective and investment priorities are therefore the same across Scotland, and a single priority axis is proposed. The selection of operations will ensure that relevant local projects can be tailored to different regional needs.

### 2.A.3 Fund, category of region and calculation basis for Union support

Fund	Category of region	Calculation basis (total eligible expenditure or eligible public expenditure)	Category of region for outermost regions and northern sparsely populated regions (where applicable)
ERDF	Transition	Public	
ERDF	More developed	Public	

## 2.A.4 Investment priority

<b>ID of the investment priority</b>	6c
<b>Title of the investment priority</b>	Conserving, protecting, promoting and developing natural and cultural heritage

## 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO5d
<b>Title of the specific objective</b>	To enhance the visitor experience to the Highlands and Islands through the sensitive promotion and enhancement of its natural and cultural heritage assets
<b>Results that the Member States seek to achieve with Union support</b>	<p>This investment priority is predominantly focused on the more remote rural areas within the transition region, although projects in other areas with potential to make a regional impact may be eligible . To ensure an impact from a limited budget, targeting these areas for investment, will ensure that the benefits are evident and complement wider local and regional development plans; both in terms of environmental, economic and social impact.</p> <p>All capital projects supported will complete a holistic impact assessment, measuring both short and long term impacts: this is consistent with a key recommendation of the ‘Cultural Heritage Counts for Europe report’ (<a href="https://blogs.enctac.org/culturalheritagecountsforeurope/outcomes/">blogs.enctac.org/culturalheritagecountsforeurope/outcomes/</a>). Whilst the scale of investment is relatively small, its focus on more remote areas should provide a measurable impact. The Office for National Statistics Sustainable Tourism Employment statistics will be used to monitor impact. These statistics can be provided at both a regional and local authority area level. Whilst a baseline has been provided covering the whole region, it is likely that only some local authority areas will benefit directly from this funding and the impact on sustainable tourism employment will be therefore be able to monitored at a sub-regional level. The current baseline is 26,200. Some local authority areas are experiencing high growth currently through the influx of visitors due to exchange rates and an increase in, for example, the cruise market. Given the value of the funding available (around €9m) a 5% increase has been set. Employment generation is a key indicator for this activity but consideration will also be given to an evaluation of visitor perceptions of this sector in the supported areas given the investment priority is focused on adding value to</p>

	assets, protecting these and promoting them.
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**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO5d - To enhance the visitor experience to the Highlands and Islands through the sensitive promotion and enhancement of its natural and cultural heritage assets						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR63	Increase in employment in Sustainable Tourism	FTE	Transition	26,200.00	2015	27,510.00	ONS Business Register and Employment Survey (BRES)	Annual

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### 2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries

<b>Investment priority</b>	6c - Conserving, protecting, promoting and developing natural and cultural heritage
<p>This investment priority is restricted to the Transitional area and mostly targeted at the more remote and rural areas within the region. Projects supported will focus on supporting sustainable environmental management and economic use of the natural and cultural assets in the region. Actions will have to demonstrate credible potential to deliver new economic and social impact.</p> <p>The region has a unique natural, historical and cultural heritage, these assets are significant within Scotland and include a number of World Heritage and archaeological sites and geoparks. They are unique selling points for both the region and Scotland as a whole and are directly linked to opportunities for the cultural and creative industries and tourism sectors, however these require to be managed sensitively to safeguard for future generations. This investment priority will aim to enhance the experience and products on offer, increasing the range and also the quality of jobs and productivity of the sectors (such as tourism) through sensitive management, development and coordinated promotion of these assets. Actions which will be supported include:</p> <ul style="list-style-type: none"><li>• Investment in infrastructure supporting the sustainable use of natural and cultural heritage assets</li><li>• Digital interpretation projects and interpretive media that promote and protect natural and cultural heritage and provide local economic and social benefits</li><li>• Improving accessibility, interpretation and quality of sustainable development opportunities based on the region's heritage</li><li>• Promoting and developing the unique and distinctive natural and cultural heritage (such as Gaelic and the region's musical heritage) and resources of the region. These activities should not be generic marketing campaigns but focussed clearly on natural and/or cultural heritage to encourage new visitors and expand markets;</li><li>• Projects to develop new products or services to groups of enterprises and sectors based on the region's natural resources, particularly for the</li></ul>	

<b>Investment priority</b>	6c - Conserving, protecting, promoting and developing natural and cultural heritage
tourism sector	

### ***2.A.6.2 Guiding principles for selection of operations***

<b>Investment priority</b>	6c - Conserving, protecting, promoting and developing natural and cultural heritage
<p>Selection of operations will target activity that supports the development and promotion of significant natural and cultural heritage assets with clear potential to create significant local economic and social benefit, whilst incorporating opportunities for environmentally sustainable development and resource efficiency. Small scale capital investment will be targeted at the most remote and rural areas within the region although investments outwith these areas may be selected if regionally significant. Operations should support proposals that contribute to local, regional or other development plans and can demonstrate job creation, directly and within supply chains and other related sectors.</p> <p>In addition, all operations are expected to demonstrate value for money, e.g. through evidenced of a simplified cost model or testing the market through procurement; and additionally, particularly how the operation will add to existing provision.</p>	

### ***2.A.6.3 Planned use of financial instruments*** (where appropriate)

<b>Investment priority</b>	6c - Conserving, protecting, promoting and developing natural and cultural heritage
Financial instruments are not planned for this investment priority.	

#### 2.A.6.4 Planned use of major projects (where appropriate)

<b>Investment priority</b>	6c - Conserving, protecting, promoting and developing natural and cultural heritage
No major projects are planned, however this will be kept under review throughout the programming period.	

#### 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		6c - Conserving, protecting, promoting and developing natural and cultural heritage							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
PO61	Projects Developing Natural and Cultural Assets	Projects	ERDF	Transition			6.00	EUMIS	Annually
PO62	Projects Promoting Natural and Cultural Assets	Projects	ERDF	Transition			4.00	EUMIS	Annually

#### 2.A.4 Investment priority

<b>ID of the investment priority</b>	6d
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<b>ID of the investment priority</b>	6d
<b>Title of the investment priority</b>	Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure

### 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO5d
<b>Title of the specific objective</b>	To improve the quality, accessibility and usage of greenspace in urban environments and exploit the opportunities consequently for positive environmental, economic and social benefit
<b>Results that the Member States seek to achieve with Union support</b>	<p>This investment priority is entirely focused on urban areas within both transition and more developed regions to ensure an impact from a relatively limited budget. In targeting the most deprived areas for investment, the impact should be measurable, and at the same time help those communities most in need.</p> <ul style="list-style-type: none"> <li>• Adults rating local neighbourhood as either good or fairly good in more deprived areas</li> </ul> <p>The Scottish Household Survey has the current level at 74%, which represents satisfaction levels of “good” or “fairly good” with the quality of greenspace in urban areas in Scotland. This is markedly less than the rural areas of 82%. The ERDF investment aims to raise levels of satisfaction to 80% to bring it more in line with rural satisfaction levels through investing in improving or increasing the amount of high quality greenspace in urban areas (an estimated 142 ha) and strengthening community engagement and use.</p> <p>The Scottish Household Survey captures other data in relation to greenspace and this will be used to track distance from and use of greenspace. In addition, we are planning to commission additional questions at the mid point of the programme to gain more qualitative data.</p>

	<p><i>Please note this has to be captured as a % as this is how the data is collected.</i></p>
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**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO5d - To improve the quality, accessibility and usage of greenspace in urban environments and exploit the opportunities consequently for positive environmental, economic and social benefit						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR51	Positive rating of satisfaction with the quality of green infrastructure in urban areas in Scotland	% of respondents		74.00	2013	80.00	Scottish Household Survey	Annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### 2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries

<b>Investment priority</b>	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure
<p>This investment priority has a narrow scope to enable a tighter focus and bigger impact from modest resources. It is focused on delivering joined-up green infrastructure in urban Actions environments. Actions will need to improve the access and usage of urban environment for social, health, economic and environmental benefit. This investment priority will therefore only support action which contributes to strengthening urban green infrastructure, such as:</p> <ul style="list-style-type: none"><li>• improving and creating new greenspaces in large urban areas and cities</li><li>• Greening of vacant and derelict land</li><li>• improving accessibility and recreational value of urban spaces to achieve health benefits</li><li>• Reduced noise and air pollution through urban greening</li><li>• Improving links between urban greenspaces and habitat networks, in line with the Prioritised Action Framework for Natura 2000 sites</li><li>• Naturalised sustainable urban drainage schemes, re-naturalisation of river corridors and other waterways</li></ul>	

### 2.A.6.2 Guiding principles for selection of operations

<b>Investment priority</b>	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure
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<b>Investment priority</b>	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p> <p>Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.</p> <p>This priority Axis is split between two investment priorities. Interventions and operations in support of green infrastructure must be based on a regional plan or other plan of scale that will ensure that individual projects cumulate into a bigger positive environmental impact, and must reference and show awareness of the Prioritised Action Framework and existing Natura 2000 sites.</p> <p>Interventions should balance environmental and social concerns, seeking to involve local communities, and particularly deprived communities and individuals, in improving their own environment. Operations to improve environmental quality in and around water courses should also ideally align with the River Basin Management Plan for the relevant catchment area, which should ensure a focus on those areas of poorest ecological health.</p> <p>In addition, all operations are expected to demonstrate value for money, e.g. through evidenced of a simplified cost model or testing the market through procurement; and additionality, particularly how the operation will add to existing provision.</p>	

**2.A.6.3 Planned use of financial instruments** (where appropriate)

<b>Investment priority</b>	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure
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<b>Investment priority</b>	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure
Financial instruments are not planned for this investment priority.	

#### 2.A.6.4 Planned use of major projects (where appropriate)

<b>Investment priority</b>	6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure

#### 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
PO51	Projects delivering new/improved green infrastructure	projects	ERDF	Transition			1.00	Scottish Natural Heritage	Annually
PO52	Greenspace created or enhanced in urban areas	Ha	ERDF	Transition			5.10	Scottish Government EUMIS/Scottish Natural Heritage	Annually

Investment priority		6d - Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure								
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting	
					M	W	T			
PO51	Projects delivering new/improved green infrastructure	projects	ERDF	More developed			14.00	Scottish Natural Heritage	Annually	
PO52	Greenspace created or enhanced in urban areas	Ha	ERDF	More developed			137.50	Scottish Government EUMIS/Scottish Natural Heritage	Annually	

#### 2.A.4 Investment priority

<b>ID of the investment priority</b>	6g
<b>Title of the investment priority</b>	Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors

#### 2.A.5 Specific objectives corresponding to the investment priority and expected results

<b>ID of the specific objective</b>	SO5f1
<b>Title of the specific objective</b>	Making businesses in supported sectors more competitive through increased resource efficiency
<b>Results that the Member States seek to achieve with Union support</b>	<p>The key result is to make businesses more competitive in key sectors through savings introduced from the implementation of resource efficiency measures.</p> <p>The baseline has been determined on evidence using a combination of average and median savings from current resource efficiency work in Scotland from Zero Waste Scotland and Resource Efficient Scotland data - £12 million of in-depth support</p>

	<p>provided to relevant sectors produced £12m of possible savings but the estimate is that only half will be implemented. Any new intervention from ERDF is assumed to have a lifetime benefit of 5 years. The target for the OP is calculated on the basis of increasing the per year benefit to £7.738million providing a lifetime benefit of £38.692 per year and the overall programme target of £232.155million. This reflects the substantial investment in support made by ERDF and match funding, along with increasing the level of investment that is actually carried out (currently it is estimated that only half the businesses receiving advice and resource planning undertake the recommended actions and the programme seeks to increase this providing a higher target).</p> <p>New data will be available in early 2015 on 2013-2014 activity which may require an amendment to the baseline.</p>
<b>ID of the specific objective</b>	SO5f2
<b>Title of the specific objective</b>	Grow re-processing and re-manufacturing industries through the reuse of waste products.
<b>Results that the Member States seek to achieve with Union support</b>	<p>The key result is to increase employment in the circular economy in Scotland. This is a key target growth sector and its inclusion in the OP aims to provide the necessary impetus to drive investment and create employment.</p> <p>The target is to increase employment in this sector by 15%. The baseline reflects the number of people involved in waste collection, treatment, disposal and material recovery. Wider remanufacturing employment is not included however studies are underway to ascertain the current levels. Given the investment injection levels planned under ERDF a 15% increase in employment in the circular economy is realistic - Scotland is committed to this sector. It was the first nation to become a member of the Ellen MacArthur Foundation Circular Economy 100 Programme to accelerate the growth of the circular economy and is fully committed to investing in the relevant sectors. Research will need to be commissioned in addition to tracking the baseline through the Scottish Annual Business Statistics to capture and evaluate the impact of the investments made by ERDF in the context of wider investment.</p>

**Table 3: Programme-specific result indicators, by specific objective (for the ERDF and the Cohesion Fund)**

Specific objective		SO5f1 - Making businesses in supported sectors more competitive through increased resource efficiency						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR61	Savings from resource efficiency investments in supported sectors	GBP, per annum		6,000,000.00	2013	232,152,000.00	Scottish Government	Annually

Specific objective		SO5f2 - Grow re-processing and re-manufacturing industries through the reuse of waste products.						
ID	Indicator	Measurement unit	Category of region (where relevant)	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
PR62	employment in circular economy	FTEs		7,200.00	2013	8,280.00	Scottish Business Survey	Annually

## 2.A.6 Action to be supported under the investment priority (by investment priority)

### *2.A.6.1 Description of the type and examples of actions to be supported and their expected contribution to the specific objectives including, where appropriate, the identification of main target groups, specific territories targeted and types of beneficiaries*

<b>Investment priority</b>	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors
<p>Actions will be undertaken particularly in key sectors of food and drink; hospitality; textiles, petrochemical, pharmaceuticals; precision engineering; oil and gas; and non-domestic construction. These have been selected as they are currently some of the most wasteful sectors in Scotland in terms of the resource input required versus the resources used in outputs, and so represent the biggest potential gains.</p> <p>Activity will be supported under four clear headings and include:</p> <p><u>1. Material supply and demand (focusing on key material such as plastics, glass, paper, wood and electrics)</u></p> <ul style="list-style-type: none"><li>• Pilot regional collection and sorting hubs utilising a Resource Recovery Park model</li><li>• Develop a national waste brokerage service to improve the availability of high quality materials already collected by public bodies.</li></ul> <p><u>2. Business engagement and investment</u></p> <ul style="list-style-type: none"><li>• Resource Efficiency advice to individual businesses, particularly SMEs</li><li>• Support for Business-to-Business mentoring of SMEs to increase uptake and peer acceptability of all-resource efficient solutions</li><li>• Grant and loan funding for resource and energy efficiency demonstration initiatives by SMEs and business clusters (including large</li></ul>	

<b>Investment priority</b>	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors
<p>companies)</p> <ul style="list-style-type: none"> <li>• Re-development of business premises for micro business and SMEs, where such projects directly involve businesses, go beyond statutory requirements and demonstrate or develop low-waste and low-resource models (this will also be investigated for financial instruments, as there is potential for significant savings and/or returns to the businesses involved)</li> <li>• Advice, grant and loan financing on Eco-innovation such as water recycling and re-use, biodiversity, carbon sinks or ecosystem services</li> </ul> <p><u>3. New technologies</u></p> <ul style="list-style-type: none"> <li>• Developing Textile fibre separation and re-manufacturing</li> <li>• Developing and adopting energy and water efficiency products</li> </ul> <p><u>4. Communities</u></p> <ul style="list-style-type: none"> <li>• advice to communities on developing and implementing Circular Economy Development Plans.</li> <li>• Demonstration projects to test approaches and technologies for resource efficient, zero waste communities</li> <li>• Development of business cases to assist community anchor organisations to access other funding to improve resource efficiency of assets</li> </ul> <p>The two specific objectives for this investment priority are mutually reinforcing: by supporting existing sectors to find better ways of using their resources, some waste material will become available to a relatively undeveloped waste processing and re-use sector. That sector can, as it develops, identify further commercial (i.e. non-EU supported) ways of managing waste from other sectors. The principle types of beneficiaries under this investment priority will be SME businesses and communities.</p>	

<b>Investment priority</b>	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors

### ***2.A.6.2 Guiding principles for selection of operations***

<b>Investment priority</b>	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors
<p>To maximise their impact, Structural Funds programmes in Scotland for 2014-20 will be structured around ‘Strategic Interventions’, or groups of projects which are intended from the start to interlink and support each other in achieving the objectives of a priority axis or investment priority. Grouping and planning projects in this way has been successful in Scotland during the 2007-13 programmes, ensuring programmes of scale and a level of ambition that achieve long term change, and also ensure long-term stability of funding in support of that identified required change.</p> <p>Selection of operations will therefore operate on two levels, with the strategic intervention selected first, and the individual operations within it able to be added over a longer timeframe to ensure that the whole group of projects performs and delivers the expected results.</p> <p>This priority Axis is split between two investment priorities. Interventions which aim at the industrial transition to a resource efficient economy must show a good awareness of and fit with the EU’s emerging policy on circular economies and Scotland’s Zero Waste strategy. They must demonstrate that they are business/demand driven, rather than simply seeking to build public provision or infrastructure (which will not be eligible); and that they will genuinely drive down use of resources over the long-term. Ideally, there should also be a clear plan to make the transition out of Structural Funds as this area could generate significant returns with a more mature market.</p> <p>In addition, all operations are expected to demonstrate value for money, e.g. through evidenced of a simplified cost model or testing the market through procurement; and additionality, particularly how the operation will add to existing provision.</p>	

### 2.A.6.3 *Planned use of financial instruments* (where appropriate)

<b>Investment priority</b>	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors
The programme had included an indicative allocation, which was identified as being subject to change, and following the first phase of implementation of the circular economy (in consultation with the current beneficiary) the market, which is in its infancy, has not yet moved beyond the point where non-repayable grants are the most appropriate form of support and there is therefore no allocation in the financial tables.	

### 2.A.6.4 *Planned use of major projects* (where appropriate)

<b>Investment priority</b>	6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors
No major projects are planned, however this will be kept under review throughout the programming period.	

### 2.A.6.5 Output indicators by investment priority and, where appropriate by category of region

**Table 5: Common and programme-specific output indicators** (by investment priority, broken down by category of region for the ESF, and where relevant, for the ERDF)

Investment priority		6g - Supporting industrial transition towards a resource-efficient economy, promoting green growth, eco-innovation and environmental performance management in the public and private sectors							
ID	Indicator	Measurement unit	Fund	Category of region (where relevant)	Target value (2023)			Source of data	Frequency of reporting
					M	W	T		
CO34	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	ERDF	Transition			4,544.00	Scottish Government Information System Management	Annual
PO53	Organisations and enterprises receiving non-financial support	organisations	ERDF	Transition			655.00	Zero Waste Scotland	Annually
PO54	Organisations and enterprises receiving financial support	organisations	ERDF	Transition			66.00	Zero Waste Scotland	Annually
CO34	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	ERDF	More developed			15,364.00	Scottish Government Information System Management	Annual
PO53	Organisations and enterprises receiving non-financial support	organisations	ERDF	More developed			3,420.00	Zero Waste Scotland	Annually
PO54	Organisations and enterprises receiving financial support	organisations	ERDF	More developed			345.00	Zero Waste Scotland	Annually

### 2.A.7 Social innovation, transnational cooperation and contribution to thematic objectives 1-7

Priority axis	5 - Preserving and protecting the environment and promoting resource efficiency
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Priority axis	5 - Preserving and protecting the environment and promoting resource efficiency

## 2.A.8 Performance framework

**Table 6: Performance framework of the priority axis (by fund and, for the ERDF and ESF, category of region)**

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where appropriate	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
						M	W	T	M	W	T		
100	F	expenditure	Euro	ERDF	Transition			3,138,143.00			19,656,297.00	Scottish Government EUMIS System	
5	I	Organisations receiving non-financial or financial support	Number	ERDF	Transition			157			786.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This key implementation step indicator represents over 50% of the funding for this priority and will monitor organisations which have received the support or are receiving support up until the end of 2018 for the milestone.
PO53	O	Organisations and enterprises receiving non-financial support	organisations	ERDF	Transition			0			714.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone in 2018. This output, combined with financial support, represents over 50% of the funding for this priority.
PO54	O	Organisations and enterprises receiving financial support	organisations	ERDF	Transition			0			72.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone in 2018. This output, combined with non-financial support, represents over 50% of the funding for this priority.
100	F	expenditure	Euro	ERDF	More developed			23,396,928.00			91,725,430.00	Scottish Government EUMIS System	
5	I	Organisations receiving non-financial or financial support	Number	ERDF	More developed			752			3,765.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone. This key implementation step indicator represents over 50% of the funding for this priority and will monitor organisations which have received the support or are receiving support up until the end of 2018 for the milestone.
8	I	Projects delivering new/improved green infrastructure which have commenced (main contract let or construction started)	Number	ERDF	More developed			4			14.00	Scottish Government EUMIS/Scottish Natural Heritage	The outputs that could be achieved by this point in the programme relate to project support rather than hectares of greenspace created or enhanced which would take a longer timescale to achieve.

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency											
ID	Indicator type	Indicator or key implementation step	Measurement unit, where	Fund	Category of region	Milestone for 2018			Final target (2023)			Source of data	Explanation of relevance of indicator, where appropriate
PO53	O	Organisations and enterprises receiving non-financial support	organisations	ERDF	More developed			0			3,420.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone in 2018. This output, combined with financial support, represents over 50% of the funding for this priority.
PO54	O	Organisations and enterprises receiving financial support	organisations	ERDF	More developed			0			345.00	Scottish Government EUMIS System	Operations under this priority will be over 3 years and so will not have been fully completed to count the outputs towards the milestone in 2018. This output, combined with non-financial support, represents over 50% of the funding for this priority.

### Additional qualitative information on the establishment of the performance framework

Investment priority 6 encompasses the creation of enhanced or new greenspace in Scotland's urban areas alongside an investment in resource efficiency support (non financial and advisory) to SMEs and support of the circular economy not only for environmental benefits but as an employment generator. The milestones are set conservatively as these are relatively new activities - the resource efficient service in Scotland was redeveloped in 2013 and the programme aims to focus on a smaller number of sectors to gain most added value. The milestone is set to reflect the number of projects which would be underway in terms of either development/advisory/financial support. It is anticipated that 20% of the full target for organisations will be achieved by 2018 - this will capture those that will still be receiving or have fully received support from operations by the end of 2018. As operations will be longer than 3 years it is not possible to use a milestone for the corresponding output indicator

The greenspace milestone is only set for the more developed region as there is only 1 output target for the transition region as only one area provides a sufficient urban zone (Inverness area). The outputs for the rest of Scotland are based around a consultation exercise and analysis of potential investments, locations and relevance and fit with the programme. The scale and affordability has resulted in the output target identified and the key implementation step reflects the timelines suggested from this consultation exercise.

## 2.A.9 Categories of intervention

Categories of intervention corresponding to the content of the priority axis based on a nomenclature adopted by the Commission, and indicative breakdown of Union support.

### Tables 7-11: Categories of intervention

Table 7: Dimension 1 - Intervention field

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency	
Fund	Category of region	Code	€ amount
ERDF	Transition	068. Energy efficiency and demonstration projects in SMEs and supporting measures	1,910,766.00
ERDF	More developed	068. Energy efficiency and demonstration projects in SMEs and supporting measures	9,365,719.00
ERDF	Transition	069. Support to environmentally-friendly production processes and resource efficiency in SMEs	1,910,766.00
ERDF	More developed	069. Support to environmentally-friendly production processes and resource efficiency in SMEs	9,365,719.00
ERDF	Transition	070. Promotion of energy efficiency in large enterprises	955,383.00
ERDF	More developed	070. Promotion of energy efficiency in large enterprises	4,682,859.00
ERDF	Transition	085. Protection and enhancement of biodiversity, nature protection and green infrastructure	1,194,997.00
ERDF	More developed	085. Protection and enhancement of biodiversity, nature protection and green infrastructure	17,862,147.00
ERDF	Transition	095. Development and promotion of public cultural and heritage services	5,821,866.00

**Table 8: Dimension 2 - Form of finance**

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Non-repayable grant	11,793,778.00
ERDF	More developed	01. Non-repayable grant	41,276,444.00

**Table 9: Dimension 3 - Territory type**

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency	
Fund	Category of region	Code	€ amount
ERDF	Transition	01. Large Urban areas (densely populated >50 000 population)	2,358,756.00
ERDF	More developed	01. Large Urban areas (densely populated >50 000 population)	20,638,222.00
ERDF	Transition	02. Small Urban areas (intermediate density >5 000 population)	4,717,511.00
ERDF	More developed	02. Small Urban areas (intermediate density >5 000 population)	8,255,289.00
ERDF	Transition	03. Rural areas (thinly populated)	4,717,511.00
ERDF	More developed	03. Rural areas (thinly populated)	12,382,933.00

**Table 10: Dimension 4 - Territorial delivery mechanisms**

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency	
Fund	Category of region	Code	€ amount

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency	
Fund	Category of region	Code	€ amount
ERDF	Transition	07. Not applicable	11,793,778.00
ERDF	More developed	07. Not applicable	41,276,444.00

**Table 11: Dimension 6 - ESF secondary theme (ESF and YEI only)**

Priority axis		5 - Preserving and protecting the environment and promoting resource efficiency	
Fund	Category of region	Code	€ amount

**2.A.10 Summary of the planned use of technical assistance including, where necessary, actions to reinforce the administrative capacity of authorities involved in the management and control of the programmes and beneficiaries (where appropriate) (by priority axis)**

Priority axis:	5 - Preserving and protecting the environment and promoting resource efficiency
The individual priority axes in the Scotland ERDF programme will not seek to support this, as Scotland's management of the Funds is mature and well-established. A separate TA Priority Axis will support effective delivery of the funds.	

## 2.B DESCRIPTION OF THE PRIORITY AXES FOR TECHNICAL ASSISTANCE

### 2.B.1 Priority axis

ID of the priority axis	6
Title of the priority axis	Technical Assistance

### 2.B.2 Justification for establishing a priority axis covering more than one category of region (where applicable)

Both ESF and ERDF Operational Programmes will cover both the more developed and the transition category regions of Scotland. Although there are some divergent territorial challenges which the programmes will respond to, the administrative capacity and ability to manage the Funds cost effectively are well-established across all categories of region in Scotland.

A single priority axis responds to the need to set up a single IT system, and to have a single division within the Scottish Government acting as Managing Authority. This enables cross-project monitoring and working, and will help to co-ordinate between ESI Funds and the synergies with other EU and EIB instruments.

A single priority axis will also better enable evaluation across different categories of region with similar activity, and across different strategic interventions and operations, as more directly comparative data will be available. This will help engender best-practice between projects and regions, and also support better communications around 'what works' to ensure maximum impact from these funds.

Although technical assistance will form a single priority axis, it is anticipated that the split of funding per category of region within technical assistance will follow the same average split of the rest of the Fund, with a small top-up for the transition region to cover higher costs for some remote areas. This notional split will therefore be 25% to the Transition region Highlands and Islands, and 75% to the rest of Scotland.

### 2.B.3 Fund and category of region

Fund	Category of region	Calculation basis (total eligible expenditure or eligible public expenditure)
ERDF	Transition	Public
ERDF	More developed	Public

### 2.B.4 Specific objectives and expected results

ID	Specific objective	Results that the Member States seek to achieve with Union support
TASO1	support effective funds delivery	Support effective delivery of ERDF programme in Scotland, including data management and carrying out of the regulatory functions of management bodies, publicity and evaluation

## 2.B.5 Result indicators

**Table 12: Programme-specific result indicators (by specific objective) (for ERDF/ESF/Cohesion Fund)**

Priority axis		TASO1 - support effective funds delivery									
ID	Indicator	Measurement unit	Baseline value			Baseline year	Target value (2023)			Source of data	Frequency of reporting
			M	W	T		M	W	T		

## 2.B.4 Specific objectives and expected results

ID	Specific objective	Results that the Member States seek to achieve with Union support
TASO2	Support synergies with other instruments	Support synergies between EU instruments

## 2.B.5 Result indicators

**Table 12: Programme-specific result indicators (by specific objective) (for ERDF/ESF/Cohesion Fund)**

Priority axis		TASO2 - Support synergies with other instruments									
ID	Indicator	Measurement unit	Baseline value			Baseline year	Target value (2023)			Source of data	Frequency of reporting
			M	W	T		M	W	T		

## 2.B.6 Actions to be supported and their expected contribution to the specific objectives (by priority axis)

### 2.B.6.1 A description of actions to be supported and their expected contribution to the specific objectives

Priority axis	6 - Technical Assistance
<p>Scotland has a well-established management framework for EU Funds, and will therefore dedicate only 2% of the programme value to technical assistance. This will be used to support:</p> <ul style="list-style-type: none"> <li>• Managing, Audit and Certifying Authority costs associated with the secure management of the Fund, principally staffing</li> <li>• IT system implementation in line with requirements for monitoring and reporting and E-Cohesion</li> <li>• Evaluation of the effectiveness of Fund interventions</li> <li>• Evaluations and studies which inform policy decisions around appropriate focus for the Funds, such as ex ante or ex post evaluations</li> <li>• Preparatory studies and partner finding to enhance synergies between ESI Funds and other European instruments including ETC</li> </ul> <p>These types of expenditure may span more than one programme period, e.g. some work may have been started in 2007-13 programmes; and some may</p>	

Priority axis	6 - Technical Assistance
carry on beyond 2020.	

### 2.B.6.2 Output indicators expected to contribute to results

**Table 13: Output indicators** (by priority axis) (for ERDF/ESF/Cohesion Fund)

Priority axis		6 - Technical Assistance				
ID	Indicator (name of indicator)	Measurement unit	Target value (2023) (optional)			Source of data
			M	W	T	
61	Number of FTE's whose salaries are co-financed by TA	person	40.00	50.00	90.00	personnel records held by Scottish Government
62	communications activities to be undertaken and co-financed by TA	whole number	0.00	0.00	7.00	Scottish government records and publications
63	Thematic evaluations to be co-financed by TA	whole number	0.00	0.00	5.00	Scottish Government records

### 2.B.7 Categories of intervention (by priority axis)

Corresponding categories of intervention based on a nomenclature adopted by the Commission, and an indicative breakdown of the Union support

## Tables 14-16: Categories of intervention

**Table 14: Dimension 1 - Intervention field**

Priority axis		6 - Technical Assistance	
Fund	Category of region	Code	€ Amount
ERDF	Transition	121. Preparation, implementation, monitoring and inspection	1,897,983.00
ERDF	More developed	121. Preparation, implementation, monitoring and inspection	5,677,642.00
ERDF	Transition	122. Evaluation and studies	237,247.00
ERDF	More developed	122. Evaluation and studies	709,706.00
ERDF	Transition	123. Information and communication	237,247.00
ERDF	More developed	123. Information and communication	709,706.00

**Table 15: Dimension 2 - Form of finance**

Priority axis		6 - Technical Assistance	
Fund	Category of region	Code	€ Amount
ERDF	Transition	01. Non-repayable grant	2,372,477.00
ERDF	More developed	01. Non-repayable grant	7,097,054.00

**Table 16: Dimension 3 – Territory type**

Priority axis		6 - Technical Assistance	
Fund	Category of region	Code	€ Amount
ERDF	Transition	07. Not applicable	2,372,477.00
ERDF	More developed	07. Not applicable	7,097,054.00

### 3. FINANCING PLAN

#### 3.1 Financial appropriation from each fund and amounts for performance reserve

**Table 17**

Fund	Category of region	2014		2015		2016		2017		2018		2019		2020		Total	
		Main allocation	Performance reserve	Main allocation	Performance reserve												
ERDF	Transition	13,639,576.00	870,611.00	14,438,708.00	921,620.00	14,727,734.00	940,068.00	15,507,300.00	989,828.00	15,817,637.00	1,009,636.00	16,134,173.00	1,029,841.00	16,457,016.00	1,050,447.00	106,722,144.00	6,812,051.00
ERDF	More developed	43,501,088.00	2,776,664.00	47,050,994.00	3,003,255.00	47,992,832.00	3,063,372.00	48,953,324.00	3,124,680.00	49,933,009.00	3,187,213.00	50,932,268.00	3,250,996.00	51,951,434.00	3,316,049.00	340,314,949.00	21,722,229.00
<b>Total</b>		<b>57,140,664.00</b>	<b>3,647,275.00</b>	<b>61,489,702.00</b>	<b>3,924,875.00</b>	<b>62,720,566.00</b>	<b>4,003,440.00</b>	<b>64,460,624.00</b>	<b>4,114,508.00</b>	<b>65,750,646.00</b>	<b>4,196,849.00</b>	<b>67,066,441.00</b>	<b>4,280,837.00</b>	<b>68,408,450.00</b>	<b>4,366,496.00</b>	<b>447,037,093.00</b>	<b>28,534,280.00</b>

### 3.2 Total financial appropriation by fund and national co-financing (€)

**Table 18a: Financing plan**

Priority axis	Fund	Category of region	Basis for calculation of Union support (Total eligible cost or public eligible cost)	Union support (a)	National counterpart (b) = (c) + (d)	Indicative breakdown of national counterpart		Total funding (e) = (a) + (b)	Co-financing rate (f) = (a) / (e) (2)	EIB contributions (g)	Main allocation		Performance reserve		Performance reserve amount as proportion of total Union support  (l) = (j) / (a) * 100
						National public funding (c)	National private funding (d) (1)				Union support (h) = (a) - (j)	National Counterpart (i) = (b) - (k)	Union support (j)	National Counterpart (k) = (b) * (i) / (a)	
1	ERDF	Transition	Public	19,110,787.00	12,740,525.00	12,740,525.00	0.00	31,851,312.00	59.9999993721%	0.00	17,939,668.00	11,959,779.00	1,171,119.00	780,746.00	6.13%
1	ERDF	More developed	Public	91,590,000.00	111,943,334.00	111,943,334.00	0.00	203,533,334.00	44.9999998526%		85,984,719.00	105,092,435.00	5,605,281.00	6,850,899.00	6.12%
2	ERDF	Transition	Public	24,879,767.00	20,356,173.00	20,356,173.00	0.00	45,235,940.00	55.0000000000%	0.00	23,355,121.00	19,108,735.00	1,524,646.00	1,247,438.00	6.13%
3	ERDF	Transition	Public	29,631,803.00	19,754,535.00	19,754,535.00	0.00	49,386,338.00	60.0000004050%	0.00	27,815,950.00	18,543,966.00	1,815,853.00	1,210,569.00	6.13%
3	ERDF	More developed	Public	123,850,170.00	151,372,430.00	151,372,430.00	0.00	275,222,600.00	45.0000000000%		116,270,577.00	142,108,483.00	7,579,593.00	9,263,947.00	6.12%
4	ERDF	Transition	Public	25,745,583.00	17,163,722.00	17,163,722.00	0.00	42,909,305.00	60.0000000000%		24,167,879.00	16,111,919.00	1,577,704.00	1,051,803.00	6.13%
4	ERDF	More developed	Public	98,223,510.00	120,050,957.00	120,050,957.00	0.00	218,274,467.00	44.9999999313%		92,212,261.00	112,703,875.00	6,011,249.00	7,347,082.00	6.12%
5	ERDF	Transition	Public	11,793,778.00	7,862,519.00	7,862,519.00	0.00	19,656,297.00	59.9999989825%	0.00	11,071,049.00	7,380,700.00	722,729.00	481,819.00	6.13%
5	ERDF	More developed	Public	41,276,444.00	50,448,986.00	50,448,986.00	0.00	91,725,430.00	45.0000005451%		38,750,338.00	47,361,523.00	2,526,106.00	3,087,463.00	6.12%
6	ERDF	Transition	Public	2,372,477.00	2,372,477.00	2,372,477.00	0.00	4,744,954.00	50.0000000000%		2,372,477.00	2,372,477.00			
6	ERDF	More developed	Public	7,097,054.00	7,097,054.00	7,097,054.00	0.00	14,194,108.00	50.0000000000%		7,097,054.00	7,097,054.00			
<b>Total</b>	<b>ERDF</b>	<b>Transition</b>		<b>113,534,195.00</b>	<b>80,249,951.00</b>	<b>80,249,951.00</b>	<b>0.00</b>	<b>193,784,146.00</b>	<b>58.5879688011%</b>		<b>106,722,144.00</b>	<b>75,477,576.00</b>	<b>6,812,051.00</b>	<b>4,772,375.00</b>	<b>6.00%</b>
<b>Total</b>	<b>ERDF</b>	<b>More developed</b>		<b>362,037,178.00</b>	<b>440,912,761.00</b>	<b>440,912,761.00</b>	<b>0.00</b>	<b>802,949,939.00</b>	<b>45.0883872600%</b>		<b>340,314,949.00</b>	<b>414,363,370.00</b>	<b>21,722,229.00</b>	<b>26,549,391.00</b>	<b>6.00%</b>
<b>Grand total</b>				<b>475,571,373.00</b>	<b>521,162,712.00</b>	<b>521,162,712.00</b>	<b>0.00</b>	<b>996,734,085.00</b>	<b>47.7129637841%</b>	<b>0.00</b>	<b>447,037,093.00</b>	<b>489,840,946.00</b>	<b>28,534,280.00</b>	<b>31,321,766.00</b>	

(1) To be completed only when priority axes are expressed in total costs.

(2) This rate may be rounded to the nearest whole number in the table. The precise rate used to reimburse payments is the ratio (f).

**Table 18c: Breakdown of the financial plan by priority axis, fund, category of region and thematic objective**

Priority axis	Fund	Category of region	Thematic objective	Union support	National counterpart	Total funding
Strengthening Research, technological development and innovation	ERDF	Transition	Strengthening research, technological development and innovation	19,110,787.00	12,740,525.00	31,851,312.00
Strengthening Research, technological development and innovation	ERDF	More developed	Strengthening research, technological development and innovation	91,590,000.00	111,943,334.00	203,533,334.00
Enhancing access to, and use and quality of ICT	ERDF	Transition	Enhancing access to, and use and quality of, information and communication technologies	24,879,767.00	20,356,173.00	45,235,940.00
Enhancing the Competitiveness of SMEs	ERDF	Transition	Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)	29,631,803.00	19,754,535.00	49,386,338.00
Enhancing the Competitiveness of SMEs	ERDF	More developed	Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)	123,850,170.00	151,372,430.00	275,222,600.00
Supporting a shift towards a low carbon economy in all sectors	ERDF	Transition	Supporting the shift towards a low-carbon economy in all sectors	25,745,583.00	17,163,722.00	42,909,305.00
Supporting a shift towards a low carbon economy in all sectors	ERDF	More developed	Supporting the shift towards a low-carbon economy in all sectors	98,223,510.00	120,050,957.00	218,274,467.00
Preserving and protecting the environment and promoting resource efficiency	ERDF	Transition	Preserving and protecting the environment and promoting resource efficiency	11,793,778.00	7,862,519.00	19,656,297.00
Preserving and protecting the environment and promoting resource efficiency	ERDF	More developed	Preserving and protecting the environment and promoting resource efficiency	41,276,444.00	50,448,986.00	91,725,430.00
<b>Total</b>				<b>466,101,842.00</b>	<b>511,693,181.00</b>	<b>977,795,023.00</b>

**Table 19: Indicative amount of support to be used for climate change objectives**

<b>Priority axis</b>	<b>Indicative amount of support to be used for climate change objectives (€)</b>	<b>Proportion of the total allocation to the operational programme (%)</b>
4	103,712,556.60	21.81%
5	29,048,178.60	6.11%
<b>Total</b>	<b>132,760,735.20</b>	<b>27.92%</b>

#### 4. INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT

Description of the integrated approach to territorial development taking into account the content and objectives of the operational programme having regard to the Partnership Agreement and showing how it the operational programme contributes to the accomplishment of the objectives of the operational programme and expected results

One of the most significant factors shaping Scotland's ability to reach Europe 2020 targets will be understanding and dealing with the underlying differences in Scotland's regions, and the types of territories within them – the **territorial challenges** – and the different policy responses required to address their specific needs.

The ESI Funds will operate nationally in Scotland – but the territorial dimension will inform specific targeting within national interventions, territorial delivery options around the Highlands and Islands, and shaping specific geographic interventions such as investment in broadband infrastructure.

For ESF, there are particular needs in territorial terms around:

- Communities with multiple deprivation, many of which were worse off before the recession, and which have been hit harder by it, in terms of unemployment (including youth and long-term), income and social equality and inclusion
- Fragile rural areas and communities, which share some of the characteristics of areas of multiple deprivation, but which can additionally be subject to permanent geographical handicaps, fuel poverty, distance from services and demographic decline
- Target groups, such as those with disabilities, multiple barriers to participation, those not in education, employment or training
- Access to education and training particularly in the transition region where more work is needed to expand opportunities at all education levels and by increasing online and blended learning options

Although Scotland will not make use of the regulatory instruments for territorial delivery, the programme is 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.

The use of community planning partnerships and third sector as a delivery method will 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 will ensure territorial challenges are considered and will provide the necessary tailoring. There will be a strong expectation that Community planning Partnerships will establish and maintain effective working relationships with LEADER/fisheries local area groups to ensure that the funds working together rather than across each other.

The ‘smart growth’ priorities will further strengthen this territorial approach by focusing on regional skills plans and so ERDF and ESF will work strongly together to effect transformational growth in both businesses and skills at a territorial level.

Significant work has been undertaken 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.

#### **4.1 Community-led local development** (where appropriate)

The approach to the use of community-led local development instruments and the principles for identifying the areas in where they will be implemented

ERDF in Scotland will not be implemented through community led local development.

#### **4.2 Integrated actions for sustainable urban development** (where appropriate)

Where appropriate the indicative amount of ERDF support for integrated actions for sustainable urban development to be implemented in accordance with the provisions under Article 7(2) of Regulation (EU) No 1301/2013 and the indicative allocation of ESF support for integrated action.

Scotland’s ERDF and ESF programmes will not directly contribute to the Sustainable Urban Development theme, as this requires a level of disaggregation of the programme to an intermediate body, and would separate innovation and environmental activity too much from other activity under the programme.

However, the Scottish ERDF programme will support activity which aligns with the spirit of the regulations whilst still respecting national and devolved management of the funds within the UK, in particular under thematic objective 1 (Smart Cities approach) and 6 (green infrastructure). The funding for these strands of activity are represented under the relevant priority axis in this programme, and would together amount to an equivalent of 7.3% of the ERDF Programme, or €35 million.

**Table 20: Integrated actions for sustainable urban development – indicative amounts of ERDF and ESF support**

Fund	ERDF and ESF support (indicative) (€)	Proportion of fund's total allocation to programme
Total ERDF	0.00	0.00%
<b>TOTAL ERDF+ESF</b>	<b>0.00</b>	<b>0.00%</b>

#### 4.3 Integrated Territorial Investment (ITI) (where appropriate)

The approach to the use of Integrated Territorial Investments (ITIs) (as defined in Article 36 of Regulation (EU) No 1303/2013) other than in cases covered by 4.2, and their indicative financial allocation from each priority axis.

No Integrated Territorial Instruments are planned for ERDF in Scotland. Delivery of the planned Strategic Interventions will be tailored to local circumstances and needs.

**Table 21: Indicative financial allocation to ITI other than those mentioned under point 4.2 (aggregate amount)**

Priority axis	Fund	Indicative financial allocation (Union support) (€)
Total		<b>0.00</b>

#### 4.4 The arrangements for interregional and transnational actions, within the operational programme, with beneficiaries located in at least one other Member State (where appropriate)

For ERDF, interregional and transnational actions may be eligible under the thematic objectives for RTDI and Low Carbon. For RTDI, this will particularly be in relation to linking ERDF to Horizon 2020 and the KIC initiative, where Scotland has strong relationships in place around active and healthy ageing, as well as allied expertise in stratified healthcare and life sciences. Article 70 flexibility will apply to Priority Axis 1 of this programme to support this.

For Low Carbon, the Scotland ERDF Operational Programme will support the ability to align with or mainstream ETC projects around renewable energy and low carbon transport.

#### **4.5 Contribution of the planned actions under the programme to macro-regional and sea basin strategies, subject to the needs of the programme area as identified by the Member State (where appropriate)**

(Where the Member State and regions participate in macro-regional strategies and sea basin strategies).

Scotland recognises the efforts of the Commission to promote sustainable economic growth, employment and regional cohesion through its Blue Growth Agenda, which includes separate sea basin strategies. Scotland has taken an active role in the development of the Atlantic Strategy and shares the Commission's objectives of ensuring the waters around Scotland contribute to economic growth.

The following investment priorities have been identified for Scotland

- Ecosystem management
- Reducing Carbon footprint
- Seabed resources
- Risk and Emergencies
- Inclusive Growth

Of these, ERDF can make a specific contribution through supporting R&TD&I and development and testing of marine and off-shore energy. This would support efforts under the European Social Fund to train and diversify the workforce in coastal areas; and under EMFF to develop coastal and marine communities and businesses.

## **5. SPECIFIC NEEDS OF GEOGRAPHICAL AREAS MOST AFFECTED BY POVERTY OR TARGET GROUPS AT HIGHEST RISK OF DISCRIMINATION OR SOCIAL EXCLUSION (WHERE APPROPRIATE)**

### **5.1 Geographical areas most affected by poverty/target groups at highest risk of discrimination or social exclusion**

The Scottish ERDF programme will not generally target geographical areas or groups based on exclusion, instead supporting the development of the underlying economic base and promoting the creation of high-value jobs.

However, the ERDF programme is strongly aligned to the ESF programme, which will target both communities and individuals (target groups) affected by poverty and social exclusion; as well as seeking to raise skills levels to enable participation in and uptake of higher-value employment.

In addition, the ERDF programme allows for some additional activity in the Transition Region in recognition of its permanent geographic handicaps, higher transaction costs, areas of very sparse population, and societal challenges such as out-migration and an ageing demographic.

The region is amongst the most sparsely populated regions of all of Europe (11 inhabitants per km<sup>2</sup>), and although it represents over half Scotland's landmass, it accounts for just 9% of its population, and that includes the urban centre around Inverness. As a transition region for the purposes of Structural Funds, the region will take part in the national ERDF and ESF programmes but interventions will be tailored, supplemented and delivered by appropriate local partners in this region to address the additional requirements that the degree of remoteness, peripherality, physical and demographic challenges offer.

Additional activity to combat these conditions extends to additional support for SME-based infrastructure, as well as support for post-graduate placements to support businesses in their growth and innovation plans.

### **5.2 Strategy to address the specific needs of geographical areas most affected by poverty/target groups at highest risk of discrimination or social exclusion, and where relevant, the contribution to the integrated approach set out in the Partnership Agreement**

ERDF will generally support target groups into employment through the creation of further employment opportunities in businesses across Scotland.

However, business and innovation support, including the provision of access to finance, will be tailored in regions which are remote, rural, sparsely populated (particularly the Highlands and Islands, but also other areas of rural Scotland), and delivered alongside

existing domestic support structures which have long-standing experience in encouraging business and employment growth in such areas.

Broadband roll-out will be supported to very hard to reach communities to prevent social exclusion through lack of access to services, and this will also assist business and employment growth in those areas.

**Table 22: Actions to address specific needs of geographical areas most affected by poverty/target groups at highest risk of discrimination or social exclusion**

Target group/geographical area	Main types of planned action as part of integrated approach	Priority axis	Fund	Category of region	Investment priority
Remote rural areas with narrow business bases and self employment and SME dependency	Tailored delivery of business, innovation and access to finance support suitable to growing employment and business opportunities in those areas	1 - Strengthening Research, technological development and innovation	ERDF	Transition	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
Remote rural areas with narrow business bases and self-employment and SME dependency	Tailored delivery of business, innovation and access to finance support suitable to growing employment and business opportunities in those areas	1 - Strengthening Research, technological development and innovation	ERDF	More developed	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
Young people not in employment, education or training	Support for companies with growth potential within growth sectors to align job opportunities with skills support	1 - Strengthening Research, technological development and innovation	ERDF	Transition	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service

Target group/geographical area	Main types of planned action as part of integrated approach	Priority axis	Fund	Category of region	Investment priority
					applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
Young people not in employment, education or training	Support for companies with growth potential within growth sectors to align job opportunities with skills support	1 - Strengthening Research, technological development and innovation	ERDF	More developed	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies
Remote rural areas at risk of social exclusion through lack of access to services	Broad band roll-out where there is market failure	2 - Enhancing access to, and use and quality of ICT	ERDF	Transition	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy
Remote rural areas with narrow business bases and self-employment and SME dependency	Tailored delivery of business, innovation and access to finance support suitable to growing employment and business opportunities in those areas	3 - Enhancing the Competitiveness of SMEs	ERDF	Transition	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
Remote rural areas with narrow business bases and self-employment and SME	Tailored delivery of business, innovation and access to finance support suitable to	3 - Enhancing the Competitiveness of SMEs	ERDF	More developed	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes

<b>Target group/geographical area</b>	<b>Main types of planned action as part of integrated approach</b>	<b>Priority axis</b>	<b>Fund</b>	<b>Category of region</b>	<b>Investment priority</b>
dependency	growing employment and business opportunities in those areas				
Young people not in employment, education or training	Support for companies with growth potential within growth sectors to align job opportunities with skills support	3 - Enhancing the Competitiveness of SMEs	ERDF	More developed	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes
Young people not in employment, education or training	Support for companies with growth potential within growth sectors to align job opportunities with skills support	3 - Enhancing the Competitiveness of SMEs	ERDF	Transition	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes

## **6. SPECIFIC NEEDS OF GEOGRAPHICAL AREAS WHICH SUFFER FROM SEVERE AND PERMANENT NATURAL OR DEMOGRAPHIC HANDICAPS (WHERE APPROPRIATE)**

The challenges of the types of areas highlighted in Article 174 of the Treaty will be addressed through the delivery mechanisms outlined previously, which will allow local delivery partnerships to identify the key needs and issues that affect growth in an area and provide access to the ESI funds to provide appropriate responses. The specific challenges for Highlands and Islands include:

- Business Base - the scale and type of businesses that exist and can be supported in particularly rural areas - the economy is dominated by small and micro businesses with over 60% of the workforce employed in small enterprises; and the types of support which can make a remote area a feasible investment opportunity for a business (e.g. the availability of specialised business infrastructure)
- Connectivity - the region is characterised by complex, mountainous and insular geography and sparse population, which combined, are a challenge for physical and digital connectivity. Over 20% of the region's population live on over 90 inhabited islands. As a result businesses and individuals have to contend with higher costs of accessing services and doing business
- The clear geographic opportunity around low carbon, with a number of key energy production sites located in remote and rural areas which might, without investment, be subject to further depopulation through lack of opportunity, in addition the difficulties of exporting renewable energy due to localised lack of access to grid infrastructure could limit the potential the region has to capitalise on its extensive natural resources
- Skills - access to education and training across a remote and sparsely populated region remains a priority
- Ongoing out migration of young people as a result of limited education and employment opportunities - this has led to disguised unemployment
- Innovation - the region is characterised by a modest number of innovation active businesses and relatively low spend on research and innovation, exacerbated by the historic lack of a university based within the region
- High transport and fuel costs contribute towards business challenges and social exclusion
- Lower incomes exacerbated by underemployment and seasonal employment
- Fuel poverty is a key challenge

Many of these issues need to be tackled across tailored actions within both the ESF and the ERDF Programmes for Scotland. For example, local grid capacity will be addressed where it is an intrinsic part of a significant low carbon or renewable energy project, e.g. around a new or expanding technological test site, and where this infrastructure is the 'missing piece' that will make such a development successful. Likewise, broadband infrastructure under this programme is limited to those areas where existing public subsidy will not reach, but where provision would enable new businesses, services and social cohesion.

Additional business or sectoral support will be permitted to overcome natural handicaps, notably targeted infrastructure investment to attract new growth sectors; and the definition of a growth business will take into consideration the scale of local economies and employment, allowing smaller companies which would nonetheless have significant regional and local impact to be considered and supported.

Skills, and the access to courses, will be delivered through the development of blended learning, a mix of formal learning packages and classes with on-line learning which makes courses more accessible in remote locations.

Finally, it is expected that this region will benefit significantly from the strong community themes in the programme, under both low carbon and resource efficiency. Support for communities to develop micro-renewables, or organise a local circular economy, could provide significant cohesion benefits whilst also cutting fuel and resource poverty in some of the remotest regions of Scotland.

## 7. AUTHORITIES AND BODIES RESPONSIBLE FOR MANAGEMENT, CONTROL AND AUDIT AND THE ROLE OF RELEVANT PARTNERS

### 7.1 Relevant authorities and bodies

**Table 23: Relevant authorities and bodies**

Authority/body	Name of authority/body and department or unit	Name of the person responsible for the authority/body (position or post)
Managing authority	Scottish Government, European Structural Funds Division	David Anderson, Head of European Structural Funds
Certifying authority	Scottish Government, European Structural Funds Division	David Anderson, Head of European Structural Funds
Audit authority	Scottish Government, Internal Audit Directorate	Director of Internal Audit
Body to which Commission will make payments	SCOTTISH GOVERNMENT	David Anderson, Head of European Structural Funds

### 7.2 Involvement of relevant partners

#### *7.2.1 Actions taken to involve the relevant partners in the preparation of the operational programme, and the role of those partners in the implementation, monitoring and evaluation of the programme*

Scotland’s approach to drawing up Operational Programmes has been focused on identifying the right niche for EU Funds – the relatively few and significant interventions of scale that Programmes of this size can affect and change positively. Two significant drivers have been the need to identify match funding in a spending climate where this is scarce; and the need to get a greater impact from the Funds than has been possible from the high number of small projects in the past.

Partnership has been at the heart of this process, with more focused programmes built on joint analysis between government departments and partners of which activities on the ground would most impact the needs and opportunities identified for Scotland. This has involved intensive working group activity as well as on-going dialogue and consultation with a wide range of partners. A diagram describes the main stages of partnership involvement.

*Figure 15: See Documents: ERDF graphics Figure 15 Partnership Arrangements*

A High Level Stakeholder Engagement Group was established early in 2012. This group was involved in working groups on the thematic objectives and the principles of programming and alignment between ESI Funds. This group has been deliberately very tightly focused on strategic agencies with an interest in more than one fund and policy area; an ability to represent the views of a wide sector of interested parties; and with a commitment to helping Scottish Government plan and deliver an aligned set of Operational Programmes.

These partners have helped to gather evidence from and engage a wider range of partners on the needs and opportunities in Scotland, the effectiveness of current policy directions and initial ideas for where ESI Funds should be focused. These groups met over the summer of 2012, and in parallel with the gathering of the baseline evidence by analytical divisions in Scottish Government, narrowed the potential focus of the Funds even prior to the recommendations made by the Commission Services in the UK Position Paper.

With over 800 project sponsors in the 2007-13 programmes, it is not possible to involve every previous partner directly in such meetings. A blog and website was therefore established to regularly update and provide an interactive comment facility with partners, which encouraged partners to speak to each other as well as to Scottish Government. There have also been two formal consultations on the principles of programming; and on the emerging proposals which are likely to be included in the Operational Programmes, one of which was accompanied by a series of road shows, and the other of which was launched at a very well-attended Structural Funds Annual Event as well as on the blog and main Scottish Government website. A draft of the Operational Programmes was published in advance of first submission to the Commission, and stakeholders were updated on the changes made through negotiations via the website.

At the heart of the partnership process has been core stakeholder groupings around each of the Smart, Sustainable and Inclusive growth requirements for the ESI Funds. Members of these, reflecting the Partnership principles and taking into account consultation responses, discussed, proposed and refined a small range of mutually reinforcing activity which the Funds should support. The groups each had a dedicated set of analysis to start discussions off, building on the earlier thematic identification of needs and opportunities and highlighting existing domestic policy and funding as well as possible gaps or additionality.

The process, groupings and partners involved has remained thematic to keep the focus on 'what' will work best to deliver Smart, Sustainable and Inclusive growth rather than who will deliver it or be a beneficiary of the Funds. This has led to a collaborative questioning of what policies are effective and should be continued, and which need change; as well as some radical new options for joint working across agencies around thematic objectives where Scotland has not previously had clear delivery and project streams.

The partnership process has thus clearly identified those partners who can organise and propose significant interventions in their area of expertise, helping to achieve alignment both between EU Funds and with domestic policy and funding. This clarity has helped secure the long-term stability and match funding required for the scale of structural change proposed. It has also established new working partnerships, aligning not just their

EU Funded activity, but a broader set of interests around e.g. business development, mentoring, innovation and skills.

The process has added significant value, to the extent that many partners are keeping these relationships going without MA support. These informal groupings continue to be supported and attended by the Managing Authority, and by the groups in Scotland with responsibility for monitoring the horizontal themes.

An organisational list of members of the High Level Stakeholder Group; and of the Strategic Delivery Partnerships is included in the Annexes.

### Implementation

The Scottish Operational Programmes are, through the Partnership process, designed around a small number of 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. Scotland also has experience of this kind of working arrangement through the ETC and Framework programmes.

Groups of projects which are linked in this way are shown in evaluation to make a bigger contribution to the objectives of the Programme; increase additionality and reduce duplication between local projects; and increase compliance with national rules and audit requirements. More importantly, they retain the focus on the long-term outcomes, and as this is the emphasis in the new programmes, this structure is being taken forward and further developed.

Designing the Operational Programmes around a small number of project groupings logically requires a small number of organisations to act as the main beneficiaries. These typically have significant policy and technical expertise in their area (e.g. low carbon or business development), and will be referred to as Lead Partners. They will be responsible for proposing strategic interventions to the Managing Authority which demonstrate clearly the objectives, activities, results, costs, and delivery methods.

This structure will lend flexibility over the programming period to ensure that results are achieved: as strategic interventions will run over 3-4 years, some operations may be approved very early on, whilst some may take longer to develop to get the focus and results right, and some may be replaced over that timeframe if they are not delivering the right outcomes and results. The net effect should be a continuous focus on the aims and objectives of the Programme, and ongoing evaluation to make sure the Funds remain aligned with European and Scottish priorities and are delivering the maximum impact.

There is close coordination between EAFRD and the two structural funds on interventions with shared interests, such as food and drink, business development and skills, through the Joint PMC as described in section 8. A number of partners around

shared interests operate across the funds and are pro-active in making suggestions to the Scottish Government in respect of aligning fund programmes.

The Managing Authority is also introducing improved anti-fraud measures in line with Article 125 (4)(c) of the CPR. The risk of fraud will be assessed through the scrutiny panels, and this will be monitored by staff undertaking on-the-ground visits. A whistle-blower facility (email and telephone) will also operate, with clear guidance published in advance of programme commencement on what constitutes fraud and how both MA staff and lead partner and delivery agents staff should report it if found.

### **7.2.2 Global Grants**

Scotland will not be using Global Grants.

### **7.2.3 Allocation of an amount for capacity building**

Scotland has been in receipt of Cohesion and Structural Funds since 1989, and has a great range and depth of administering these Funds to good effect. There is therefore no earmarking for capacity building in ERDF.

*7.2.2 Global grants* (for the ESF, where appropriate)

*7.2.3 Allocation of an amount for capacity building* (for the ESF, where appropriate)

## **8. COORDINATION BETWEEN THE FUNDS, THE EAFRD, THE EMFF AND OTHER UNION AND NATIONAL FUNDING INSTRUMENTS, AND WITH THE EIB**

The mechanisms to ensure coordination between the Funds, the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) and other Union and national funding instruments, and with the European Investment Bank (EIB), taking into account the relevant provisions laid down in the Common Strategic Framework.

### **Co-ordination between ESIF Funds**

Effective co-ordination is fundamental in providing a more strategic approach to Scotland's Operational Programmes. That the funds can provide greater impact when combining to effect change and better outcomes for Scotland has resulted in a common approach to planning Programmes, structured around the 2020 themes of 'smart, sustainable and inclusive' and aiming to identify, with Partners, the potential impact these Funds could achieve on EU 2020 aims. In addition to more focused programmes, better co-ordination ensures there is no duplication and that there are clear distinctions that allow each ESIF Programme to understand its role in delivering the overall objectives.

As set out in section 7, the Operational Programmes will be designed around 'strategic interventions' – groups of projects of significant financial scale led by organisations with the capability and scale to manage the EU audit obligations and deliver significant outcomes. These strategic interventions have been developed with stakeholders and are considered to be the best opportunities to use ESI Funds to effect appropriate sustainable structural economic and social change.

The strategic interventions will generally be long-term, and will be implemented over a number of years and in some cases over the life of the ESIF programmes. They will be managed by Lead Partners, most often organisations who have parallel responsibilities for significant amounts of domestic funding, and who are therefore well placed to assess the suitability of operations and projects. For example, innovation and SME competitiveness will be delivered together by the existing enterprise agencies and local business development organisations; and employability interventions will be delivered alongside the domestic local support already available.

The interventions have been designed to complement each other as well as domestic policy, for example ensuring that Smart Specialisation drives the approach to innovation but also to SME support and skills and workforce development. The more targeted approach to skills development allows the ESF to extend into traditionally rural and maritime sectors, assisting in the development of key skills in land and environmental management and in diversification out of primary sectors such as fishing and into growth sectors such as off-shore energy and marine management.

Support for SMEs is another key area of alignment and co-ordination of ESIF and domestic funds. Domestic arrangements already provide a range of support advice to

businesses, from starting up to accessing finance. EAFRD will supplement at one end by providing additional support to small rural businesses which are vital for providing employment and community sustainability; whilst ERDF will focus on the other end of identifying and supporting to their potential a new generation of high-growth companies across all of Scotland, both through business development and innovation support.

A single Joint Programme Monitoring Committee covering all four EU funds will provide strategic direction and oversight of the separate programmes, and will have a specific function to help the managing authorities co-ordinate across the ESI Funds. The secretariat role for this will be held by the MA for ERDF and ESF. All MAs will contribute to the agenda and papers ensuring that all MAs buy into and reflect this principle of coordination. Its role will be to monitor that all programmes work towards the common strategic framework and shared objectives articulated in the Partnership Agreement, and recommend any corrective or improving action. To ensure that the Committee can effectively span the range of regulatory activity, it will be supported by a rural operational group as well as territorially targeted groups for the Transition Region or the YEI. The structure and functions are set out briefly in the diagram below.

The strategic interventions will be expected to have considerable scale, momentum and impact, and provide stable platforms around which significant match funding can be committed over extended periods. There are risks with long term strategic interventions, the anticipated outcomes may not be achieved, the match funding may not be available for the entire life of an intervention, and different economic issues and priorities may emerge. Therefore, to ensure the Operational Programmes focus on delivering results and outcomes over the lifetime of the programmes there will be a significant review point, circa 2017, for the programmes. This means that most strategic interventions will be phased so that funds are not committed beyond the review point, and the programmes can be re-orientated if appropriate.

***Figure 16: See Documents: ERDF graphics Figure 16 Governance arrangements***

### ***Co-ordination of the ESI funds with other Union and National Funding Instruments and the EIB***

Designing Operational Programmes around Strategic Interventions builds in synergies with domestic instruments and strategies from the start. The Structural Funds support major policy and direction changes, and support these to become mainstream. For example, the European Regional Development Fund Programme aligns with (and has influenced) Digital Scotland 2020, innovation policy and alignment of innovation agencies, and the implementation of the National Renewables Infrastructure Plan and its associated Fund.

The focus of the Scottish Structural Funds Operational Programmes is specifically designed to develop wider opportunity through synergies with both European and domestic instruments. Assessment of strategic interventions and operations will include

detailed scrutiny by the MA and its scrutiny panel of the potential for synergies with other funds, and all Lead Partners are obliged to consider how this potential can best be exploited. The purpose in pursuing synergies should be to create or encourage projects and concepts which could be supported by mainstream funds ; or to create things through the mainstream programmes which help drive forward European agendas on e.g. innovation. The MA will report regularly on this co-ordination to the JPMC.

Scotland welcomes the opportunity to invest ESIF outside of the programme area, where such investment would build upon our ESIF objectives. Scotland has a positive history in this area, with strong participation in both European Territorial Cooperation Programmes and the Framework 7 programme, both of which have helped to identify ideas and solutions to challenges which are shared across a number of territories, and which become viable when those territories work together. The ISLES project to explore grid infrastructure solutions under ETC is a particularly good example, where the solution will benefit more than one region or member state, and can in fact be better developed and tested with multiple participants, each of whom can then apply the solutions to a wide range of domestic and mainstream projects for renewable energy.

For 2014-20, Scotland expects strong synergies around ETC, with particular areas of shared focus around innovation, entrepreneurship, environment / carbon reduction specifically where these contribute to research and development capacity, social innovation, actions to address health inequalities and demographic challenges and help sustain remote rural communities. Scotland's geographical position means that stakeholders are able to participate in a range of programmes. The precise scope of the respective programmes reflects the nature of the programme area. Scotland therefore has the opportunity to target specific programmes best suited to the type of activities most appropriate for the opportunities and challenges being addressed. This will allow joint projects with relevant partners and scope to develop project cycles which link mainstream and ETC activities. Either 'mainstreaming' lessons learned from ETC into ERDF and ESF actions or extending and developing positive 'local' experience at the transnational level.

At the end of 2014 Scotland is pursuing with Norway and Finland a preparatory project under the Northern Periphery and Arctic programme to explore how best to coordinate programme and project activity between programmes operating in and near the Arctic. This work aims to recognise economic and social changes in the region and deliver a means by which programmes can remain relevant, share good practice and make best use of the limited resources available.

The findings so far suggest that the preparatory work in finding partners and identifying common interests in itself adds value. Both ERDF and ESF programmes in Scotland will therefore use Technical Assistance to fund such preparatory work. Although the TA will be drawn for the mainstream programmes, the preparatory work might be aimed at international collaborations using the Article 70 flexibility to fund projects involving partners from other member states, or identifying shared approaches with new partners to the competitive funds. Scotland will be particularly seeking partners and projects which can have application to more than one of these instruments, for example blending health and environmental challenges and linking domestic or mainstream ESI Funds to other instruments, including LIFE or EIB investment.

The national ETC contact points are invited onto the Joint Programme Monitoring Committee. It is hoped that in addition to the connections already established between ETC, ESF and ERDF, this will prompt further connections with EAFRD on areas such as rural growth and community empowerment; and with EMFF on the use and preservation of marine resources. It maintains the JPMC and secretariat as the main coordination mechanism.

In line with our Smart Specialisation approach an area of great potential for synergies is that of research and innovation. Scotland is a member of the Vanguard Initiative of regions working together to bring Smart Specialisation to life, with regions collaborating on areas of particular research strength such as advanced manufacturing, life sciences, urban mobility, smart cities etc. This work is one of the primary drivers behind Scotland opening up the ERDF programme's innovation strand to support for SMEs from outside Scotland working with Scottish centres of excellence.

The VI has recently set-up pilot projects with Scotland leading on one of these in the advanced manufacturing/energy space. This is likely to involve significant and intensive inter-regional collaboration. When we have defined the opportunities from this activity, we will be actively exploring the 'fit' with a wide range of EU funding programmes, e.g. Interreg Europe, H2020 (future) ADMA KIC; Important Projects of Common European Interest. A combination of approaches might be possible here, given the potential significance of the opportunity. Article 70 will be an essential tool to develop these opportunities.

The Scottish ESIF is very focused on supporting innovation for growth, with the innovation intervention committed to enhancing the work we do domestically with targeted activities with European partners, particularly where this will build capacity for SME engagement in Horizon 2020, ETC, COSME and LIFE programmes.

We are currently undergoing a programme of significant investment in Innovation Centres – <http://www.innovationcentre.org/> - with the aim of prioritizing a set of broad specialisms to enhanced industry-academia collaboration. We recognise the value of engaging with EU partners in this work and so enhancing Scotland's strengths in particular niches of wider EU value chains. The use of Article 70 funding could significantly enhance our EU cooperation and provide stronger leverage to connect that activity of the Innovation Centres to wider, relevant European activity, such as EU cluster development and projects of scale in areas of strength, for example EIT KIC bids.

Scotland already access the Framework 7 Programme widely, but with the change to Horizon 2020, there is a new opportunity to link practical commercialisation and application under the mainstream ERDF Programme to cutting-edge research and testing under H2020. H2020 Societal Challenge Priorities such as Food Security, Energy (particularly Strategic Energy Technology, where the UK is already heavily involved); Health and Wellbeing and Demographic change and the focus on Key Enabling Technologies, are already a good fit with Scottish innovation aspirations, and with the Scottish Smart Specialisation sectors. Scotland, like the UK, wants to use the mainstream programmes to prepare business in particular for engagement with top-level innovation through Horizon 2020, and then again for the commercialisation and application of new technologies emerging from such research. Key enabling technologies are a particularly

fruitful aspect of such synergies, as the potential applications are very wide; and Scotland has a specific ambition to use the mainstream funds to engage at least 50 SMEs directly in H2020 work by the end of the programming period.

Other European instruments also have potential. Resource efficiency/circular economy is considered a horizontal policy objective for the Scottish Partnership Agreement and the intention is to use LIFE Environment and Climate Action funds to assist in moving this agenda forward. In particular, there are many potential opportunities for synergy with the Green Infrastructure plans. There are many benefits from maximising the use of the Erasmus + programme especially with the range of skills requirements highlighted throughout this chapter, particularly those to complement the growth sectors, low carbon transition and circular economy interventions. Erasmus + offers great added value to the plans for skills development in Scotland and the learner experience as well as an opportunity to contribute to building an international innovation culture within our future skills base.

## 9. EX-ANTE CONDITIONALITIES

### 9.1 Ex-ante conditionalities

Information on the assessment of the applicability and the fulfilment of ex-ante conditionalities (optional).

**Table 24: Applicable ex-ante conditionalities and assessment of their fulfilment**

Ex-ante conditionality	Priority axes to which conditionality applies	Ex-ante conditionality fulfilled (Yes/No/Partially)
T.01.1 - Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and innovation expenditure, which complies with the features of well performing national or regional R&I systems.	1 - Strengthening Research, technological development and innovation	Yes
T.02.1 - Digital growth: A strategic policy framework for digital growth to stimulate affordable, good quality and interoperable ICT enabled private and public services and increase uptake by citizens, including vulnerable groups, businesses and public administrations including cross border initiatives.	2 - Enhancing access to, and use and quality of ICT	Yes
T.02.2 - Next Generation Network (NGN) Infrastructure: The existence of national or regional NGN Plans which take account of regional actions in order to reach the Union high speed Internet access targets, focusing on areas where the market fails to provide an open infrastructure at an affordable cost and of a quality in line with the Union competition and State aid rules, and to provide accessible services to vulnerable groups.	3 - Enhancing the Competitiveness of SMEs	Yes
T.03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	3 - Enhancing the Competitiveness of SMEs	Yes
G.1 - The existence of administrative capacity for the implementation and application of Union anti-discrimination law and policy in the field of ESI Funds.	1 - Strengthening Research, technological development and innovation  2 - Enhancing access to, and use and quality of ICT  3 - Enhancing the Competitiveness of SMEs  4 - Supporting a shift towards a low carbon	Yes

Ex-ante conditionality	Priority axes to which conditionality applies	Ex-ante conditionality fulfilled (Yes/No/Partially)
	<p>economy in all sectors</p> <p>5 - Preserving and protecting the environment and promoting resource efficiency</p> <p>6 - Technical Assistance</p>	
<p>G.2 - The existence of administrative capacity for the implementation and application of Union gender equality law and policy in the field of ESI Funds.</p>	<p>1 - Strengthening Research, technological development and innovation</p> <p>2 - Enhancing access to, and use and quality of ICT</p> <p>3 - Enhancing the Competitiveness of SMEs</p> <p>4 - Supporting a shift towards a low carbon economy in all sectors</p> <p>5 - Preserving and protecting the environment and promoting resource efficiency</p> <p>6 - Technical Assistance</p>	<p>Yes</p>
<p>G.3 - The existence of administrative capacity for the implementation and application of the United Nations Convention on the rights of persons with disabilities (UNCPRD) in the field of ESI Funds in accordance with Council Decision 2010/48/EC.</p>	<p>1 - Strengthening Research, technological development and innovation</p> <p>2 - Enhancing access to, and use and quality of ICT</p> <p>3 - Enhancing the Competitiveness of SMEs</p> <p>4 - Supporting a shift towards a low carbon economy in all sectors</p> <p>5 - Preserving and protecting the</p>	<p>Yes</p>

Ex-ante conditionality	Priority axes to which conditionality applies	Ex-ante conditionality fulfilled (Yes/No/Partially)
	<p>environment and promoting resource efficiency</p> <p>6 - Technical Assistance</p>	
<p>G.4 - The existence of arrangements for the effective application of Union public procurement law in the field of the ESI Funds.</p>	<p>1 - Strengthening Research, technological development and innovation</p> <p>2 - Enhancing access to, and use and quality of ICT</p> <p>3 - Enhancing the Competitiveness of SMEs</p> <p>4 - Supporting a shift towards a low carbon economy in all sectors</p> <p>5 - Preserving and protecting the environment and promoting resource efficiency</p> <p>6 - Technical Assistance</p>	<p>Yes</p>
<p>G.5 - The existence of arrangements for the effective application of Union State aid rules in the field of the ESI Funds.</p>	<p>1 - Strengthening Research, technological development and innovation</p> <p>2 - Enhancing access to, and use and quality of ICT</p> <p>3 - Enhancing the Competitiveness of SMEs</p> <p>4 - Supporting a shift towards a low carbon economy in all sectors</p> <p>5 - Preserving and protecting the environment and promoting resource efficiency</p>	<p>Yes</p>

Ex-ante conditionality	Priority axes to which conditionality applies	Ex-ante conditionality fulfilled (Yes/No/Partially)
	6 - Technical Assistance	
G.6 - The existence of arrangements for the effective application of Union environmental legislation related to EIA and SEA.	<p>1 - Strengthening Research, technological development and innovation</p> <p>2 - Enhancing access to, and use and quality of ICT</p> <p>3 - Enhancing the Competitiveness of SMEs</p> <p>4 - Supporting a shift towards a low carbon economy in all sectors</p> <p>5 - Preserving and protecting the environment and promoting resource efficiency</p> <p>6 - Technical Assistance</p>	Yes
G.7 - The existence of a statistical basis necessary to undertake evaluations to assess the effectiveness and impact of the programmes. The existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.	<p>1 - Strengthening Research, technological development and innovation</p> <p>2 - Enhancing access to, and use and quality of ICT</p> <p>3 - Enhancing the Competitiveness of SMEs</p> <p>4 - Supporting a shift towards a low carbon economy in all sectors</p> <p>5 - Preserving and protecting the environment and promoting resource efficiency</p> <p>6 - Technical Assistance</p>	Yes

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
<p>T.01.1 - Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and innovation expenditure, which complies with the features of well performing national or regional R&amp;I</p>	<p>1 - A national or regional smart specialisation strategy is in place that:</p>	<p>Yes</p>	<p><a href="http://www.scotland.gov.uk/Publications/2011/09/13091128/2">http://www.scotland.gov.uk/Publications/2011/09/13091128/2</a>  <a href="http://www.scottish.parliament.uk/S4_EuropeanandExternalRelationsCommittee/Meeting%20Papers/Papers_for_webpage.pdf">http://www.scottish.parliament.uk/S4_EuropeanandExternalRelationsCommittee/Meeting%20Papers/Papers_for_webpage.pdf</a>  <a href="http://www.scotland.gov.uk/Publications/2013/11/7675">http://www.scotland.gov.uk/Publications/2013/11/7675</a>  <a href="http://www.scotland.gov.uk/Publications/2014/04/3454">http://www.scotland.gov.uk/Publications/2014/04/3454</a>  <a href="http://s3platform.jrc.ec.europa.eu/documents/10157/0/Scotland's%20KETs%202014.pdf">http://s3platform.jrc.ec.europa.eu/documents/10157/0/Scotland's%20KETs%202014.pdf</a>  <a href="http://www.scottishscience.org.uk/sites/default/files/article-attachments/Final%20SSAC%20Innovation%20report%20-%20FEB%2013_0.pdf">http://www.scottishscience.org.uk/sites/default/files/article-attachments/Final%20SSAC%20Innovation%20report%20-%20FEB%2013_0.pdf</a>,</p>	<p>Scotland's Smart Specialisation Strategy is a compound of several pieces of significant strategic work:</p> <p>The Government Economic Strategy, (which is fully considered in the above report), sets out a framework which establishes an economic environment that provides an opportunity for all companies to be successful and provides a context for policy intervention in a number of key growth sectors. The</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
systems.				<p>strategy is implemented and pursued in a coherent and unified way by the enterprise and research funding agencies; translating the national goals and objectives into operational interventions. In doing so, the agencies are given sufficient autonomy to further define the focus on specific sectors and enabling technologies.</p> <p>‘A smart, sustainable nation? A review of research and innovation policy in Scotland’ (Reid, 2012), was a comprehensive</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				review of the Scottish innovation, science and research ecosystem that was carried out in support of DG Regio's Smart Specialisation Strategy
T.01.1 - Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and innovation expenditure,	2 - is based on a SWOT or similar analysis to concentrate resources on a limited set of research and innovation priorities;	Yes	<a href="http://s3platform.jrc.ec.europa.eu/regions/UKM/tags/UKM">http://s3platform.jrc.ec.europa.eu/regions/UKM/tags/UKM</a> <a href="http://www.evaluationsonline.org.uk/evaluations/Index.do">http://www.evaluationsonline.org.uk/evaluations/Index.do</a>	Scotland has been exploring the RIS3 agenda since its inception at the end of 2011 and has undertaken a series of activities, supported at the most senior political levels in the Scottish Government, to ensure that Scotland's innovation system is 'fit for purpose' in the 2014-2020 programming period.

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
which complies with the features of well performing national or regional R&I systems.				The links show the evidence that has been used to develop Scotland's Innovation Policy Approach.
T.01.1 - Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and innovation	3 - outlines measures to stimulate private RTD investment;	Yes	<a href="http://www.scottishenterprise.com/your-sector.aspx">http://www.scottishenterprise.com/your-sector.aspx</a> <a href="http://www.scotland.gov.uk/Publications/2013/11/7675">http://www.scotland.gov.uk/Publications/2013/11/7675</a> <a href="http://www.scotland.gov.uk/Publications/2014/04/3454">http://www.scotland.gov.uk/Publications/2014/04/3454</a>	

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
expenditure, which complies with the features of well performing national or regional R&I systems.				
T.01.1 - Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and	4 - contains a monitoring mechanism.	Yes	<a href="http://www.evaluationsonline.org.uk/evaluations/Index.do">http://www.evaluationsonline.org.uk/evaluations/Index.do</a> <a href="http://www.scotland.gov.uk/About/Performance/scotPerforms">http://www.scotland.gov.uk/About/Performance/scotPerforms</a> <a href="http://www.scotland.gov.uk/Resource/0042/00421005.pdf">http://www.scotland.gov.uk/Resource/0042/00421005.pdf</a>	Scotland monitors a range of key indicators, including on innovation and investment, on an ongoing basis. The Scotland Performs framework is used across the public sector, and therefore includes all innovation agencies. The Strategic Forum brings together the leadership of the core economic

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
innovation expenditure, which complies with the features of well performing national or regional R&I systems.				development and employment agencies in Scotland and sets the direction of travel for public and private sector bodies. It explores the most significant, cross-cutting strategic issues and agrees how to respond. The bi-annual National Economic Forum allows the Government to draw from the widest pool of opinion and is an important aspect of working towards the Scottish Government's strategy to achieve transformational change and higher sustainable economic growth. The Scottish EU

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				Research and Innovation Steering Group also meets quarterly and meets quarterly to consider how best to align the programmes of support available through each organisation.
T.01.1 - Research and innovation: The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and	5 - A framework outlining available budgetary resources for research and innovation has been adopted.	Yes	<a href="http://www.scotland.gov.uk/Publications/2014/04/3454">http://www.scotland.gov.uk/Publications/2014/04/3454</a>	Alignment work has been carried out between Scotland's main innovation agencies, leading to streamlined services and funding. This includes the distribution of organisational budgets, and an assessment of other budget lines available within the domestic, European and international settings, and a notional agreement

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
innovation expenditure, which complies with the features of well performing national or regional R&I systems.				<p>top long-term funding plans.</p> <p>All UK budgets are currently being set for one year at a time, and absolute funding certainty therefore cannot exist. However, Scottish stated spend for innovation is £45m per annum (Tagged at SMART: SCOTLAND). This was most recently confirmed in the October 2014 budget for Scotland. As well as Smart: Scotland, the Scottish Government has committed £3 million to support initiatives to help innovation and</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				entrepreneurship in Scotland.
T.02.1 - Digital growth: A strategic policy framework for digital growth to stimulate affordable, good quality and interoperable ICT enabled private and public services and increase uptake by citizens, including vulnerable groups, businesses and public	1 - A strategic policy framework for digital growth, for instance, within the national or regional smart specialisation strategy is in place that contains:	Yes	<a href="http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf">http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf</a>	<p>Digital Ambition for Scotland’ sets out the Scottish Governments ambitions for next generation network infrastructure.</p> <p>‘Scotland’s Digital Future – A strategy for Scotland’ sets out how Scotland’s ambitions will be achieved by summarising what has already been done and what further actions will be taken forward.</p> <p>Scottish Ministers have already indicated that investment in</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
administrations including cross border initiatives.				Scotland's Digital Future is a key priority in the period 2015-2020, and further development of the strategy beyond 2015 is therefore expected over the course of the next year.
T.02.1 - Digital growth: A strategic policy framework for digital growth to stimulate affordable, good quality and interoperable ICT enabled private and public services and increase	2 - budgeting and prioritisation of actions through a SWOT or similar analysis consistent with the Scoreboard of the Digital Agenda for Europe;	Yes	<a href="http://www.scotland.gov.uk/Resource/0042/00421478.pdf">http://www.scotland.gov.uk/Resource/0042/00421478.pdf</a>	The Scottish Government recently announced an extension of its revenue-funded capital programme to 2019/20 by a further £1 billion. This funding will deliver key infrastructure projects that contribute to economic growth and digital is one of five sectors selected for investment, and was confirmed in

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
uptake by citizens, including vulnerable groups, businesses and public administrations including cross border initiatives.				the 2014 Scottish Budget.
T.02.1 - Digital growth: A strategic policy framework for digital growth to stimulate affordable, good quality and interoperable ICT enabled private and public services and increase	3 - an analysis of balancing support for demand and supply of ICT should have been conducted;	Yes	<a href="http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf">http://www.scotland.gov.uk/Resource/Doc/981/0114237.pdf</a> <a href="http://www.scotland.gov.uk/Resource/0042/00421478.pdf">http://www.scotland.gov.uk/Resource/0042/00421478.pdf</a>	

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
uptake by citizens, including vulnerable groups, businesses and public administrations including cross border initiatives.				
T.02.1 - Digital growth: A strategic policy framework for digital growth to stimulate, e-affordable, e-good quality and interoperable ICT enabled private and public services and increase	4 - indicators to measure progress of interventions in areas such as digital literacy, e-inclusion, e-accessibility, and progress of e-health within the limits of Article 168 TFEU	Yes	<a href="http://www.scotland.gov.uk/Resource/0040/00407741.pdf">http://www.scotland.gov.uk/Resource/0040/00407741.pdf</a> <a href="http://www.scotland.gov.uk/Resource/0042/00421478.pdf">http://www.scotland.gov.uk/Resource/0042/00421478.pdf</a>	

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
uptake by citizens, including vulnerable groups, businesses and public administrations including cross border initiatives.	which are aligned, where appropriate, with existing relevant sectoral Union, national or regional strategies;			
T.02.1 - Digital growth: A strategic policy framework for digital growth to stimulate affordable, good quality and interoperable ICT enabled private and public services and	5 - assessment of needs to reinforce ICT capacity-building.	Yes	<a href="http://www.scotlandsdigitalfuture.org/digital-scotland-performs">http://www.scotlandsdigitalfuture.org/digital-scotland-performs</a>	

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
increase uptake by citizens, including vulnerable groups, businesses and public administrations including cross border initiatives.				
T.02.2 - Next Generation Network (NGN) Infrastructure: The existence of national or regional NGN Plans which take account of regional actions in order to reach the	1 - A national or regional NGN Plan is in place that contains:	Yes	<a href="http://www.scotland.gov.uk/Resource/0038/00386525.pdf">http://www.scotland.gov.uk/Resource/0038/00386525.pdf</a> <a href="http://www.scotland.gov.uk/Resource/0041/00414982.pdf">http://www.scotland.gov.uk/Resource/0041/00414982.pdf</a> <a href="http://www.scotland.gov.uk/topics/economy/digital">http://www.scotland.gov.uk/topics/economy/digital</a>	Scotland's Digital Future – Infrastructure Action Plan' sets out the Scottish Government's intent to deliver digital access to all of Scotland by 2020. The plan covers the whole of Scotland in terms of geography and people. It sets out four critical programmes:

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
<p>Union high speed Internet access targets, focusing on areas where the market fails to provide an open infrastructure at an affordable cost and of a quality in line with the Union competition and State aid rules, and to provide accessible services to vulnerable groups.</p>				<ul style="list-style-type: none"> <li>• Achieving Step Change by 2015;</li> <li>• Achieving World Class by 2020;</li> <li>• Demonstrating and Delivering Innovative and Local Solutions; and</li> <li>• Increasing Uptake and Stimulating Demand.</li> </ul> <p>Detailed planning beyond the current roll-out (which finishes in 2017) will be commenced during 2015.</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
<p>T.02.2 - Next Generation Network (NGN) Infrastructure: The existence of national or regional NGN Plans which take account of regional actions in order to reach the Union high speed Internet access targets, focusing on areas where the market fails to provide an open infrastructure at an</p>	<p>2 - a plan of infrastructure investments based on an economic analysis taking account of existing private and public infrastructures and planned investments ;</p>	<p>Yes</p>	<p><a href="http://www.scotland.gov.uk/Publications/2012/01/1487/downloads">http://www.scotland.gov.uk/Publications/2012/01/1487/downloads</a>  <a href="http://www.scotland.gov.uk/Resource/0038/00386525.pdf">http://www.scotland.gov.uk/Resource/0038/00386525.pdf</a></p>	<p>Section 4 of ‘Scotland’s Digital Future – Infrastructure Action Plan’ sets out:</p> <ul style="list-style-type: none"> <li>• how funds will be invested;</li> <li>• why investment is required in these areas;</li> <li>• how these proposals offer best value for money</li> </ul> <p>Further detailed work is done for each procurement exercise, scoping the areas to be covered and arranging parallel demand stimulation activity to ensure that roll-out is</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
affordable cost and of a quality in line with the Union competition and State aid rules, and to provide accessible services to vulnerable groups.				<p>accompanied by uptake. These follow UK budgeting rounds, with detailed plans drawn up as the budgetary picture becomes clear. UK funding is currently in place up until 2017.</p> <p>The Scottish Government recently announced an extension of its revenue-funded capital programme to 2019/20 by a further £1 billion for key infrastructure, including digital. This is in addition to annual budgets of £15 m for digital skills and digital inclusion,</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				confirmed up until 2016 and expected to continue to 2020.
T.02.2 - Next Generation Network (NGN) Infrastructure: The existence of national or regional NGN Plans which take account of regional actions in order to reach the Union high speed Internet access targets, focusing on areas where	3 - sustainable investment models that enhance competition and provide access to open, affordable, quality and future-proof infrastructure and services;	Yes	<a href="http://www.scotland.gov.uk/Publications/2012/01/1487/downloads">http://www.scotland.gov.uk/Publications/2012/01/1487/downloads</a>	

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
the market fails to provide an open infrastructure at an affordable cost and of a quality in line with the Union competition and State aid rules, and to provide accessible services to vulnerable groups.				
T.02.2 - Next Generation Network (NGN) Infrastructure: The existence of national or regional	4 - measures to stimulate private investment.	Yes	<a href="http://www.scotland.gov.uk/Publications/2012/01/1487/downloads">http://www.scotland.gov.uk/Publications/2012/01/1487/downloads</a>	

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
<p>NGN Plans which take account of regional actions in order to reach the Union high speed Internet access targets, focusing on areas where the market fails to provide an open infrastructure at an affordable cost and of a quality in line with the Union competition and State aid rules, and to provide accessible</p>				

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
services to vulnerable groups.				
T.03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	1 - The specific actions are: measures have been put in place with the objective of reducing the time and cost involved in setting-up a business taking account of the targets of the SBA;	Yes	<a href="http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation">http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation</a> <a href="http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation/BetterRegulationBillConsultation">http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation/BetterRegulationBillConsultation</a>	- Business and Regulatory Impact Assessments (BRIAs) are required for all Scottish legislation which may have an impact on business or the third sector. BRIAs ensure fullest consideration is given to the impact of new regulations on Scottish business and include a Scottish Firms Impact Test which considers the impact on business, and micro and small business in particular.

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				<p>The Better Regulation and the Better Environmental Regulation programmes are distinctive and important agendas with a number of synergies. As such we have combined them, where legislation is required, in a single Bill. The benefits include a good natural and built environment, protecting and improving the health of our communities, protecting consumers, ensuring a level playing field for business and enhancing competitiveness.</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
T.03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	2 - The specific actions are: measures have been put in place with the objective of reducing the time needed to get licenses and permits to take up and perform the specific activity of an enterprise taking account of the targets of the SBA;	Yes	<a href="http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation">http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation</a> <a href="http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation/BetterRegulationBillConsultation">http://www.scotland.gov.uk/Topics/Business-Industry/support/better-regulation/BetterRegulationBillConsultation</a>	-

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
T.03.1 - Specific actions have been carried out to underpin the promotion of entrepreneurship taking into account the Small Business Act (SBA).	3 - The specific actions are: mechanism is in place to monitor the implementation of the measures of the SBA which have been put in place and assess the impact on SMEs.	Yes	<a href="http://www.hie.co.uk/regional-information/economic-reports-and-research/?year=2011">http://www.hie.co.uk/regional-information/economic-reports-and-research/?year=2011</a>	
G.1 - The existence of administrative capacity for the implementation and application of Union anti-discrimination law and	1 - Arrangements in accordance with the institutional and legal framework of Member States for the involvement	Yes	Details for the UK Equality Act 2010 can be found here : <a href="http://www.legislation.gov.uk/ukpga/2010/15/contents">http://www.legislation.gov.uk/ukpga/2010/15/contents</a> Scotland specific duties: <a href="http://www.legislation.gov.uk/ssi/2012/162/contents/made">http://www.legislation.gov.uk/ssi/2012/162/contents/made</a> <a href="http://www.equalityhumanrights.com">www.equalityhumanrights.com</a> explains the work of the EHRC <a href="https://www.gov.uk/government/organisations/government-equalities-office">https://www.gov.uk/government/organisations/government-equalities-office</a> explains the work of the Government Equalities Office.	The legislative framework for all equalities (anti-discrimination, gender and disability) are contained in the UK Equality Act 2010 which is applicable in Great Britain (England, Scotland

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
policy in the field of ESI Funds.	t of bodies responsible for the promotion of equal treatment of all persons throughout the preparation and implementation of programmes, including the provision of advice on equality in ESI fund related activities.			<p>and Wales).</p> <p>The Equality &amp; Human Rights Commission (EHRC) was formed in 2007 and fully complies with Article 13 of Directive 2000/43/EC.</p> <p>The Government Equalities Office (GEO) is responsible for equality strategy and legislation across government. They take action on the government's commitment to remove barriers to equality and help to build a fairer society, leading on</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				<p>issues relating to women, sexual orientation and transgender equality.</p> <p>ECHR has been a key partner in preparing the PA and OP's, and has a permanent seat on the JPMC for Scotland, covering all ESI Funds in Scotland.</p>
G.1 - The existence of administrative capacity for the implementation and application	2 - Arrangements for training for staff of the authorities involved in the	Yes	Link to civil service code: <a href="https://www.gov.uk/government/publications/civil-service-code">https://www.gov.uk/government/publications/civil-service-code</a>	Anti-discrimination and equality law and practice forms a core part of induction and training for all UK civil servants in accordance with the

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
of Union anti-discrimination law and policy in the field of ESI Funds.	management and control of the ESI Funds in the fields of Union anti-discrimination law and policy.			civil service code. This includes training on the specific Equalities duties to be carried out by public sector bodies such as the Managing Authorities.
G.2 - The existence of administrative capacity for the implementation and application of Union gender equality law and policy in the field of ESI Funds.	1 - Arrangements in accordance with the institutional and legal framework of Member States for the involvement of bodies responsible for gender equality	Yes	Details for the UK Equality Act 2010 can be found here : <a href="http://www.legislation.gov.uk/ukpga/2010/15/contents">http://www.legislation.gov.uk/ukpga/2010/15/contents</a> Scotland specific duties: <a href="http://www.legislation.gov.uk/ssi/2012/162/contents/made">http://www.legislation.gov.uk/ssi/2012/162/contents/made</a> www.equalityhumanrights.com explains the work of the EHRC <a href="https://www.gov.uk/government/organisations/government-equalities-office">https://www.gov.uk/government/organisations/government-equalities-office</a> explains the work of the Government Equalities Office. <a href="http://www.scotland.gov.uk/Topics/People/Equality">http://www.scotland.gov.uk/Topics/People/Equality</a>	The legislative framework for all equalities (anti-discrimination, gender and disability) are contained in the UK Equality Act 2010 which is applicable in Great Britain.  The Equality & Human Rights Commission

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
	throughout the preparation and implementation of programmes, including the provision of advice on gender equality in ESI Fund-related activities.			<p>(EHRC) was formed in 2007 and fully complies with Article 13 of Directive 2000/43/EC.</p> <p>The Government Equalities Office (GEO) is responsible for equality strategy and legislation across government. They take action on the government's commitment to remove barriers to equality and help to build a fairer society, leading on issues relating to women, sexual orientation and transgender equality.</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				<p>ECHR has been a key partner in preparing the PA and OP's, and has a permanent seat on the JPMC for Scotland, covering all ESI Funds in Scotland.</p> <p>SG Equalities Unit has in addition provided specialist advice on improving the mainstreaming of horizontal themes and on undertaking an equalities impact assessment.</p>
G.2 - The existence of administrative capacity for the	2 - Arrangements for training for staff of the	Yes	Link to civil service code: <a href="https://www.gov.uk/government/publications/civil-service-code">https://www.gov.uk/government/publications/civil-service-code</a> <a href="http://www.scotland.gov.uk/Topics/People/Equality">http://www.scotland.gov.uk/Topics/People/Equality</a>	Anti-discrimination and equality law and practice forms a core part of induction and

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
implementation and application of Union gender equality law and policy in the field of ESI Funds.	authorities involved in the management and control of the ESI Funds in the fields of Union gender equality law and policy as well as on gender mainstreaming.			<p>training for all UK civil servants in accordance with the civil service code. This includes training on the specific Equalities duties to be carried out by public sector bodies such as the Managing Authorities.</p> <p>Further training is provided to MA staff in Scotland on gender equality law and policy as well as on gender mainstreaming as part of the horizontal themes . This is supported by the SG Equalities Unit.</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
G.3 - The existence of administrative capacity for the implementation and application of the United Nations Convention on the rights of persons with disabilities (UNCRPD) in the field of ESI Funds in accordance with Council Decision 2010/48/EC.	1 - Arrangements in accordance with the institutional and legal framework of Member States for the consultation and involvement of bodies in charge of protection of rights of persons with disabilities or representative organisations of persons	Yes	Details for the UK Equality Act 2010 can be found here : <a href="http://www.legislation.gov.uk/ukpga/2010/15/contents">http://www.legislation.gov.uk/ukpga/2010/15/contents</a> <a href="http://www.equalityhumanrights.com">www.equalityhumanrights.com</a> explains the work of the EHRC <a href="https://www.gov.uk/government/organisations/government-equalities-office">https://www.gov.uk/government/organisations/government-equalities-office</a> explains the work of the Government Equalities Office. Scotland specific duties <a href="http://www.legislation.gov.uk/ssi/2012/162/contents/made">http://www.legislation.gov.uk/ssi/2012/162/contents/made</a>	The legislative framework for all equalities (anti-discrimination, gender and disability) are contained in the UK Equality Act 2010 which is applicable in Great Britain.  The Equality & Human Rights Commission (EHRC) was formed in 2007 and fully complies with Article 13 of Directive 2000/43/EC.  The Government

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
	with disabilities and other relevant stakeholders throughout the preparation and implementation of programmes.			<p>Equalities Office (GEO) is responsible for equality strategy and legislation across government. They take action on the government's commitment to remove barriers to equality and help to build a fairer society, leading on issues relating to women, sexual orientation and transgender equality.</p> <p>ECHR has been a key partner in preparing the PA and OP's, and has a permanent seat on the JPMC for Scotland, covering all ESI Funds in Scotland.SG</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				<p>Equalities Unit has in addition provided specialist advice on improving the mainstreaming of horizontal themes and on undertaking an equalities impact assessment.</p>
<p>G.3 - The existence of administrative capacity for the implementation and application of the United Nations Convention on the rights of persons with disabilities (UNCRPD)</p>	<p>2 - Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of applicable Union and</p>	<p>Yes</p>	<p>Civil service code: <a href="https://www.gov.uk/government/publications/civil-service-code">https://www.gov.uk/government/publications/civil-service-code</a>  <a href="https://civilservicelearning.civilservice.gov.uk/">https://civilservicelearning.civilservice.gov.uk/</a> link to Civil Service learning</p>	<p>Anti-discrimination and equality law and practice forms a core part of induction and training for all UK civil servants in accordance with the civil service code. This includes training on the specific Equalities duties to be carried out by public sector bodies such as the Managing</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
in the field of ESI Funds in accordance with Council Decision 2010/48/EC.	national disability law and policy, including accessibility and the practical application of the UNCRPD as reflected in Union and national legislation, as appropriate.			<p>Authorities.</p> <p>All staff also have access to comprehensive on-line learning through Civil Service Learning.</p> <p>Training is provided to MA staff in Scotland on disability and equality law and policy.</p>
G.3 - The existence of administrative capacity for the implementation and application of the United Nations Convention on the rights	3 - Arrangements to ensure monitoring of the implementation of Article 9 of the UNCRPD in relation	Yes	<a href="http://odi.dwp.gov.uk/disabled-people-and-legislation/un-convention-on-the-rights-of-disabled-people.php">http://odi.dwp.gov.uk/disabled-people-and-legislation/un-convention-on-the-rights-of-disabled-people.php</a> details the UN Convention of Rights of Persons with Disabilities and other Office for Disabilities Issues (ODI) guidance.	The Office for Disability website (part of Department for Work and Pensions) details the UN Convention of Rights of Persons with Disabilities and other Office for Disabilities Issues (ODI) guidance. DWP are

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
of persons with disabilities (UNCRPD) in the field of ESI Funds in accordance with Council Decision 2010/48/EC.	to the ESI Funds throughout the preparation and the implementation of the programmes.			responsible for collating and providing contributions for inclusion with the UK Government reports to all UN Conventions and Covenants.
G.4 - The existence of arrangements for the effective application of Union public procurement law in the field of the ESI Funds.	1 - Arrangements for the effective application of Union public procurement rules through appropriate mechanisms.	Yes	Public tendering arrangements are governed by the Public Contracts Directive (2004/18/EC) implemented in the UK by Public Contracts Regulations 2006 (Statutory Instrument 2006/5). <a href="http://www.scotland.gov.uk/Topics/Government/Procurement">http://www.scotland.gov.uk/Topics/Government/Procurement</a>	The UK has committed to early transposition of the new public procurement rules agreed by the European parliament in January 2014. This process should be completed early next year.
G.4 - The existence of arrangements for the	2 - Arrangements which ensure	Yes	<a href="http://www.scotland.gov.uk/Topics/Government/Procurement">http://www.scotland.gov.uk/Topics/Government/Procurement</a>	A specialist unit in the Scottish government, The Scottish

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
effective application of Union public procurement law in the field of the ESI Funds.	transparent contract award procedures.			Procurement Directorate, advises all parts of Scottish government on procurement compliance, and acts as contract manager on all contracts which require procurement under EU law.
G.4 - The existence of arrangements for the effective application of Union public procurement law in the field of the ESI Funds.	3 - Arrangements for training and dissemination of information for staff involved in the implementation of the ESI funds.	Yes	<a href="http://www.scotland.gov.uk/Topics/Government/Procurement">http://www.scotland.gov.uk/Topics/Government/Procurement</a>	Training programme developed for 2014 ESI Funds include specific sections on procurement and checking the proper and transparent awarding of contracts by lead partners and operations, with assistance from procurement unit within Scottish Government.

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
G.4 - The existence of arrangements for the effective application of Union public procurement law in the field of the ESI Funds.	4 - Arrangements to ensure administrative capacity for implementation and application of Union public procurement rules.	Yes	Public tendering arrangements are governed by the Public Contracts Directive (2004/18/EC) implemented in the UK by Public Contracts Regulations 2006 (Statutory Instrument 2006/5). <a href="http://www.scotland.gov.uk/Topics/Government/Procurement">http://www.scotland.gov.uk/Topics/Government/Procurement</a>	The UK has committed to early transposition of the new public procurement rules agreed by the European parliament in January 2014. This process should be completed early next year. A specialist unit in the Scottish government, The Scottish Procurement Directorate, advises all parts of Scottish government on procurement compliance, and acts as contract manager on all contracts which require procurement under EU law.

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
G.5 - The existence of arrangements for the effective application of Union State aid rules in the field of the ESI Funds.	1 - Arrangements for the effective application of Union State aid rules.	Yes	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261384/bis_13-1330_state_aid_the_basics.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261384/bis_13-1330_state_aid_the_basics.pdf</a> <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31705/12-747-state-aid-frequently-asked-questions.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31705/12-747-state-aid-frequently-asked-questions.pdf</a> <a href="http://www.scotland.gov.uk/Topics/Government/State-Aid/SAU">http://www.scotland.gov.uk/Topics/Government/State-Aid/SAU</a>	<p>Business, Innovation and Skills ("BIS") is responsible for setting UK State aid policy and coordinating notifications to the Commission- <a href="https://www.gov.uk/state-aid">https://www.gov.uk/state-aid</a>.</p> <p>BIS verifies every UK notification prior to its submission to the European Commission for approval. General advice and support is provided, such as online guidance which explains the application of De Minimis and the cumulation rules.</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				<p>In addition, a specialist State Aid Unit exists within the Scottish government with the specific purpose of providing advice to all Scottish public bodies on their State Aid duties. This includes a programme of training and seminars, as well as advice on specific cases and issues.. State Aid Unit will deliver training directly to all MA staff in advance of programme commencement.</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
G.5 - The existence of arrangements for the effective application of Union State aid rules in the field of the ESI Funds.	2 - Arrangements for training and dissemination of information for staff involved in the implementation of the ESI funds.	Yes	<a href="http://www.scotland.gov.uk/Topics/Government/State-Aid/SAU">http://www.scotland.gov.uk/Topics/Government/State-Aid/SAU</a>	a specialist State Aid Unit exists within the Scottish government with the specific purpose of providing advice to all Scottish public bodies on their State Aid duties. This includes a programme of training and seminars, as well as advice on specific cases and issues.. State Aid Unit will deliver training directly to all MA staff in advance of programme commencement.
G.5 - The existence of arrangements for the effective application of Union	3 - Arrangements to ensure administrative capacity for	Yes	<a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261384/bis_13-1330_state_aid_the_basics.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261384/bis_13-1330_state_aid_the_basics.pdf</a> <a href="https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31705/12-747-state-aid-frequently-asked-questions.pdf">https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31705/12-747-state-aid-frequently-asked-questions.pdf</a> . <a href="http://www.scotland.gov.uk/Topics/Government/State-Aid/SAU">http://www.scotland.gov.uk/Topics/Government/State-Aid/SAU</a>	Business, Innovation and Skills ("BIS") is responsible for setting UK State aid policy and coordinating

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
State aid rules in the field of the ESI Funds.	implementation and application of Union State aid rules.			<p>notifications to the Commission- <a href="https://www.gov.uk/state-aid">https://www.gov.uk/state-aid</a>.</p> <p>BIS verifies every UK notification prior to its submission to the European Commission for approval. General advice and support is provided, such as online guidance which explains the application of De Minimis and the cumulation rules.</p> <p>In addition, a specialist State Aid Unit exists within the Scottish government with the specific purpose of providing advice to all Scottish public bodies on their State Aid</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				duties. This includes a programme of training and seminars, as well as advice on specific cases and issues.. State Aid Unit will deliver training directly to all MA staff in advance of programme commencement.
G.6 - The existence of arrangements for the effective application of Union environmental legislation related to EIA and SEA.	1 - Arrangements for the effective application of Directive 2011/92/EU of the European Parliament and of the Council (EIA) and of Directive	Yes	The Environmental Assessment (Scotland) Act 2005 <a href="http://www.scotland.gov.uk/Topics/Environment/environmental-assessment">http://www.scotland.gov.uk/Topics/Environment/environmental-assessment</a>	In the UK, developers, competent authorities and statutory consultation bodies are responsible for ensuring their processes are compliant with EIA and SEA regulations and that decisions are made taking into account

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
	2001/42/EC of the European Parliament and of the Council (SEA).			<p>a full assessment of the significant environmental effects. EIA guidance is also provided on an individual basis either centrally by government or by bodies involved in the process e.g. consultation bodies. Specialist units provide advice within Scottish government on how to undertake EIA's and SEA's.</p> <p>The result of the assessment of the fulfilment of the general ex-ante conditionality regarded to the EIA and SEA legislation is without prejudice to the obligation to</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				implement the CJEU judgement of 13 February 2014 (case (C-530/11) Commission v. UK
G.6 - The existence of arrangements for the effective application of Union environmental legislation related to EIA and SEA.	2 - Arrangements for training and dissemination of information for staff involved in the implementation of the EIA and SEA Directives.	Yes	The Environmental Assessment (Scotland) Act 2005 <a href="http://www.scotland.gov.uk/Topics/Environment/environmental-assessment">http://www.scotland.gov.uk/Topics/Environment/environmental-assessment</a>	In the UK, developers, competent authorities and statutory consultation bodies are responsible for ensuring their processes are compliant with EIA and SEA regulations and that decisions are made taking into account a full assessment of the significant environmental effects. EIA guidance is also provided on an individual basis either centrally by

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				<p>government or by bodies involved in the process e.g. consultation bodies.</p> <p>Specialist units provide advice within Scottish government on how to undertake EIA's and SEA's.</p>
G.6 - The existence of arrangements for the effective application of Union environmental legislation related to EIA and SEA.	3 - Arrangements to ensure sufficient administrative capacity.	Yes	The Environmental Assessment (Scotland) Act 2005 <a href="http://www.scotland.gov.uk/Topics/Environment/environmental-assessment/sea">http://www.scotland.gov.uk/Topics/Environment/environmental-assessment/sea</a>	
G.7 - The existence of a statistical	1 - Arrangements for	Yes	<a href="http://www.scotland.gov.uk/About/Performance/scotPerforms">http://www.scotland.gov.uk/About/Performance/scotPerforms</a>	Scotland Performs, a nation-wide system of setting

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
<p>basis necessary to undertake evaluations to assess the effectiveness and impact of the programmes. The existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.</p>	<p>timely collection and aggregation of statistical data with the following elements are in place: the identification of sources and mechanisms to ensure statistical validation.</p>			<p>and tracking performance targets, was established in 2007. Scottish Government collects and publishes statistics on a wide range of indicators linked to an overall set of targets and a single purpose. The work is carried out by analytical specialists working for the Government, and draws on specialist contractors as required.</p> <p>All public bodies in Scotland report against these indicators (as relevant to their duties) on a regular</p>

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
				basis, and performance is constantly tracked and updated.
G.7 - The existence of a statistical basis necessary to undertake evaluations to assess the effectiveness and impact of the programmes. The existence of a system of result indicators necessary to select actions, which most effectively contribute to	2 - Arrangements for timely collection and aggregation of statistical data with the following elements are in place: arrangements for publication and public availability of aggregated data.	Yes	<a href="http://www.scotland.gov.uk/About/Performance/scotPerforms">http://www.scotland.gov.uk/About/Performance/scotPerforms</a>	Scotland Performs, a nation-wide system of setting and tracking performance targets, was established in 2007. Scottish Government collects and publishes statistics on a wide range of indicators linked to an overall set of targets and a single purpose. The work is carried out by analytical specialists working for the Government, and draws on specialist contractors as

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
desired results, to monitor progress towards results and to undertake impact evaluation.				required.  All public bodies in Scotland report against these indicators (as relevant to their duties) on a regular basis, and performance is constantly tracked and updated.
G.7 - The existence of a statistical basis necessary to undertake evaluations to assess the effectiveness and impact of the programmes. The	3 - An effective system of result indicators including: the selection of result indicators for each programme providing	Yes	<a href="http://www.scotland.gov.uk/About/Performance/scotPerforms">http://www.scotland.gov.uk/About/Performance/scotPerforms</a>	Indicators in Scottish programmes are either aligned with European Commission core indicators or, where possible, with Scotland Performs. This ensures relevance, statistical validity and stable definition of the

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.	information on what motivates the selection of policy actions financed by the programme.			selected indicators.  Further information on the specific development of targets for this programme are provided in the accompanying paper on indicators and target setting available as an annex.
G.7 - The existence of a statistical basis necessary to undertake evaluations to assess the effectiveness and impact	4 - An effective system of result indicators including: the establishment of targets for these	Yes	<a href="http://www.scotland.gov.uk/About/Performance/scotPerforms">http://www.scotland.gov.uk/About/Performance/scotPerforms</a>	Indicators in Scottish programmes are either aligned with European Commission core indicators or, where possible, with Scotland Performs. This ensures

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
of the programmes. The existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.	indicators.			<p>relevance, statistical validity and stable definition of the selected indicators.</p> <p>Further information on the specific development of targets for this programme are provided in the accompanying paper on indicators and target setting available as an annex.</p>
G.7 - The existence of a statistical basis necessary to undertake evaluations	5 - An effective system of result indicators including: the	Yes	<a href="http://www.scotland.gov.uk/About/Performance/scotPerforms">http://www.scotland.gov.uk/About/Performance/scotPerforms</a>	Indicators in Scottish programmes are either aligned with European Commission core indicators or, where

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
to assess the effectiveness and impact of the programmes. The existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.	consistency of each indicator with the following requisites: robustness and statistical validation, clarity of normative interpretation, responsiveness to policy, timely collection of data.			possible, with Scotland Performs. This ensures relevance, statistical validity and stable definition of the selected indicators.  Further information on the specific development of targets for this programme are provided in the accompanying paper on indicators and target setting available as an annex.
G.7 - The existence of a statistical basis	6 - Procedures in place to ensure that	Yes	<a href="http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/NewITSystem">http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/NewITSystem</a>	This is a requirement in national rules. All public bodies

Ex-ante conditionality	Criteria	Criteria fulfilled (Yes/No)	Reference	Explanations
<p>necessary to undertake evaluations to assess the effectiveness and impact of the programmes. The existence of a system of result indicators necessary to select actions, which most effectively contribute to desired results, to monitor progress towards results and to undertake impact evaluation.</p>	<p>all operations financed by the programme adopt an effective system of indicators.</p>			<p>regularly report on key indicators, and are tied into the Scotland Performs approach. The new IT system will allow better transmission of outcome and results data, including detailed participant and final beneficiary information.</p>

## 9.2 Description of actions to fulfil ex-ante conditionalities, responsible bodies and timetable

**Table 25: Actions to fulfil applicable general ex-ante conditionalities**

General ex-ante conditionality	Criteria not fulfilled	Actions to be taken	Deadline (date)	Bodies responsible
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**Table 26: Actions to fulfil applicable thematic ex-ante conditionalities**

Thematic ex-ante conditionality	Criteria not fulfilled	Actions to be taken	Deadline (date)	Bodies responsible
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## **10. REDUCTION OF ADMINISTRATIVE BURDEN FOR BENEFICIARIES**

Summary of the assessment of the administrative burden for beneficiaries and, where necessary, the actions planned accompanied by an indicative timeframe to reduce administrative burden.

During the 2007-2013 Structural Fund Programmes there were a number of audit and compliance issues in Scotland. This has formed a significant part of the ‘lessons learned’ for the preparation of the 2014-2020 programmes, and the Scottish Government as Managing Authority will therefore pursue a range of options to simplify and improve the management of the Funds in Scotland, and the experience of these funds by beneficiaries.

### **Use of Lead Partners**

Lead Partners are beneficiaries in that they will receive the EU Funding in respect of a particular set of objectives and expected results. They will be charged with overseeing strategic interventions, and will either procure, operate open and transparent calls for operations or, where justified through an analysis of delivery options, deliver operations themselves. The MA will determine whether in-house delivery is justified.

Lead Partners will lend stability and long-term security to Delivery Agents who are running operations, and may act to centralise match funding so that smaller organisations are applying to only one source of funding, rather than to EU Funds and domestic funds. Individual organisations should find fewer points of information and sources of funding to deal with.

Guidance on the roles of Lead Partner and Delivery Agent will be published as part of the overall programme guidance by the end of 2014, prior to programme commencement. Lists of approved Strategic Interventions, will be made available on the Scottish Government website to direct delivery agents to the right source of potential funding.

### **Increased use of procurement**

Increasing the use of procurement by lead partners makes it clear what is expected of potential delivery agents, and gaining a rapid response from a range of proposals as to the best and most cost effective way of achieving set outcomes. Procurement considerably simplifies the audit trail required, as the costs can be based on invoices and can incorporate both direct and indirect costs and allows a greater focus on outcomes. All lead partners are being actively encouraged to consider procurement as the favoured option.

Guidance on the detailed operation of the model will be available in 2014 prior to programme commencement. All contracting bodies using procurement must operate under EU procurement rules and relevant Directives.

### **Increased use of simplified and unit costs**

Smaller projects and revenue projects have found it onerous to track costs associated with delivery to meet requirements. Widening the use of unit costs, especially for training and revenue projects, and increasing the variety to extend to other funds outwith ESF will assist in refocusing efforts on delivery of outcomes. Although establishing the models will require work upfront to gather historical evidence of costs, both Lead Partners and Delivery Agents will be able to simply report progress in terms of outputs and outcomes, with no further checking of expenditure required.

A number of simplified cost models will be incorporated into the National Rules during 2014, with the emphasis being on establishing those which are most likely to be used by a wide range of stakeholders (e.g. for training or employability projects via the Community Planning Partnerships). Guidance will be available on the types of Simplified cost options which are considered suitable for which types of activities, and on which models will not be used in the Scottish programmes. Initial models and guidance will be available in time for programme commencement, with further cost models to be developed 'on demand'. All cost models may be reviewed periodically to ensure that organisation costs are being fairly reimbursed and that activity is not being over-financed.

### **Improved IT systems**

The new European Structural Funds IT system 'EUMIS' will see initial launch in January 2015, with full implementation being in place for summer 2015. The system matches programme design, with separate functionality for Lead Partners, Delivery Agents and Managing Authority, and features on simplified cost options and setting milestones to help beneficiaries structure their applications for better evaluation and selection results. A dashboard on log-in will call attention to outstanding action, helping users including beneficiaries manage their interaction with the Funds.

This new IT system will be far more agile than the current and allow data to be interrogated in order to effectively monitor the implementation of the programme. In particular, it provides a platform for data exchange, data interrogation and reporting, and by summer 2015, this will include a web based update services which allows lead partners to electronically load progress such as participants and final beneficiaries and their associated outcomes. If this reaches a milestone, a claim will automatically be triggered, removing the need for 'blank' claims and progress reports.

### **Improved guidance and support**

Guidance will be published by the end of 2014 for Structural Funds, in time for programme commencement. Guidance will be made available on-line, and will be a mix of principles (what sort of activity the Funds are interested in supporting) with practicalities (which Lead Partner to contact, how to use the IT system, eligibility rules, guidance on assessing state aids or procurement, publicity requirements etc). All guidance will be published prior to programme commencement, with a regular update system in place within the MA to maintain it and ensure its relevance as the programme cycle develops.

A mailbox for enquiries will operate throughout the programme cycle. During initial phases, the MA will also establish a helpdesk using existing staff

### **Risk based checking and Co-ordination between MA and AA**

A common complaint from beneficiaries of EU Funds is the level and numbers of checks and audits which a single project may have to go through. To help address this, verification of outputs, expenditure and results will be based on the risk profile of strategic interventions. Scrutiny and Risk Panels will assess the Strategic Interventions when these are submitted. This will include the assessment of a number of risk factors based around legal, financial, Programme and performance risks. This assessment will allow the panels to develop a risk management plan for each Strategic Intervention which can be tailored based on the perceived risks. The Risk management plan will inform the compliance regime for each Strategic Intervention. This will mean that compliance checks can be more proportionate and focussed and will reduce unnecessary checking.

## 11. HORIZONTAL PRINCIPLES

### 11.1 Sustainable development

Description of specific actions to take into account environmental protection requirements, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management, in the selection of operations.

Article 8 of the Common Provision Regulations requires that ‘The Member States and the Commission shall ensure that environmental protection requirements, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience, and risk prevention and management are promoted in the preparation and implementation of Partnership Agreements and programmes.’

It is also a requirement in Scotland for all public sector organisations to adhere to the regulations outlined in part 4 of The Climate Change (Scotland) Act 2009. All public sector organisations participating in the 2014-20 European Structural Funds Programmes should ensure they are fully aware of the Public Bodies Duty outlined in this act and make use of the guidance provided in relation to this. For further information on the Climate Change (Scotland) Act 2009 please visit <http://www.scotland.gov.uk/Topics/Environment/climatechange/howyoucanhelp/publicbodies/publicsector>.

Two significant pieces of work were undertaken prior to the commencement of the new programme period. These have been instrumental in the design of the 2014-2020 Programmes and the development of monitoring and evaluation processes.

Firstly, as part of the ex-ante evaluation, a Strategic Environmental Assessment (SEA) was conducted. The results of the SEA were made available to the public via the Scottish Government website and advertised in a national Scottish newspaper. This allowed stakeholders the opportunity to comment on the findings from the report and submit any queries to the European Structural Funds mailbox.

The main findings from the SEA showed the strategic interventions to have an overall positive impact on the environment, for a copy of this report please visit the European Structural Funds Website <http://www.scotland.gov.uk/Resource/0046/00464997.pdf>.

The second report which greatly contributed to the design process for mainstreaming environmental sustainability in the 2014-2020 programmes was a research study prepared by IDEAction for Scottish Natural Heritage entitled ‘Mainstreaming Environmental Sustainability In EU Funds 2014-2020.’

The research carried out in the development of this report involved reviewing mainstreaming literature and conducting interviews with 36 individuals from a variety of organisations including RSPB Scotland, Visit Scotland, HIE, the Scottish Government and several Scottish councils.

The majority of organisations interviewed as part of the research process were of the opinion that mainstreaming environmental sustainability was significantly weaker in the 2007-13 Programmes compared with 2000-06. It was considered to be more of an add on to the monitoring and evaluation process rather than an integral part and was overshadowed by financial auditing.

Main concerns raised by stakeholders included:

- Horizontal themes were a ‘tick box’ exercise at application stage and were not part of the audit process thereafter
- There is not enough guidance available on horizontal themes
- There is no way for projects undertaking similar work to communicate with each other, share ideas and promote the work they do
- Case studies and project results have to be better advertised

The European Structural Funds have in response adopted a two-fold approach to sustainable development in the 2014-2020 Programmes. Firstly the thematic objectives ‘Supporting a Shift Towards a Low Carbon Economy’ & ‘Protecting the Environment and Promoting Resource Efficiency’ will include a number of niche projects which will directly promote sustainable development in the work they do.

Secondly sustainable development is one of the three horizontal themes adopted by European Structural Funds. This means that regardless of which thematic objective a project is assigned to, the promotion of sustainable development will be a priority for all projects.

- Long-term sustainability forms a selection criteria for the relevant priority axes and investment priorities within the programme
- Lead Partners will be required as part of the application process to outline their objectives for environmental sustainability and how they plan to achieve these. This will be monitored and reported against as part of the European Structural Funds audit process
- Where applicable, all delivery partners for strategic interventions will be required to demonstrate how their proposed projects will fully comply with the Public Bodies Duty, outlined in Part 4 of the Climate Change (Scotland) Act 2009, at the start of the programme
- Case studies will be encouraged as a form of qualitative evidence. Each year the Managing Authority will select one case study per investment priority which can be used for European Structural Funds publicity requirements.
- An online forum will be created where projects can showcase their case studies and share lessons learned. It is also an opportunity to share ideas and seek guidance from similar projects and the Scottish Government.
- A member of the JPMC will be someone with expert knowledge in this area to ensure sustainable development interests are taken into consideration at a higher level

## **11.2 Equal opportunities and non-discrimination**

Description of specific actions to promote equal opportunities and prevent discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation, design and implementation of the operational programme and in particular in relation to access to funding, taking account of the needs of the various target groups at risk of such discrimination and in particular the requirements for ensuring accessibility for persons with disabilities.

### Equality Act

The Equality Act 2010 brought together previous equality legislation into a single Act of Parliament, and includes a general duty for public bodies to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.

In 2011 the Act introduced a new public sector equality duty which replaces the previous three equality duties for race disability and gender. The new duty applies to the ‘relevant protected characteristics’ – age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation and marriage and civil partnership.

### Scottish Ministers Duty

Scottish Ministers have a power to make ‘specific duties’ to enable the better performance of the public sector equality duty. These came into force in May 2012 and require listed authorities to publish information which will demonstrate to equality communities how the public sector equality duty is being addressed. This information includes progress on making the duty integral to the authorities functions; progress on gathering and using employee information in order to better perform the duty; undertaking impact assessment and publishing the results; and setting equality outcomes which can be measured and reported against.

### Scottish Government Equality Outcomes

Scottish Ministers published proposals for activity to enable Scottish public authorities to better perform the public sector equality duty. These proposals will be informed by an understanding of how Scottish public authorities have approached the specific duties so far and whether any particular issues have emerged.

In addition, the Scottish Government has developed a set of outcomes which will cover the following protected characteristics:

- Age;
- Disability;
- Gender reassignment;
- Pregnancy and maternity;
- Race;
- Religion and belief;
- Sex; and
- Sexual orientation.
- Marriage and civil partnership

The intention is to improve data collection and evaluation, transparency and accountability. Our Equality Outcomes add value to work already in progress and provide a real opportunity to examine the Scottish Governments role as an employer and as a public policy maker. The outcomes are positioned at the heart of the Scottish Governments improvement agenda to raise the standard of performance against the Equality duty.

#### Ministerial Commitments and Areas of Interest

There has been strong Ministerial interest in, and a commitment to taking forward activity on a number of 'equality' areas, 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. Continuation of the dual approach to mainstreaming equality could allow funding of targeted projects.

#### Equality in the 2007-2013 Programmes

Changes as a result of the Equality Act and public sector duties had an impact on the previous Structural Funds Programmes, and should be addressed.

Both Programme Monitoring Committees expressed ongoing interest in how the horizontal themes were being mainstreamed. Douglas Guest, the Equality and Human Rights Commission (EHRC) representative requested further information on how the Managing Authority was ensuring that any changes to the Operational Programmes is

‘equality checked’, through the use of an Equality Impact Assessment (EIA). EHCR is also interested whether gender-disaggregated data was used as evidence for the development of the Scottish Youth Employment application call, and whether an EIA was carried out on the additional call under ERDF. Meetings were set up with staff in the MA to progress these issues, and MA staff received training packs from the Scottish Government Equality Unit to help them to carry out the assessments.

### *Strategic Intervention Lead Partners*

The responsibility for mainstreaming and promoting equality sits with the strategic intervention lead partners and as part of the application process lead partners will include details on how equality issues will be addressed by activity funded by European Structural Funds, and include details of what discrete or positive action projects will be supported by the strategic intervention lead partners operations.

### *Working Group*

A short-life working group has been set up to promote and integrate equality issues (including equality between men and women) into the 2014-2020 structural funds programmes.

The working group consists of representatives from organisations representing the ‘protected characteristics’ groups identified in the 2010 Equality Act, SG Equality Unit, staff from the Managing Authority, and representatives of each of the Shadow Delivery Partnerships. The workplan of the group includes:

- Input to templates for Action Plans for Delivery Partnerships to monitor equality activity in their Operations;
- Input to development of Programme specific measurement of the themes (limited number of indicators);
- Advice on integration into Programme processes – appraisal, monitoring, evaluation;
- Proposals for guidance and training materials on equality

### 11.3 Equality between men and women

Description of contribution of the operational programme to the promotion of equality between men and women and, where appropriate, the arrangements to ensure the integration of the gender perspective at operational programme and operation level.

The promotion of equality between men and women in the 2014-20 Programmes will form an integral part of all future projects. Gender mainstreaming will be incorporated not only throughout the lifetime of the project but also the planning, preparation, implementation, monitoring and evaluation stage.

A socio-economic analysis was conducted as part of the ex-ante evaluation process. This helped determine where the funds could best be focused to achieve the EU2020 targets. Gender disaggregated data was gathered as part of this analysis. This data ensured a gender perspective was taken into account in the design of 2014-20 Programmes and will be essential whilst going forward and developing the monitoring and evaluation processes.

To ensure full integration of the horizontal themes each project will be required to submit an Equality Impact Assessment (EQIA) as part of their application, following Scottish Government guidelines. As part of the EQIA process projects will gather statistical evidence related to each of the 9 protected characteristics.

As well as ensuring equal opportunities for all groups in society, the EQIA will have a particular focus on gender equality. Each project must identify the gender patterns within their field of intervention, perform a gender analysis and finally establish appropriate gender equality objectives. This will form an integral part of the EQIA.

Guidance on completing an EQIA will be provided to all Strategic Intervention Lead Partners in the form of an Equalities Information Pack; prior to distribution this will be approved by the Scottish Government Equality Unit.

The European Structural Funds have also ensured full integration of the horizontal themes in the 2014-20 Programmes by redesigning the application form. During application stage all projects will be asked specific questions relating to each of the horizontal themes, some of which include:

1. How will your project reduce gender stereotyping and how will you attract a more diverse range of participants during the 2014 – 2020 Programmes?
2. What processes do you have in place to tackle discrimination if it occurs?

**The technical assistance (TA)** round which was conducted prior to the commencement of the new programmes (conducted over the course of 2012-13) identified a number of areas where improvements could be made in relation to horizontal themes and gender mainstreaming. The TA project ‘Occupational Segregation and Gender Mainstreaming’

was of particular use when developing a new monitoring system for the future programmes.

One of the key points outlined by the projects who had taken part in both the 2000-06 and the 2007-13 programmes was the reduced focus on horizontal themes as the programmes progressed.

The TA project found that several projects who took part in the 2007-13 Programmes were aware of the term gender mainstreaming and incorporated it fully into their monitoring and evaluation process, while others were completely unaware of the term. A small number of projects failed to incorporate it into their processes at all despite being aware of the term. These projects felt that because their application process was open to both female and male participants, opportunities were therefore equal for all members of society. This is not always the case and processes have to be tailored to meet the individual needs of different groups in society.

The new requirement to submit an EQIA as part of the application process, will help projects to identify gender barriers and possible discrimination at an early stage. Design processes can then be tailored to ensure promotion of equal opportunities.

**A consultation document** was published in December 2013 and provided stakeholders with an overview of the Partnership Agreement, Operational Programmes and proposed governance structures. Stakeholders were asked to provide comments on all of the above and the possible impact they may have on the promotion of equal opportunities in the 2014-20 Programmes, specific questions included:

1. Do you think the new proposals will have a positive or negative impact on the protected characteristics and wider issues of inclusion and participation?
2. If you think there will be a negative impact on the protected characteristics of inclusion and participation please provide suggestions as to what could be done differently to diminish this impact?

The answers provided to the above questions were carefully analysed and presented in our Consultation Responses Report published in April 2014. The information gathered during the consultation process also formed an important part of the European Structural Funds/ESF EQIA which is discussed below.

**The Equality Impact Assessment (EQIA)** identified gaps in our current monitoring and evaluation process and allowed for suggestions to promote equality between men and women. The EQIA was published on both the Scottish Government and European Structural Funds website. Stakeholders were strongly encouraged to comment on the EQIA and asked to provide suggestions for future monitoring and evaluation processes. In depth feedback was received from Engender and this has formed an important part of the development process for monitoring horizontal themes.

The Socio-economic Analysis, Consultation Document and EQIA have all been essential to ensuring equal opportunities, and in particular a gender perspective, have been strongly considered in the design of the 2014-2020 Programmes.

## 12. SEPARATE ELEMENTS

### 12.1 Major projects to be implemented during programming period

**Table 27: List of major projects**

Project	Planned notification/submission date (year, quarter)	Planned start of implementation (year, quarter)	Planned completion date (year, quarter)	Priority Axes / Investment Priorities
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### 12.2 Performance framework of operational programme

**Table 28: Performance framework by fund and category of region (summary table)**

Priority axis	Fund	Category of region	Indicator or key implementation step	Measurement unit, where appropriate	Milestone for 2018			Final target (2023)		
					M	W	T	M	W	T
1 - Strengthening Research, technological development and innovation	ERDF	Transition	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises			0			50.00
1 - Strengthening Research, technological development and innovation	ERDF	Transition	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises			0			250.00
1 - Strengthening Research, technological development and innovation	ERDF	Transition	expenditure	Euro			8,654,125.00			31,851,312.00
1 - Strengthening Research, technological development and innovation	ERDF	Transition	Enterprises receiving support to introduce new to the firm or new to the market products	Number			60			300.00

Priority axis	Fund	Category of region	Indicator or key implementation step	Measurement unit, where appropriate	Milestone for 2018			Final target (2023)		
					M	W	T	M	W	T
1 - Strengthening Research, technological development and innovation	ERDF	More developed	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises			0			175.00
1 - Strengthening Research, technological development and innovation	ERDF	More developed	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises			0			800.00
1 - Strengthening Research, technological development and innovation	ERDF	More developed	expenditure	Euro			55,300,799.00			203,533,334.00
1 - Strengthening Research, technological development and innovation	ERDF	More developed	Enterprises receiving support to introduce new to the firm or new to the market products	Number			195			975.00
2 - Enhancing access to, and use and quality of ICT	ERDF	Transition	ICT Infrastructure: Additional households with broadband access of at least 30 Mbps	Households			0			11,833.00
2 - Enhancing access to, and use and quality of ICT	ERDF	Transition	expenditure	Euro			11,537,290.00			45,235,940.00
2 - Enhancing access to, and use and quality of ICT	ERDF	Transition	ICT infrastructure contract let and implementation commenced	Date			1			3.00
3 - Enhancing the Competitiveness of SMEs	ERDF	Transition	Productive investment: Number of enterprises receiving support	Enterprises			0			2,600.00
3 - Enhancing the Competitiveness of SMEs	ERDF	Transition	expenditure	Euro			13,418,461.00			49,386,338.00
3 - Enhancing the Competitiveness of SMEs	ERDF	Transition	Enterprises receiving support	Number			520			2,600.00
3 - Enhancing the Competitiveness of SMEs	ERDF	More developed	Productive investment: Number of enterprises receiving support	Enterprises			0			9,200.00
3 - Enhancing the Competitiveness of SMEs	ERDF	More developed	expenditure	Euro			66,507,016.00			275,222,600.00
3 - Enhancing the Competitiveness of SMEs	ERDF	More developed	Enterprises receiving support	Number			1800			9,200.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	Transition	expenditure	Euro			10,943,889.00			42,909,305.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	Transition	Low carbon projects receiving non-financial or financial support	Number			23			150.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	Transition	Transport hubs with contracts let or construction commenced	Number			2			5.00

Priority axis	Fund	Category of region	Indicator or key implementation step	Measurement unit, where appropriate	Milestone for 2018			Final target (2023)		
					M	W	T	M	W	T
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	Transition	Low carbon projects receiving non- financial support	projects			0			112.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	Transition	Low carbon projects receiving financial support	projects			0			38.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	More developed	expenditure	Euro			55,676,512.00			218,274,467.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	More developed	Low carbon projects receiving non-financial or financial support	Number			118			783.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	More developed	Transport hubs with contracts let or construction commenced	Number			4			15.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	More developed	Low carbon projects receiving non- financial support	projects			0			586.00
4 - Supporting a shift towards a low carbon economy in all sectors	ERDF	More developed	Low carbon projects receiving financial support	projects			0			197.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	Transition	expenditure	Euro			3,138,143.00			19,656,297.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	Transition	Organisations receiving non-financial or financial support	Number			157			786.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	Transition	Organisations and enterprises receiving non-financial support	organisations			0			714.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	Transition	Organisations and enterprises receiving financial support	organisations			0			72.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	More developed	expenditure	Euro			23,396,928.00			91,725,430.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	More developed	Organisations receiving non-financial or financial support	Number			752			3,765.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	More developed	Projects delivering new/improved green infrastructure which have commenced (main contract let or construction started)	Number			4			14.00

Priority axis	Fund	Category of region	Indicator or key implementation step	Measurement unit, where appropriate	Milestone for 2018			Final target (2023)		
					M	W	T	M	W	T
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	More developed	Organisations and enterprises receiving non-financial support	organisations			0			3,420.00
5 - Preserving and protecting the environment and promoting resource efficiency	ERDF	More developed	Organisations and enterprises receiving financial support	organisations			0			345.00

### 12.3 Relevant partners involved in preparation of programme

Aberdeen City Council

Aberdeenshire Council

Angus Council

Archaeology Scotland

Argentix Ltd

Argyll and Bute Council

British Red Cross

Children in Scotland

City of Edinburgh Council

Clydebank College

Coatbridge College

Comhairle nan Eilean Siar

Convention Of Scottish Local Authorities

Directorate for Chief Medical Officer and Public Health

Director of Public Health

Dundee City Council

Dumfries and Galloway Council

East Ayrshire Council

East Dunbartonshire Council

East Lothian Council

East of Scotland European Consortium

Edinburgh CPP

Equality and Human Rights Commission

Fife Council

Financial Skills Partnership on behalf of JSSC group

Forth Valley and Lomond LEADER

Glasgow City Council

Highlands & Islands European Partnership

Highlands and Islands Enterprise

Highland Council

Industrial Communities Alliance Scotland

James Hutton Institute

John Wheatley College

Link Group

Moray Firth Media Trust

Moray Council

Moving on Employment Project Ltd

Edinburgh Napier Uni

NHS Ayrshire and Arran

NHS Fife

NHS Grampian

NHS Highland

North Ayrshire Council

North Lanarkshire Council

Orkney Blide Trust

Orkney Islands Council

Perth and Kinross Council

Peter Ross

Plunkett Scotland

Queen Margaret University

Renfrewshire Council

Scottish Trades Union Congress

The Action Group

The Princes Trust

The Wise Group

University of the Highlands & Islands

University of Strathclyde

Shetland Islands Council

South Ayrshire Council

South Lanarkshire College

South Lanarkshire Council

Scottish Qualifications Authority

Shetland Islands Council

Stirling Council

Royal National Institute of Blind People (RNIB) in Scotland

Scottish Council for Development and Industry

Scottish Chambers of Commerce

Scottish Community Alliance

Scottish Opencast Communities Alliance

Scottish out of School Care Network

Scottish Council of Voluntary Organisations(SCVO)

Scottish Enterprise

Scottish Environment Protection Agency

Scottish Further and Higher Education Funding Council (SFC)

South of Scotland Alliance

The Royal Society for the Protection of Birds (Scotland)

Visit Scotland

Voluntary Action Scotland

Voluntary Arts Scotland

West Fife Enterprise Ltd

West Lothian Council

West of Scotland European Forum

Woodland Trust Scotland

West of Scotland Colleges Partnership (WoSCOP)



## Documents

Document title	Document type	Document date	Local reference	Commission reference	Files	Sent date	Sent By
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### Submitted annexes by the Commission implementing regulation laying down the model of the programme

Document title	Document type	Programme version	Document date	Local reference	Commission reference	Files	Sent date	Sent By
ERDF Scotland: Citizens' Summary	Citizens' summary	1.2	04-Dec-2014		Ares(2014)4084200	ERDF Scotland: Citizens' Summary	05-Dec-2014	nfergnor
Scotland ERDF and ESF Final Ex-Ante Evaluation Report	Report of the ex-ante evaluation	1.2	17-Nov-2014		Ares(2014)4084200	Ex-Ante Evaluation Final Report ERDF and ESF Scotland	05-Dec-2014	nfergnor
Programme Snapshot of data before send 2014UK16RFOP004 2.0	Snapshot of data before send	2.0	15-Sep-2017		Ares(2017)4504594	Programme Snapshot of data before send 2014UK16RFOP004 2.0 en	15-Sep-2017	nrokenet

## Latest validation results

Severity	Code	Message
Info		Programme version has been validated.
Warning	2.13.1	The total Union support (main+performance) per Fund/year (ERDF/2014) in Table 17 should be equal to the total Union support for the programme/Fund/year in the last partnership agreement sent to the Commission (2014UK16M8PA001 3.3) : 60,787,939.00 - 64,130,669.00
Warning	2.16.9	For subsequent versions compared to the previous version, the Union support in closed previous years should not be modified. Year 2014 - previous value "60,282,829.00", current value "57,140,664.00"
Warning	2.18.6	At least one indicator must be defined in the relevant indicator tables. Priority axis "6", specific objective "TASO1", Table 12
Warning	2.18.6	At least one indicator must be defined in the relevant indicator tables. Priority axis "6", specific objective "TASO2", Table 12
Warning	2.19.3	The sum of the annual EU Support per category of region "Transition" and per year "2018", must be smaller or equal than the corresponding annual EU Support specified in the Financial Perspectives: "384,784,017.00", "382,461,753.00".
Warning	2.19.3	The sum of the annual EU Support per category of region "Transition" and per year "2019", must be smaller or equal than the corresponding annual EU Support specified in the Financial Perspectives: "390,130,783.00", "390,115,477.00".
Warning	2.19.3	The sum of the annual EU Support per category of region "More developed" and per year "2018", must be smaller or equal than the corresponding annual EU Support specified in the Financial Perspectives: "826,641,881.00", "814,578,755.00".
Warning	2.19.3	The sum of the annual EU Support per category of region "More developed" and per year "2019", must be smaller or equal than the corresponding annual EU Support specified in the Financial Perspectives: "836,028,360.00", "830,880,021.00".
Warning	2.65	The total ESF allocation (Main + Performance Reserve from Table 17) over all IGJ Programmes of country "UK" is not equal to the total ESF allocation in Table 1.4.1 of the Partnership Agreement with CCI "2014UK16M8PA001": "4,958,025,847.00", "4,969,651,713.00".

