

SCOTTISH EUROPEAN STRUCTURAL FUNDS FORUM



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MINUTE OF MEETING HELD IN ROOM G05/06, MERIDIAN COURT, GLASGOW

MONDAY 24 MAY 2004

Present:

Lewis Macdonald MSP (Chair)	Deputy Minister for Enterprise and Lifelong Learning
Dr Jim Hunter	Chair, Highlands and Islands Enterprise
Cllr David Parker	Leader, Scottish Borders Council
Cllr Alison Magee	Leader, Highland Council
Cllr Eddie Carrick	Chair of the East of Scotland European Consortium
Cllr Corrie McChord	CoSLA
Frank Pignatelli	Learndirect Scotland
Martin Sime	Director, Scottish Council for Voluntary Organisations
Liz Connolly	Chief Executive, Scottish Enterprise Lanarkshire
Diane McLafferty	Head of European Structural Funds Division, Scottish Executive
David Patel	Head of Analytical Services Division, Finance & Central Services Department, Scottish Executive
Sam Baker (secretariat)	European Structural Funds, Scottish Executive
Gordon Currie	European Structural Funds, Scottish Executive
Jim Millard	European Structural Funds, Scottish Executive
Nigel Lindsay	European Structural Funds, Scottish Executive
Phil Raines	European Structural Funds, Scottish Executive
Ray Ebbers	Regional Selective Assistance, Scottish Executive
Observers:	
James Fowlie	CoSLA
Billy McLaren	European Structural Funds, Scottish Executive
Cathy McIsaac	European Structural Funds, Scottish Executive
Apologies:	
Richard Lochhead MSP	Convener, European & External Relations Committee of the Scottish Parliament
Irene Oldfather MSP	Deputy Convener, European & External Relations Committee of the Scottish Parliament
Cllr Malcolm Green	Glasgow City Council
David Martin MEP	Member and Vice President of the European Parliament
Bill Miller MEP	Member of the European Parliament
Cllr Drew Ratter	Conference of Peripheral and Maritime Regions
Sir Ken Collins	Scottish Environment Protection Agency
Esther Robertson	Scottish Further Education Funding Council
Lord Sewel	Universities Scotland

Welcome

1. The Deputy Minister for Enterprise and Lifelong Learning welcomed everyone to the meeting and invited members to introduce themselves.

Minutes of 3 November meeting and matters arising

2. The Forum approved the minutes of the last meeting and, under matters arising, the Minister noted that the 2003 Annual Implementation Reports for Scottish Programmes were on course to be finalised in time for the Commission's 30 June deadline.

3. In relation to state aids, Ray Ebbers reported that the Commission had put forward draft proposals for the regional aid guidelines for 2007-13, which would be on the Commission website shortly [*Note – not yet posted, but expected any day*]. She noted that the Executive accepted in principle the Commission's proposal that regional aid should be targeted in least favoured regions and Member States, but was concerned about the impact this would have in Scotland. Under the proposals, assisted area coverage would decrease from 48% to around 8% of the Scottish population. If the Highlands and Islands did not qualify for 'statistical effect' status, only some parts of the Highlands and Islands might obtain assisted area coverage under Article 87.3.c due to low population density.

4. Ray Ebbers noted that the rest of the UK and other long-standing Member States would also be significantly affected by the proposals and that support would be needed from other Member States to alter the Commission's proposals. The Commission had set a very tight deadline for responses of 1 July. Ray Ebbers informed members that the UK Government wished to consult partners, but could not do so at that time due to the purdah period in advance of the European elections. The Minister therefore suggested that members should look at the Commission's proposals and start thinking about their response so that they could feed this in during any limited consultation period after the European elections.

Programme Implementation

5. The Minister introduced paper 1, which provided an update on how spend on Scottish Programmes was progressing and looked at changes made to the Programmes as a result of the mid-term evaluations. He noted that all Scottish Programmes had met their N+2 targets for 2003 and thanked partners for their efforts in submitting claims in order to support the Executive and the PMEs in achieving the targets.

6. Gordon Currie emphasised that the N+2 targets had only just been met last year and that the Executive wished to avoid similar difficulties this year. The table and spreadsheet annex circulated with paper 1 showed that Programmes were in a better position in relation to meeting N+2 targets than they had been at the same point last year. However, he noted that there was no room for complacency as there would be no scope for using retrospective to meet this year's targets.

7. Nigel Lindsay spoke to the second half of the paper regarding changes to the Programmes. He told members that all the Scottish Programmes had been awarded their 4%

performance reserve by the Commission as a result of good performance so far in each Programme. He noted that the mid-term evaluations' recommendations for virements of funds between priorities and measures had all been approved by the appropriate Programme Monitoring Committees, but that the Commission was still considering the proposals in detail. He highlighted two of the key areas where virements would be needed. Firstly, priority 2 (strategic/competitive locations) was over-subscribed in the East and Western Scotland Objective 2 Programmes and therefore there would be little funding available from now on under this priority. Meanwhile, priority 3 measures relating to Community Economic Development in Objective 2 Programmes and priority 5 (gender imbalance) of the Objective 3 Programme were generating fewer projects than had been anticipated and there was some concern about meeting N+2 targets under these priorities.

8. The Minister invited questions on issues raised in paper 1. Martin Sime suggested that it would be useful to put out a statement to highlight over- and under-committed measures and invite applications in under-committed areas. Diane McLafferty noted that this issue had been discussed by the Programme Monitoring Committees and the PMEs had been encouraged to publicise this information.

Analytical Working Group Report and Feedback from the Cohesion Forum

9. The Minister introduced paper 2 by offering some feedback on the Cohesion Forum in Brussels, which had been hosted by the European Commission on 10-11 May. He noted that the event was a useful opportunity to hear at firsthand the views of representatives from across the EU, especially from the new Member States whose views often differed from what might have been expected. He also noted that there was fairly broad support for the direction of the Commission's approach, although there were a number of concerns about specific elements of the proposals set out in the Third Cohesion Report.

10. The Minister felt that Rhodri Morgan's speech had been one of the most interesting as he posed challenging questions asking Member States to ensure the added value of their proposals and noting that 'something would have to give' in budgetary terms. Michel Barnier, had also given an interesting speech as French Foreign Minister in which he conceded that budgetary adjustments might need to be made.

11. Cllr Magee felt that the event had demonstrated that there was now a 'united Europe'. Cllr Carrick noted that Scottish local authorities did not agree with the UK Government's proposals. Meanwhile Liz Connolly felt that, while there was little opportunity for genuine debate, there were some interesting points raised and some speakers were starting to make public their positions in relation to the future of the Funds. Cllr McChord agreed with this and felt that Rhodri Morgan was correct in his statement that it would be impossible to achieve all the EU's aims without reducing either the Structural Funds or Common Agricultural Policy budgets or exceeding the 1% of EU GNI ceiling. This was especially important in the context of the UK public's views of the EU.

12. David Patel gave a short presentation on the work of the Analytical Group. He told members that the Group had been set up in February and had met three times. The Group included analytical experts from partner organisations, such as Scottish Enterprise, Highlands and Islands Enterprise, local government, the environment agencies and the European Policies Research Centre. He emphasised that the Group's report (paper 2) only represented initial findings and that the estimated funding figures were likely to change, but felt it was

useful that a model had been created, which could be refined later as further information became available.

13. David Patel said that the Group had focused on what the level of Structural Funds receipts might be under the Commission's proposals as it was too early in the debate to consider in detail what funding would be spent on. The Report set out high, medium and low scenarios of funding, with the medium scenario currently seeming the most realistic. The medium scenario was based on the Highlands and Islands receiving statistical effect funding and all other Scottish regions receiving support under the Regional Competitiveness and Employment strand. There were still a number of outstanding issues to be clarified.

14. In discussion the following points were raised:

- Population density was likely to be a key indicator in determining which regions were defined as having 'geographical handicaps'. The Highlands and Islands would be expected to fall below the population density threshold and therefore qualify as a geographically handicapped region. The Scottish Executive was discussing this matter with the Commission in order to influence the regulations.
- There was concern that GDP data at both Scottish and EU levels was not sufficiently robust to offer a reliable comparison between EU regions. David Patel felt that Scottish GDP data was robust, but could not comment on how reliable GDP data are across the EU.
- It was suggested that the South of Scotland's case would need support. The Minister noted that he had recently met representatives of the South of Scotland and had discussed with them the difficulties that arose as a result of the South of Scotland not being a NUTS II region. However, he noted that partners would pursue this issue with the relevant authorities.

15. The Minister thanked David Patel for his presentation and Forum members agreed that the Group should do further work as more information became available. The Minister suggested that it would be useful for the Group to look in parallel at the proposals for the Rural Development Regulation, especially the new Single Rural Fund, to ensure there were no areas falling between the gaps of this Fund and the Structural Funds. He told members that Kathy Johnston, an economist from the Scottish Executive Environment and Rural Affairs Department, had volunteered to join the Group to provide expertise in this area.

16. The Minister also noted that David Patel was a member of a new UK Analysis Group, chaired by the Department for Trade and Industry, which was considering the Third Cohesion Report. The Scottish Executive was encouraging the Group also to consider the budgetary implications of alternative scenarios.

Date of Next Meeting

17. The Minister thanked members for attending and suggested that the Forum should meet again in the autumn once the Commission's draft Structural Funds regulations for 2007-13 had been published. A date would be proposed by e-mail.

SCOTTISH EXECUTIVE
European Structural Funds Division
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