EUROPEAN STRUCTURAL FUNDS 2014-2020 PROGRAMMES

Background

1. Before the structural fund allocations and regulations for 2014-2020 can finally be agreed, the Multiannual Financial Framework (“MAFF”) for 2014-2020 needs to be agreed by both 27 Member State Governments (unanimously) and the European Parliament. This is expected to take place before the end of June under the Irish Presidency. Once the MAFF is agreed the structural fund allocations and regulations can be finalised. This may also take place before the end of June, however, this is not certain.

2. Although the timeframe for agreement is uncertain, the UK and devolved Governments are already making initial programming plans.

3. The UK Government has announced how the structural funds for the UK will be allocated across the four nations (England, Scotland, Wales and Northern Ireland)\(^1\). The UK Government has decided to use its own formula rather than the European Union one to calculate the funds each nation receives. The attached press release provides details but based on the totals agreed at last December’s European Council on the MAFF (unlikely to be the final agreed totals) Scotland will receive total funding of around €795 million (approximately £675 million GBP). This represents an uplift of €228 million (£193 million GBP) compared to the amount that Scotland would receive under the EU formula for allocation of the Funds to the UK. The UK Government decided to use its own formula to ensure all four nations incurred roughly the same cut of around 5% in overall funds received compared with the 2007-2013 programming period.

4. Crucially these allocations (at 2011 prices) are subject to the agreement on the EU regulations and the on-going negotiation of the 2014-2017 EU Budget with the European Parliament. The European Commission will also need to agree the UK Government’s proposals.

The Current Scottish Programmes

5. There are currently four different structural fund programmes in Scotland. There are two each in the Lowlands and Uplands Scotland area and the Highlands and Islands.

6. In the Lowlands and Uplands Scotland Programme there is a European Regional Development Fund programme and a European Social Fund programme. The Highlands and Islands Programme also consists of a European Regional Development Fund and the European Social Fund. The Scottish Government has stated that "over £493 million of European Structural Funds have been more than matched by partners under the current programmes. These funds have been used to support projects that provide training and support for individuals to enter employment, provide advice to businesses, boost capital expenditure and improve access to finance"\(^2\).

7. According to the Scottish Government there have been a number of audit and compliance issues in the current programmes, often the result of over complicated programmes and policies. Funds have been dispersed to a number of small organisations who, as a result of the economic downturn, have been unable to allocate the resources required to manage the funds accordingly. Furthermore, there has been mixed performance of projects with some reporting significant underspends. Not all projects have found it easy to deliver the outcomes they initially projected, and taken together, the projects have perhaps not achieved as big an impact on the economic situation in Scotland as we might have hoped.

**Scottish Government Proposals for the 2014-2020 European Structural Fund Programmes**

8. On 14 May 2013 the Scottish Government published a consultation paper on its proposals for the 2014-2020 European Structural Fund programmes. The consultation will run until 31 July 2013. The following section of the paper summarises the proposals in the consultation.

9. The European Commission’s proposals for the 2014 – 2020 funding period will require all European Structural and Investment funds (Structural, Cohesion, Rural Development and Fisheries Funds) to be closely aligned with the Europe 2020 goals of smart, sustainable and inclusive growth – and be closely aligned with each other.

**Integration of the European Structural and Investment (ESI) Funds**

10. Each EU Fund programme must have a significant impact on jobs and growth during a period of prolonged economic difficulty.

11. Integration between the ESI funds will also allow for closer alignment with domestic policies and therefore create opportunities for more central match funding by the Scottish Government and major public bodies.

**Partnership Agreements**

12. Partnership Agreements are being established in line with the Commission draft proposals for the 2014 – 2020 funding period. The Partnership Agreements will set out how Member States will invest Structural Funds to meet European ambitions.

13. Scotland will have its own chapter in the UK Partnership Agreement. This will allow the Scottish Government to set out specific challenges and opportunities in Scotland which might not apply in the rest of the UK; and will allow us to tailor our Operational Programmes to support Scottish Government investment priorities.

**Thematic Objectives**

14. Under the Commission’s proposals there are 11 thematic objectives which all European Structural Investment Funds should focus on.

15. Based on the evidence, and on previous stakeholder consultations, the thematic objectives proposed for Scotland across the ESI Funds are:
   - R&D and Innovation;
   - ICT;
   - SME competitiveness;
   - Low Carbon;
   - Environmental protection and resource efficiency;
   - Labour Market Mobility;
   - Social Inclusion, and
   - Skills and Lifelong Learning.

16. As a result the Scottish Government will not use ESI funds to support the following thematic objectives:
   - Climate change adaptation;
   - Sustainable transport;
   - Capacity building.

**Operational Programmes**

17. For the 2014 – 2020 programming period, and specifically relating to Structural Funds, the Highlands and Islands have been designated as a transition region and the rest of Scotland as a more developed region.

18. To simplify integration between the Structural Funds and Rural Development and Fisheries Funds, and to better align with national domestic programmes, it is proposed that these regions will form a single unit for the Operational Programmes resulting in there being four Operational Programmes covering ESI funds in Scotland:
- A Rural Development Programme (SRDP);
- A Social Fund Programme (ESF);
- A Regional Development Programme (ERDF), and
- A Maritime and Fisheries Programmes (EMFF) – coordinated at a UK level but supporting projects in Scotland.

**Integration Strategy**

19. Although Scotland will have separate Operational Programmes for each ESI fund, the financial allocations will be made to schemes, programmes and projects through three Scottish Themed Funds:

- Competitiveness, innovation and jobs;
- Low carbon, resource efficiency and the environment, and
- Local development and social inclusion.

20. According to the Scottish Government:

“By using the Scottish Themed Funds we will ensure that we concentrate on interventions which together will have the greatest impact for Scotland, the greatest push towards Europe 2020 targets, and best address the development needs of Scotland. The intention is that activity supported by the EU funds is coherent and complementary, and minimises duplication of funding and delivery arrangements. The objective of the Scottish Themed Funds is to collectively support genuine long term change in the skills base, in the growth ambitions of Scottish SMEs, in energy consumption, in land use, and in the well-being and resilience of all of Scotland’s communities.

21. Within the social inclusion objective, the Scottish Government has highlighted local development and in particular community regeneration as being a priority.

**Governance**

22. All European Structural and Investment Funds will be held to account through the Scottish chapter of the Partnership Agreement. This will also contain the objectives for the funds and how much resource from each ESI Fund has been allocated to the Scottish Themed Funds and what outcomes are expected. In addition, the individual Operational Programmes will set out the reporting, evaluation, compliance, verification, audit and payment requirements.

23. Projects or schemes of projects (referred to as operations) which are eligible for ESI Funds will be owned by Lead Partners who will provide the initial match funding, but may deliver operations directly, contract delivery or enter into partnerships. Monitoring of these operations will be done by Strategic Delivery Partnerships (SDPs) which will ensure that they are complementary and that various interventions are performing and making a measurable contribution to the Europe 2020 targets.
Delivery

24. Delivering operations through SDPs will ensure that most current beneficiaries of ESI Funds will continue to have opportunities to access funding. Strategic decisions on where and how the funds will be concentrated will be decided by the SDP early in the programming period.

25. The SDPs will have three key responsibilities:
   - help shape the Operational Programmes by deciding what operations to fund;
   - ensure funding stability through the lifetime of the funding period by providing the initial match funding for the agreed operations; and
   - be accountable for the impact of the Structural Funded operations.

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