



## **European Structural Fund Programmes in Scotland 2014-2020**

### **Background**

EU Structural Funds are a series of financial tools set up with the explicit purpose of reducing regional disparities across the EU in terms of income, wealth and opportunity. The Structural Funds are made up of the European Regional Development Fund, the European Social Fund, and a fund for Territorial Cooperation.

This briefing concentrates on the European Regional Development Fund (ERDF) and the European Social Fund (ESF). According to the appropriate EU Regulations:

“The ERDF shall contribute to the financing of support which aims to reinforce economic, social and territorial cohesion by redressing the main regional imbalances in the Union through the sustainable development and structural adjustment of regional economies, including the conversion of declining industrial regions and regions whose development is lagging behind.”<sup>1</sup>

And

“The ESF shall promote high levels of employment and job quality, improve access to the labour market, support the geographical and occupational mobility of workers and facilitate their adaptation to industrial change and to changes in production systems needed for sustainable developments, encourage a high level of education and training for all and support the transition between education and employment for young people, combat poverty, enhance social inclusion, and promote gender equality, non-discrimination and equal opportunities, thereby contributing to the priorities of the Union as regards strengthening economic, social and territorial cohesion.”<sup>2</sup>

Scotland’s Structural Fund Programmes for 2014-2020 will be made up of money from these two funds. The Scottish Government is responsible for managing the delivery of the structural fund programmes in Scotland.

### **The 2014-2020 Programmes in Scotland**

For the 2014-2020 structural fund programmes, Scotland will have 2 programme areas - the Highlands and Islands (with a GDP between 75% and 90% of the EU average), and the rest of Scotland which is made up of the other three NUTS II (Nomenclature of Territorial Units for Statistics<sup>3</sup>) regions (North Eastern Scotland, Eastern Scotland and

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<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1301>

<sup>2</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1304>

<sup>3</sup> The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU for the purpose of the collection, development and harmonisation of EU regional statistics and the framing of EU regional policies.

South Western Scotland) all of whom have a GDP above 90% of the EU average. The Highlands and Islands has been designated as a transition region and the rest of Scotland as a more developed region. The categorisation of the two areas has an impact on the type of projects that the funds can be used to support.

To simplify integration between the Structural Funds and to align better with national domestic programmes, it is proposed that the Highlands and Islands region and the rest of Scotland will form a single unit for the Operational Programmes. This will result in there being a Scotland wide Social Fund Programme (European Social Fund) and a Scotland wide Regional Development Programme (European Regional Development Fund),

According to the Scottish Government the programmes will be worth a total of €985 million, with match funding from the Scottish Government and other public sector organisations total funding will be around €1.9 billion.<sup>4</sup>

### Integration Strategy

The financial allocations from the structural funds 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.

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.”<sup>5</sup>

### **Thematic Objectives**

The European Commission regulations outline a number of thematic objectives which are in line with the [Europe 2020 strategy](#) and which all European Structural Funds should focus on.

Based on evidence collated by the Scottish Government on what is required for Scotland to meet the Europe 2020 targets and on stakeholder consultation, the Scottish Government indicated in its chapter of the Partnership Agreement which was submitted to the European Commission which thematic objectives it believed Scotland should

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<sup>4</sup> <http://news.scotland.gov.uk/News/Scottish-economy-to-benefit-from-multimillion-European-investment-13bc.aspx>

<sup>5</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/developmentofProgrammes/StrategyGovernanceanddelivery>

concentrate its structural fund programmes on<sup>6</sup>. Following the European Commission's agreement of the Scottish Operational Programmes, the Scottish Government confirmed the priority areas which the Scottish programmes will concentrate on<sup>7</sup>:

ERDF will focus on five key areas:

- Research, technological development and innovation;
- Improved access and quality of digital communication technology, particularly in rural areas;
- Increasing the competitiveness of Scottish SMEs;
- Support for activity to further develop a low-carbon economy;
- Environmental protection and resource efficiency.

ESF will provide investment focusing on four strategic funding priorities:

- Promotion of Labour Market Mobility;
- Promoting Social Inclusion and Combating Poverty;
- Investing in Education, Skills and Lifelong Learning;
- Youth Employment Initiative.

These priorities are broadly in line with the thematic priorities highlighted by the Scottish Government last year.

The Scottish Chapter of the UK Partnership Agreement sets out each of the selected thematic objectives and for each of the selected thematic objectives a summary of the main results expected for each of the Structural Funds. This is available from page 26 in the attached document: <http://www.scotland.gov.uk/Resource/0044/00449277.pdf>. Details of the prospective funding available under each thematic objective are also available in the attached document from page 33.

## **Current Situation**

The UK Partnership Agreement was adopted on 29 October 2014 by the European Commission. This can be downloaded at <https://www.gov.uk/government/publications/european-structural-and-investment-funds-uk-partnership-agreement>. In addition, a summary of the Agreement is available at: [http://ec.europa.eu/contracts\\_grants/agreements/index\\_en.htm](http://ec.europa.eu/contracts_grants/agreements/index_en.htm)

Following consultation with stakeholders the Scottish Government formally re-submitted its two Structural Funds Operational programmes to the European Commission on 17 November. According to the Scottish Government:

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<sup>6</sup> <http://www.scotland.gov.uk/Resource/0044/00449277.pdf>

<sup>7</sup> <http://news.scotland.gov.uk/News/Scottish-economy-to-benefit-from-multimillion-European-investment-13bc.aspx>

“The submission follows five months of negotiations to agree the content and presentation of material, including the refinements and changes set out in the previous update from 7 November 2014.”<sup>8</sup>

On 19 December 2014, the Scottish Government announced that the European Commission had approved the two Operational Programmes for Scotland. This should allow the programmes to begin early in 2015. Links to the Operational Programmes are provided below:

- European Regional Development Fund: <http://www.scotland.gov.uk/Resource/0046/00464140.pdf>
- European Social Fund: <http://www.scotland.gov.uk/Resource/0046/00464139.pdf>

### **Delivery of the Scottish Funds**

Details of the way in which the Scottish European Structural Fund programmes will be delivered are available on the Scottish Government website at:

<http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/developmentofProgrammes/StrategyGovernanceanddelivery>.

Members will also be aware of a letter to the Committee sent by Keith Brown, the Cabinet Secretary for Infrastructure, Investment and Cities on 4 December in which he provided an update on progress in starting Scottish structural fund programmes. The letter can be downloaded at:

[http://www.scottish.parliament.uk/S4\\_EuropeanandExternalRelationsCommittee/ESIF.pdf](http://www.scottish.parliament.uk/S4_EuropeanandExternalRelationsCommittee/ESIF.pdf)

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<sup>8</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/LatestNews>