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ANNUAL SUMMARY  
DOCUMENT  
2003

SCOTLAND

## SCOTTISH EUROPEAN STRUCTURAL FUNDS PROGRAMMES: ANNUAL SUMMARY DOCUMENT 2003

This Annual Summary Document (ASD) has been prepared for the European Commission to complement the 2003 AIRs and ARDs submitted in June 2004. The Scottish European Structural Funds Forum and the European Committee of the Scottish Parliament will also receive this report.

### PART 1 - INTRODUCTION

The Annual Summary Document (ASD) summarises the key points from the Annual Review process for 2003 for each of the 5 European Structural Funds Programmes and the 4 Community Initiatives in the 2000-2006 Programme across Scotland. The 2003 ASD summarises Programme performance and implementation based on Annual Implementation Reports (AIRs). It also considers future progress based on Annual Review Documents (ARDs). The purpose of this ASD report is to bring together and highlight the outcomes for 2003 identifying common themes on performance of Programme objectives.

AIRs present factual reports on Programme performance, changes in Socio-economic and policy conditions, progress with Programme implementation, process lessons on projects applications, wider process reviews and coordination activities. It also covers a factual account of programme activity during the calendar year 2003.

The ARD considers, in light of the 2003 AIR, the progress made in achieving each Programme's strategic objectives outlining actions being taken to ensure continued progress during 2004. The ARD is an annual document, which is forward looking, providing recommendations to key stakeholders on how to continually develop and improve each Programme.

#### **1.1 Scottish Socio-economic Summary**

GDP and manufactured exports data confirm that 2002 and the first quarter of 2003 were difficult times for the Scottish economy. The downturn in global demand over 2001 and 2002 and the associated restructuring in the electronics sector hit the Scottish economy harder than the UK as a whole.

However, most independent forecasters now predict a return to modest growth later this year with stronger growth expected in 2004. Meanwhile, the labour market in Scotland continues to perform very strongly and this will have contributed to the continuing firm retail demand. Both factors featured strongly in the Mid-Term Review of the Programmes, reported on below.

Overall, the fortunes of the Scottish economy are more closely linked to the global economic position rather than domestic spending. On balance, it appears that some pressures (such as the £/€ exchange rate) faced by Scottish businesses over 2002 and the early part of 2003 eased over the second quarter of 2003, although difficulties persist as the Euro has subsequently weakened.

## 1.2 Scottish Policy Developments

The implementation of Structural Funds continued to feature in the policy agenda of Scottish Ministers in 2003. Following the election of a new Parliament in 2003, the *Enterprise and Lifelong Learning Portfolio Plan* by the Deputy First Minister and Minister for Enterprise & Lifelong Learning recognised the importance of the effective implementation of the current round of European Structural Funds for maximising economic and social benefits for Scotland.

In June 2003 the First Minister established a Ministerial Group on European Strategy with a remit to build on the Executive's achievements in the first Parliament and to set out a strategic framework for handling European issues over the next four years. The report of the Group was approved by the Scottish Cabinet and forms the basis of '*The Scottish Executive's European Strategy*<sup>1</sup>', published in 2004. This report considers the future of the Structural Funds, the promotion of an effective regional policy in Europe and overall Scottish interest in the debate about Structural Funds reform. The implications of EU enlargement and the impact on Structural Funds also featured in '*Scotland: A Global Connections Strategy*<sup>2</sup>'.

Following the election, the strategy document, '*A Partnership for a Better Scotland: Partnership Agreement*', launched in 2003, sets out the Scottish Executive's overall principles in relation to economic development. It contains a specific commitment to work with agencies supporting business to manage the transition to the new Structural Funds landscape after 2006.

The '*Programme for Government II - Working Together for Scotland*<sup>3</sup>', issued in January 2001, highlighted objectives for European Structural Funds implementation in Scotland. It stated:

"We will implement European Structural Funds programmes wisely to leave a lasting legacy. They are designed to provide additional support to economic development and job creation and to equip people with the skills required to compete in labour markets; a key change from previous programmes is the new emphasis on social justice, sustainable development and equal opportunities."

The initiatives and work undertaken in the course of 2003 continue to reflect these aims. The document, '*Recording Our Achievements*<sup>4</sup>', published in December 2002 reported favourably on the progress towards this objective.

Other policy documents such as '*A Smart Successful Scotland*<sup>5</sup>' continued to actively encourage greater and more effective working with European partners in order to harness and maximise the economic benefits to Scotland from Structural Funds. The Scottish Executive's strategy for the Scottish Enterprise network, as well as '*Social Justice...a Scotland where Everyone Matters*<sup>6</sup>', continued to have relevance for the implementation of the Structural Funds.

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<sup>1</sup> Document available at : <http://www.scotland.gov.uk/library5/government/sees-00.asp>

<sup>2</sup> Document available at : <http://www.scotland.gov.uk/library3/enterprise/agcs.pdf>

<sup>3</sup> This report can be found at: <http://www.scotland.gov.uk/library3/government/pfg-05.asp>

<sup>4</sup> Document available at <http://www.scotland.gov.uk/library5/government/roam-00.asp>

<sup>5</sup> This can be found at: <http://www.scotland.gov.uk/library3/enterprise/sss-00.asp>

<sup>6</sup> This can be found at: <http://www.scotland.gov.uk/library2/doc07/sjmd-01.htm>

## PART 2 – PROGRAMME ACHIEVEMENTS

### 2.1 Highlands & Islands Special Transitional Programme

2003 was a challenging year with the completion of the Mid-Term Evaluation, analysis for the Performance Reserve allocation, the consideration of amendments to the Single Programming Document (SPD) and Financial Tables and the N+2 targets. 62.5% of the total funds (£127.4 million) were committed by the end of 2003 with Priority 1 (business support) over 75% committed with 70% of EAGGF committed.

The Mid-Term Evaluation highlighted some strategic and operational issues to be addressed. However, within the context of the analysis for the Performance Reserve, the consultants acknowledged that the Programme had:

“...demonstrated a robust performance in terms of the Management and Financial Criteria.... having regard to the overall achievement and the degree to which some targets have been exceeded, in the judgement of the consultants the first phase of the Highlands and Islands Programme should be considered modestly successful in terms of effectiveness.”

A dedicated Programme Review Group, established by the Programme Monitoring Committee (PMC), progressed the proposals contained within the report and made recommendations therein to the PMC. The key recommendations encompassed:

- Financial adjustments involving both the recommended allocation of the Performance Reserve and virement between measures and priorities;
- Simplification of the selection criteria;
- Re-quantification of the targets;
- Introduction of a new FIGG measure providing support to young fishermen;
- Increased focus on emerging sectors within the region such as nuclear decommissioning related activity, bio-med and renewable energy recognising their importance through increased resources to appropriate measures; and
- Encouragement of local integrated packages of support.

Some of these recommendations, approved by the PMC in November 2003, impacted on the approved SPD which was subsequently amended in consultation with the Commission for consideration during 2004.

In terms of targets, the Programme is on track in the majority of measures, with ESF measures performing particularly well – confirmed in the 2002 Leaver’s Survey. Some notable achievements include:

- A high level of job creation and self-employment from Priority 1 investments;
- Important increases in childcare places available in the region through provision of new childcare centres, especially in rural areas and supported through ERDF (through Measure 2.5), ESF (under childcare training programmes) and EAGGF (through the Agriculture Business Development Scheme);
- A high number of ESF beneficiaries entering employment or further training/education; and
- Over 40,000 sq.m of new business space being created in widespread locations both providing advance and bespoke premises.

Schemes supporting the agriculture and fisheries sectors saw increased demand in 2003 with requests for virement approved by the PMC in February for agriculture capital marketing and processing investments. Evidence of positive outcomes from the schemes can now be seen from small-scale but locally important diversification projects to larger scale production unit and aquaculture investments.

Perhaps the most challenging feature of 2003 was the N+2 targets. With 89.558 million euros of Structural Funds grants to be expended by the end of 2003, the development and implementation of the N+2 (2003) Action Plan was critical. An additional application round and continuous monitoring of expenditure resulted in all funds achieving their target in 2003.

The year culminated in the successful transferral to a new on-line applications (for data capture) and claims system and new guidance for ERDF/3<sup>rd</sup> party EAGGF and ESF applicants following a Business Process Review undertaken across Scotland (as described in more detail below).

The focus for 2004 will be keeping the momentum going which has steadily built up across all funds, trying to meet the challenging N+2 2004 targets, implementing any agreed changes following the Mid-Term Evaluation process and ensuring continuing best value from the remaining funds.

## **2.2 Objective 2**

### ***Objective 2 East of Scotland***

With 8 application rounds now completed, the Programme is well under way. In order to generate a continuing momentum in implementing the Programme, 3 approval rounds are offered each calendar year. In addition, more flexible operating arrangements are available and have already been put into effect for projects of a significant and strategic nature (eg major projects) and/or are time-critical. In the period up to 31 December 2003, 433 project applications had been approved following full appraisal. Of these 237 related to eligible areas and the balance of 196 covered transition areas within the East of Scotland Programme.

Project applications were submitted under all of the Programme measures and it is pleasing to note that after lengthy delays two new risk capital funds were supported during the year under Measure 1.2, Access to Risk Capital: the Scottish Co-Investment Fund and the Sigma Innovation Fund. In addition, considerable resources were also allocated in 2003 from Priority 1 (Strategic Economic Development) to Scottish Enterprise to support the development of new more customer-focused network products for SMEs in the Programme area.

In terms of financial performance, as at 31 December 2003, a total of £121.158 million of ERDF grant had been committed against a total forecast expenditure of £351.333 million. The ERDF grant commitment of £121.158 million breaks down into £71.988 million against eligible area projects and £49.170 million covering transition areas. Overall, the commitment level is very positive and represents some 72% of the total ERDF grant allocation. The level of total ERDF grant paid to the end of 2003 is of £52.651 million and represents a major improvement on previous years. This figure set against the total approved figure of £121.158 million represents a 43.46% conversion rate. As a result of this improvement, the Programme was also successful in achieving its N+2 target for 2003.

Progress towards the socio-economic performance indicators is also promising. In terms of headline figures, and in respect of the gross new jobs, the SPD target of 16,871, activity

supported as at 31 December 2003 is forecast to generate 24,166 gross new jobs. Based on ERDF claims received to date, an actual total of 7,874 have already been reported by project sponsors. As regards the numbers of new and existing SMEs assisted, it is forecast that 36,333 SMEs will benefit in some way from a variety of actions supported to date in the Programme. This forecast figure is set against the original SPD target of 14,164. Based on ERDF claims received to date, an actual total of 128,931 have already been reported by project sponsors.

### ***Objective 2 South of Scotland***

The application process for round 6 invited bids up to the 17 April 2003, and round 7 invited applications up to 18 September 2003. The 27 applications approved totalled just under £9 million, and brought total commitments since the start of the Programme to £30,631,790, or around 70% of the total funds available.

As reported during 2002, this remains a significant level of commitment for the Programme, and helped to ensure that the Programme met expenditure targets to December 2003, avoiding penalty under the N+2 provisions. The compliance procedures introduced for all Scottish Structural Funds Programmes allow expenditure to be monitored on a quarterly basis. In the South of Scotland, expenditure is considered by either the PMC or the Programme Management Committee on a quarterly basis.

A review of the key outputs and results of approved projects was also completed during 2003 as part of the Mid-Term Evaluation. The Mid-Term Evaluation was also a key determining factor on whether the Performance Reserve has been achieved. Confirmation that the Performance Reserve targets had been achieved was received on 23 March 2004, meaning an additional 4% of funds were available to the programme, equating to €3.183 million. The PMC considered the allocation of these funds to a specific measure or Priority on 22 April. During that meeting, they agreed with the recommendation previously given from an Implementation Group to allocate two thirds of the funds (€2.121 million) to Measure 2.1 and a further one third of the funds (€1.062 million) to Measure 3.2. A review of Programme outputs and targets is currently underway to help identify what impact this additional investment is likely to have in the South of Scotland.

As in previous years, project performance is continuously monitored by the PME and Programme Committees to ensure that actual project performance remains on course to meet forecasts. This process provides quarterly data, which is timed for presentation to the Programme Management Committee and PMC meetings, each of which are scheduled twice per year, and is supported by quarterly (or more frequent) claims, monitoring visits and ad hoc reporting arrangements.

During 2003, the Programme continued to invest in a wide range of projects, including business advisory and financial investment schemes for SMEs, tourism marketing initiatives, business infrastructure developments and community development projects. All approved projects continue to demonstrate a close fit with local, regional and national strategies and contribute to the achievement of programme performance indicators and targets. This approach is reinforced by the inclusive and overt information sharing process undertaken with all programme committees, including written and verbal reports, and robust and recordable information dissemination mechanisms.

## **Objective 2 West of Scotland**

2003 was a demanding year for the 2000-06 Western Scotland Objective 2 Programme, ending with its first N+2 deadline. Five rounds of applications were held, with a total of £118.395 million of European Funds awarded to 314 new economic development projects in the region. Actual spend on the ground increased significantly and the partnership was active again in efforts to exchange experience and good practice at project level.

Throughout the year the Programme worked on important issues for the region such as social inclusion, business growth and innovation, competitive place, economic activity and skills, the equality situation and sustainable development.

The main challenges during the year were:

- Meeting the N+2 expenditure deadline;
- Assessment against the Performance Reserve;
- Undertaking a Mid-Term Evaluation of the Programme; and
- Implementing a Business Process Review which included a revised European Funds application and claim process (as discussed in more detail below).

Over the course of the next 12-18 months, local authorities will introduce a new system of prioritising activity and funding based on a Community Planning process. The targeting of areas for support will also be informed by a new index of deprivation available by summer 2004. The Programme will maintain the existing list of designated areas (SIPs) over the next 12 months with a planned review of the population covered by spatial targeting against the 25% regional maximum and assess needs outside SIP areas. The partnership will continue to monitor the progress of Community Planning and further develop links with Communities Scotland through involvement in committees and regular strategic meetings.

The Programme will continue to invest in services to provide a high level of labour market intelligence for applicants and will work to increase the visibility and usability of both the new Scotland-wide data from Future Skills Scotland and the regional data from the SLIMS labour market service.

The PMC and Implementing Committee will continue to be made aware of socio-economic changes and the policy developments and this will inform the practical implementation of the Programme. The dissemination of the Mid-Term Evaluation, the benchmarking report with the East of Scotland and Nord-Rhine Wesfalen region good practice work as well as the 2003 Annual Implementation Report are particular priorities in this context.

## **2.3 Objective 3**

2003 was a challenging yet memorable and rewarding year for the Objective 3 Programme, particularly with the Mid-Term Evaluation and the assessment of the Performance Reserve targets. Milestones and targets were achieved and in some cases exceeded with the result that the Performance Reserve was awarded in full to the Programme.

It was also a year in which the procedures and systems administered by the PME were reviewed and in some cases revised through the developmental and implementation phases of the Business Process Review (as discussed in detail below). The introduction of the new systems is anticipated to make a substantial difference to the processing times in the O3 Programme because of the relatively larger volume of claims as compared to the other Programmes.

Programme staff endured a heavy workload involved in the appraisal and monitoring of over 450 projects, and 2000 quarterly financial claims and progress reports, N+2 and over 50 physical monitoring visits. In particular, N+2 presented a significant challenge to the Programme given the volume of small-value projects and claims – however, the Programme successfully met its N+2 targets. By the end of 2003, the Programme had committed €350.896 million of its total budget. Despite the Programme's healthy commitment and spend profile, special arrangements will continue to exist for underbid Measures, which will remain part of the 'Rolling Programme'.

To ensure O2/O3 complementarity, coordination between PMEs continued and was further enhanced in 2003. This has been achieved through events such as shared training, shared horizontal themes staff activities, and in sharing of data on performance and in networking opportunities, as well as in planning of project development activities. Coordination also took place through the Structural Funds Liaison Group, convened by the Executive and attended by each PME Director – it met 8 times throughout 2003.

In response to issues raised on this subject in Mid-Term Evaluations, a Group dedicated to meeting solely on O2/3 issues has been set up in 2004. This Group now provides a formal mechanism to discuss complementarity and has already reported back on its first meeting to SFLG.

## **2.4 Community Initiatives**

The following four Community Initiatives in which Scotland participates were approved in 2001:

**EQUAL** – A GB Programme, with separate Scottish implementation, was approved by the Commission in 2001. This Community Initiative is designed to help a range of target groups with a particular focus on equality issues associated with gender, disability, race or ethnic origin, religion or belief, age, and sexual orientation. Across the programming period, the Programme is divided into 2 Rounds, each of which consists of 3 Actions. In Scotland, 7 Development Partnerships have been funded in 6 thematic pillars in the first Round.

In 2003, Action 3 in Round 1 was initiated and preparations began across the UK for the launch of Round 2 in 2004. Spend and commitment has remained strong and Scotland and GB as a whole met N+2 targets. A GB-wide Mid-Term Evaluation was conducted under the direction of the ESF Evaluation Unit in DWP, and its recommendations – largely focusing on delivery issues – are being taken forward.

**INTERREG III** – Scottish regions are participating in four INTERREG IIIB Programmes for transnational cooperation: Northern Periphery, North Sea, Atlantic Area and North West Europe. Scottish regions are also eligible to apply for funding for inter-regional cooperation through Interreg IIIC, which is a test bed for innovative thinking on spatial planning that may feed into and inform national planning strategies. The Office of the Deputy Prime Minister (ODPM) has lead responsibility for the UK on all these Programmes except the Northern Periphery Programme, where the Scottish Executive takes the lead.

By the end of 2003, Scottish partners were participating in over 50 Interreg projects. The North Sea and North West Europe Programmes had each held four calls for proposals, while the Northern Periphery Programme had held five calls and the Atlantic Area Programme had held one call (in two phases).

**LEADER+** - The Leader+ Community Initiative Programme, which was designed to encourage new ideas and working alongside the Rural Development Plan for Scotland, was submitted in March 2001 and formally approved by the Commission in January 2002. 2003 was a challenging year with the first full year of implementation of Leader+ (Scotland). In 2002 Local Action Groups (LAGs) concentrated on establishing administrative processes. In 2003 significant progress was made with project activity, almost exclusively in Action 1, although progress was made with Action 2 projects towards the end of the year. The 2004 report should report good progress in Action 2 projects. In terms of targets the report will not reflect the full position as outcomes are only available for completed projects.

The Mid-Term Evaluation concluded that it was too early in the lifetime of the Leader+ (Scotland) to draw any real conclusions on the success of the Programme but confirmed that the CIP remained valid and that there was sufficient flexibility within the Programme to accommodate changes within the respective LAG business plans.

The Report recommended that LAGs review their business plans and suggested that training on monitoring and evaluation be made available to Programme managers. As a result, the consultants prepared a monitoring and evaluation framework which was introduced in 2004. A further evaluation of the Programme will be undertaken in 2005. The focus for 2004 will be achieving the N+2 target which applies to Leader+ (Scotland) for the first time on 31 December 2004. As at December 2003, the Programme had achieved about 33% of the target but significant work will be required in 2004 to ensure that the target is fully achieved.

**URBAN II** – Urban II aims to promote innovative strategies for sustainable economic, social and environmental regeneration. 2003 was the second operational year of the Urban II Programme, which covers the multiply disadvantaged areas of Clyde Urban Waterfront, (Port Glasgow and Clydebank South). The Western Scotland Objective 2 Programme also covers both communities. Coordination and complementarity have been synchronised to ensure those individual partners and projects in the Clyde Urban Waterfront Regeneration Zone are guided to the most suitable Programme of funding

2003 was a demanding year for the Programme, ending with its first N+2 deadline. Three rounds of applications and 3 rounds of written procedure were held in 2003. The third round by written procedure in November included 2 retrospective projects. A total of £2,446,974 was awarded to 11 new economic development projects. Actual spend on the ground increased significantly and the partnership was again active in efforts to exchange experience and good practice at project level.

## PART 3 – SCOTTISH EXECUTIVE PROGRESS & FORWARD PLAN

### **3.1 Administrative Review**

#### ***Business Process Review***

The Scottish Executive (SE) and the five Scottish Programme Management Executives (PMEs) initiated a major Business Process Review (BPR) project in 2002, to simplify and improve the application and claims processes. This was prompted by feedback from applicants and in particular a report by the Scottish Parliament's European Committee on the application and project appraisal process for European Structural Funds (Report on the 1<sup>st</sup> Round of the 2000-2006 Programme). This recommended that a web-based applications and claims system should be implemented across all Structural Funds Programmes.

The overall purpose has been to improve the service to Structural Fund applicants through simplified procedures. This should encourage take up of the Funds; support good project proposals and facilitate prompt payment of valid claims. Significant progress was made during 2003 with the introduction of the application and claims online systems and the development of standardised procedures and desk instructions across the Programmes. The current focus of work is enhancements to reporting and management information.

The project has involved intensive work in full collaboration with all the PMEs, who have contributed extensively. Partners have also been involved in testing the system to ensure the intended improvements are appropriate and can be realised. There has been an overwhelmingly positive response from those who have used the new forms. The application process ran very smoothly for most and the new turnaround claims are now being used successfully for several Programmes.

PMEs and the Executive will monitor the performance of the new systems carefully and ensure everyone has the information and support they need to use them effectively.

### ***Monitoring and evaluation***

With the completion of the Mid-Term Evaluations, attention is now turning to the evaluation needs for the rest of the programming period. Work for 2004 includes the production of a new Evaluation Strategy to define the period up until the end of the Programme Period. In 2003, following a pan-Scotland Labour Market Information (LMI) study, an online labour market information service was set up by Future Skills Scotland to provide information support to Structural Funds applicants.

The Monitoring and Evaluation Working Group (MEWG), whose membership is drawn from all five PMEs, Horizontal themes advisors and is convened by the Scottish Executive. MEWG met once on 3<sup>rd</sup> June 2003 and covered issues relating to the monitoring and evaluation of the Programmes, including:

- The progress of 2003 Mid-Term Evaluations of the five Scottish Programmes including Horizontal Theme issues;
- Programme Annual Implementation Reports for 2002;
- Leavers Survey results 2002 and preparations for 2003 survey;
- Ex-Post Evaluations of Objective 5b Programmes;
- Guidelines on Single Programming Documents (SPDs); and
- The DTI value-added study.

The Group will meet again in 2004 to discuss the new Evaluation Strategy.

The Department for Work and Pensions (DWP), the National Assembly for Wales and the Scottish Executive collaborated on the 2002 Leavers Survey, which will be published in the Spring 2004. The report provides data and analysis based on the responses of companies whose employees participated in, or leavers who benefited from, projects funded by European Social Funding (Objectives 1, 2 West and 3) during 2002.

The 2002 Leavers' Survey evaluated the effectiveness of training or advice provided through ESF programmes. The DWP, acting as project manager, commissioned the individuals and the company surveys separately; MORI was contracted to collect data pertaining to Individuals benefiting from ESF support and PACEC was contracted to conduct a large scale survey of companies who received ESF support. A UK Companies survey was prepared by

MORI in 2003 and a separate Scottish report for the Individuals Survey was prepared by John Atkinson from the Institute for Employment Studies (IES).

The Scottish Individuals survey highlights a number of positive findings about the results of Objective 3 project funding. These are summed-up by a phrase in the report summary that “there is clear evidence that ESF courses delivered under Objective 3 and the Highlands and Island Transitional programmes are effectively targeting groups of people who require assistance to develop their skills and fulfil their potential”<sup>7</sup>.

### **3.2 Publicity**

To improve on both external and internal awareness of the Structural Funds, a number of actions have been undertaken:

- Development of a new internal Scottish Executive Intranet site which is due to be launched Summer 2004. This should provide a better understanding, for other Scottish Executive policy divisions, of the role of European Structural Funds in the organisation.
- The response to this site will inform and lead to a review of the external website towards the end of 2004.
- Development of a more effective publicity strategy with Scottish Executive desk Press Officers, complementing the timing of key Scottish Executive policy announcements.

### **3.3 Horizontal Themes**

#### ***Equal Opportunities***

Established at the start of the current programming period, the Equal Opportunities Forum was set up to consider and advise on the mainstreaming of Equal Opportunities across the Structural Funds programmes. The Forum met once in 2003 and discussed issues including:

- The work programme of the Equal Opportunities Advisor for the Structural Funds;
- The outline and timetable for a good practice guide on equal opportunities, updating the EO toolkit reported in previous AIRs;
- The initial results of the Mid-Term Evaluation with respect to equal opportunities issues; and
- A mainstreaming conference on equal opportunities and the Structural Funds to be hosted in Glasgow in November 2003.

On the latter point, the Scottish Executive and the five PMEs held the third in a now established annual series of Gender Equality Conferences for the UK and Ireland. It was held at the Glasgow Royal Concert Hall on 19 November. In keeping with the more holistic approach to the horizontal themes in Scotland, the conference theme was widened in order to address the full spectrum of equalities rather than focus exclusively on gender. Some 180 equal opportunities policy practitioners participated from across the UK and Ireland and keynote speeches were made by Lewis Macdonald, the Scottish Deputy Minister of Enterprise, Transport and Lifelong Learning (who has the Structural Funds in his ministerial portfolio) and José Palma Andres, Director at DG Regio.

The conference included workshops on a range of topics including a stock-taking of the methodologies used by the Mid-Term Evaluations on equal opportunities, the difficulties in

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<sup>7</sup> “ESF Leavers Survey 2001: Report”, National Council for Social Research, 2002, page 4.

generating positive action projects, and the challenges of mainstreaming in rural areas. Overall, the conference proved to be a valuable opportunity for a comparative review and stock-taking of the results of the Mid-Term Evaluations with respect to equal opportunities.

The National Adviser on Equal Opportunities role has been further appointed and supported until the end of the Programme Period. A revised version of the widely acclaimed the Equal Opportunities Toolkit (now Good Practice Guide) is also expected by the end of Summer 2004.

### ***Sustainable Development***

The Sustainable Development Forum, whose remit is to investigate ways of mainstreaming sustainable development into European Structural Funds Programmes in Scotland, met on two occasions in 2003. The Forum continued to focus on the following issues:

- Pooling knowledge and experience of sustainable development, promoting good practice, providing guidance and support where necessary and increasing understanding of sustainable development between Programme Management Executives;
- Monitoring the progress of the five PMEs in the mainstreaming of sustainable development into training and project applications;
- Forging links with other bodies involved in the promotion and development of the Horizontal Themes;
- Consideration of revised advice note on incorporating sustainable development themes in project applications;
- Discussions of sustainable development issues being considered as part of the Programme Mid-Term Evaluations;
- Consideration of the Scottish Executive's Biodiversity Strategy;
- Discussion of proposals for a minimum standard of sustainable development information requested on project application forms;
- Keeping abreast of initiatives emanating from the Equal Opportunities Forum;
- Hosting of workshops by PMEs to promote the Horizontal Themes with partners, applicants and advisory groups and Programme staff;
- Forging links with English Departmental Sustainable Development Groups;
- Linking to the work of the Scottish Executive's Sustainable Development Team; and
- Looking at ways of embedding sustainable development into projects.

The National Sustainable Development Coordinator (financed by the Scottish Environment Protection Agency and Scottish Natural Heritage) has been further appointed and supported until the end of the Programme Period.

### **3.4 The Structural Funds Forum**

Three meetings of the Scottish European Structural Funds Forum were held in 2003. At the first meeting in February, Professor John Bachtler gave a presentation to the Forum on enlargement and the reform of the Structural Funds and the group also discussed papers on Regional State Aids and the link between the Structural Funds and the reform of the Common Agricultural Policy (CAP). The second meeting in June focused both on the Forum working group's draft paper in response to the UK Government consultation on '*A Modern*

*Regional Policy for the United Kingdom*, which was agreed by the Forum, and on how to ensure that the N+2 targets for Scottish Programmes were met.

At the final meeting of the year in November members received an update on the N+2 situation. The outcomes of the mid-term evaluations were discussed and Muriel Mackenzie, the Equal Opportunities Adviser, and Calum Macleod, Sustainable Development Adviser, gave a presentation on the progress made in mainstreaming the horizontal themes in the Structural Funds. The Forum also agreed that an analytical working group should be set up to analyse the implications for Scotland of the Third Report on Economic and Social Cohesion in 2004.

### **3.5 State Aids**

During 2003 there was continued coordination on State aid issues between the Scottish Executive's State Aid Unit and the PMEs, including the Unit participating in ESEP's Best Practice Seminar. Awareness raising also continued through use of the Unit's website on State aid, [www.stateaidscotland.gov.uk](http://www.stateaidscotland.gov.uk) and the regular newsletters available on the site. In terms of the application of State aid rules on the ground, the Commission's consideration of (national) public funding for credit unions continued, although an outcome is now anticipated shortly.

2004 also heralds developments within the State aid landscape as the Commission's commitment to State aid reform continues. This will include reviews of the guidelines for regional aid, research and development and rescue and restructuring aid to reflect the changing needs and emphases within the EU. Two new State aid frameworks are also anticipated, designed to enable a simpler process for dealing with aid that does not have a high potential to distort competition. LASA (Lesser Amounts of State Aid) and LET (Limited Effects on Trade) will hopefully enable Scotland not only to provide public funds to support 'usual' investment projects but also to support some of the operating costs for projects with predominantly social or regeneration aims. Further information on State aid and developments is available at [www.stateaidscotland.gov.uk](http://www.stateaidscotland.gov.uk) or, for LASA and LET, at [www.europa.eu.int/comm/competition/state\\_aid/others/lesser/en.pdf](http://www.europa.eu.int/comm/competition/state_aid/others/lesser/en.pdf) and [www.europa.eu.int/comm/competition/state\\_aid/others/limited/en.pdf](http://www.europa.eu.int/comm/competition/state_aid/others/limited/en.pdf).

### **3.6 Synergy with Domestic Policy**

The Scottish Parliament continued to take an active interest in the implementation of Structural Funds in Scotland. The European Committee continued its important role in scrutinising the administration, management and delivery of the European Structural Funds. In 2003 it continued to pursue the Future of Cohesion Policy and Structural Funds Post 2006. The European Committee was also represented on and considered the papers for the Scottish European Structural Funds Forum (SESFF).

The Scottish Executive policy statement *'Working Together for Scotland'*,<sup>8</sup> outlined the key objectives at both at strategic and programme specific levels. The Structural Funds policy statement made in August 2001 by the then Scottish Minister for Finance and Local Government, Angus MacKay, continues to provide strategic guidance on the implementation of the current Structural Funds Programmes in Scotland. The statement considered the necessary steps to achieve the key objectives outlined in the Scottish Executive policy

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<sup>8</sup> This can be found at: <http://www.scotland.gov.uk/library3/government/pfg-00.asp>

statement '*Working Together for Scotland*',<sup>9</sup> both at strategic and programme specific levels and focused on the following areas:

- The need to further integrate Structural Funds policies with existing Scottish Executive and area-based strategies;
- The need to further integrate the horizontal themes into the Programmes;
- The need to emphasise assessing performance in project appraisal;
- Greater synergy to be achieved between Objective 2 and 3 Programmes;
- Streamlining in conjunction with the new IT system;
- The need to use monitoring and evaluation as a management tool, in the appraisal and programming process; and
- The need to maximise leverage with the private sector and to find other funding sources, such as the European Investment Bank, to ensure the long term impact of projects.

Work in many of the areas highlighted in the Policy Statement which aim to improve the efficiency and effectiveness of projects as recommended in the Report were furthered during 2003. Work on the establishment of a streamlined IT system was ongoing and went live in 2003.

Throughout the year 2003, wider Scottish Executive policy initiatives on sustainability, social justice, economic development, ICT and tourism had an influence on the policy environment for Structural Funds Programmes in Scotland. The following documents provided a framework for the overall policy agenda:

- *Building Better Cities: Delivering Growth and Opportunities*<sup>10</sup> (and the accompanying document *Building Better Cities: Next Steps*).<sup>11</sup> This document reviewed the current prospects for the economic, environmental and social development of Scotland's cities; and identified Executive policies which will improve those prospects, taking account of interactions between the cities, their surrounding areas and the rest of Scotland.
- *Your place, your plan: A White Paper on Public Involvement in Planning*<sup>12</sup> covered proposals for the modernisation of the Scottish planning system and raised the possibility of third party rights of appeal.
- *Closing the Opportunity Gap: Scottish Budget for 2003-2006*<sup>13</sup> where Structural Funds are used for communities experiencing economic difficulties and focusing on gaining equal opportunities from access to jobs.
- *Working Together for Race Equality – Nov 2002*<sup>14</sup> where European Structural Funds is used for ongoing monitoring of equal opportunities and advises where further action is required to promote racial equality.

The '*Framework for Economic Development*' (2000) sets out the Scottish Executive framework within which economic development in Scotland would take place. Its vision continued in 2003 where "economic development should raise the quality of life of the Scottish people through increasing economic opportunities for all, on a socially and

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<sup>9</sup> This can be found at: <http://www.scotland.gov.uk/library3/government/pfg-05.asp>

<sup>10</sup> Document available at <http://www.scotland.gov.uk/library5/finance/bbcs-00.asp>

<sup>11</sup> Document available at <http://www.scotland.gov.uk/library4/FCSD/POLUnit/00016092.aspx>

<sup>12</sup> Document available at <http://www.scotland.gov.uk/library5/planning/ypyp-00.asp>

<sup>13</sup> Document available at <http://www.scotland.gov.uk/library5/finance/ctog.pdf>

<sup>14</sup> Document available at <http://www.scotland.gov.uk/library5/society/wtre.pdf>

environmentally sustainable basis". This framework outlines the overall aim of raising the quality of life through economic development that is socially and environmentally sustainable. It highlights the relevance of the opportunities, access and capacity of all people to participate in economic activity – emphasising the role of enterprise and the need to take a sectoral approach.

#### **PART 4 - CONCLUSION**

The 5 Structural Fund Programmes and 4 Community Initiatives had a challenging year with the demands, for the first time, of having to meet N+2 targets. The Scottish Programmes all met their targets – including the Performance Reserve – and the lessons learned from the first year on achieving those figures are contributing to the planning for meeting the targets in 2004.

The successful development and implementation of the online Funds application system has been managed with close cooperation between Executive and PME colleagues, offering a much improved service to our partners across Scotland. The coordination in this and other initiatives over 2003 will be further built upon in 2004 to seek and bring forward further benefits.

**SCOTTISH EXECUTIVE**  
**European Structural Funds Division**  
**July 2004**