

# **POLICY STATEMENT BY MINISTER FOR FINANCE AND LOCAL GOVERNMENT**

## **IMPLEMENTATION OF EUROPEAN STRUCTURAL FUNDS PROGRAMMES IN SCOTLAND IN 2002**

1. Following consideration of the Annual Review Documents for each of the 5 Scottish Structural Funds programmes and the Annual Summary Document and discussion with the Scottish European Structural Funds Forum, the Minister for Finance and Local Government has decided to issue the following guidance on the implementation of the Structural Funds programmes in 2002.

### **Policy Issues**

2. The Scottish Executive policy statement “Working Together for Scotland” set out the following key objectives for European Structural Funds:

- To promote the strategic use of European Structural Funds designed to make a real impact and leave a legacy.
- To deliver over the next 7 years, against agreed targets, the European Structural Funds programmes for the Highlands and Islands, for the Objective 2 areas and for Objective 3.
- To review regularly the effectiveness and impact of our programmes so that they reinforce and add value to our priorities in conjunction with the European Committee of the Scottish Parliament and local partners.

3. To achieve these objectives it is essential that the necessary steps are taken to ensure that all project proposals coming forward for funding are compatible with both Scottish Executive and local priorities. The importance of policy coherence in project preparation and appraisal is therefore paramount. To this end, we would like to see the following steps taken to reinforce the strategic impact of the programmes:

- The Structural Funds programmes should ensure that project proposals demonstrate their place within the broader framework of Scottish Executive and local policy directions. Projects should be consistent with the principles set out in policy documents such as, for

example, the Framework for Economic Development in Scotland, or as expressed in documents reporting on and developing policy issues, such as the Social Justice Annual Report. Projects relating to economic development should demonstrate their links to the Scottish Executive's Strategy for Enterprise "A smart successful Scotland" particularly in relation to small and medium size enterprises, innovation and the information society and learning and skills. All project proposals should be consistent with, and contribute to, the Scottish Executive Equality Strategy.

- Projects should aim to demonstrate their place within relevant area based strategies put in place on a consultative or partnership basis and which are in line with the aims of the programmes; that is to say, a clear linkage should be made between project proposals and community planning (including local economic fora) activity and strategies which cover, for example, sustainable economic and community development, social inclusion and training and skills for work. Such strategies could be thematic rather than small area based if they cover interest groups which spread beyond a defined geographical area subject to them still meeting relevant programme requirements about concentration and impact on designated areas. The key strategies already in place include agreed local economic development strategies (such as those for Dumfries and Galloway and the Scottish Borders); structure plans, where these have a clear economic development perspective (such as the structure plan for Glasgow and the Clyde Valley); and Social Inclusion Partnership strategies. Where such strategies are in development, the programmes should put in place mechanisms to integrate them into programme requirements on an incremental basis.
- In the case of European Social Fund projects, where the nature of an innovative project, or of the sponsor organisation (for example, organisations not directly responsible for area based or thematic strategies such as colleges or voluntary sector bodies), is such that there can be no, or at most a remote, linkage with Area Based Strategies, steps should be taken to ensure that such projects are not disadvantaged in the appraisal process. Wherever possible, however, all projects should attempt to produce evidence of some effort to fit with Area Based Strategies, although it is recognised that an incremental approach to this may be necessary. All projects should ensure that they work on the basis of effective partnerships which should avoid duplication and overlap and recognise how

they fit with other similar activity. Ensuring compatibility with area based strategies of different types, and ensuring that bids are compiled on the basis of partnership, will be an incremental and ongoing task for those implementing the Funds, and a key one in maximising their effectiveness in this programming period.

- The programmes need to build on current efforts to engage with private sector organisations, to ensure that opportunities are taken to maximise leverage from the private sector which might improve the benefit the Structural Funds bring to the wider economy and, in the medium term, help to reduce dependence on Structural Funds support. It is important that other funding sources, including possibly the European Investment Bank, are considered to ensure long term impact of projects.
- The synergy of Structural Funds programmes with the Scottish Executive Social Justice strategy should be strengthened. The key aim should be to provide comprehensive support to regeneration, including capacity building and initiatives to assist the linking of economic opportunities to excluded individuals in communities. Moreover, steps should be taken to help to provide support to people from social inclusion communities and the identified areas of opportunity and growth sectors. Changes to the New Deal programme to help support groups and areas particularly vulnerable to unemployment should also be factored in to programme implementation.
- Horizontal Themes – Good work has already been done to integrate the horizontal themes of sustainable development and equal opportunities as well as innovation, information society and lifelong learning, into the 5 programmes. Extra steps should be taken in 2002 to build on the incremental approach taken to ensure that there is an improved performance in terms of these key issues.

### **Process Issues**

4. As well as considering strategy issues outlined above, a number of key process elements need to be developed in order to build effective continuous improvement on the good foundations already in place. These should include:

- incremental change towards a greater and more consistent emphasis on assessing performance in project appraisal – the focus should be both on the quality of the project and on the track record of the organisation in providing effective outputs for the programme, and these should be considered in the context of how well the project itself fits with the overall aims and objectives of the Programme.. This should not be used to hinder the innovation necessary to meet certain programme objectives but should nevertheless be given greater weight in determining project fit to the programme.
- Work is already in place to ensure that best value considerations have been built into project preparation. This emphasis should increasingly be placed on good value in relation to outputs in sustainable economic development, taking into account the nature of the project concerned rather than seeking to apply wholly standardised yardsticks for ERDF or ESF delivery. A key point is to ensure that any project will deliver a sustainable impact beyond the lifetime of the project itself and that good value considerations have been clearly at the forefront of project preparation alongside other goals.
- Objective 2/3 Co-ordination. We should build on the steps already taken to improve co-ordination between Objective 2 and 3 to ensure that there is synergy between Objective 2 and 3 programmes and that any possible duplication is avoided. Communication between the Programme Executives is already mostly good and should be developed further.
- Streamlining. The Scottish Executive recognises that the business processes put in place for the new programmes to meet the stringent new European Regulations place a significant burden on partners in terms of reporting and electronic data input. We acknowledge that the development of IT systems to date has not been trouble free. We are grateful to all partner organisations for the trouble they have taken to make the new systems work.
- We also recognise that improvements can be made. As a consequence, over the remainder of 2001, steps will be taken to re-examine business processes with the aim

of having a more streamlined administrative system in place during 2002, which we hope to support through significant improvements in IT support systems. Again, it will take time to introduce new business processes, and, if possible, the technologies to support them, but we intend that efforts should be made to lessen the administrative burden on partners, in a manner consistent with regulatory requirements. That said, this does not take away from the obligation on partners to carry out their own effective monitoring and reporting of projects to ensure that maximum impact is achieved, since to a large extent we are dependent on the commitment of partners to make the programmes work.

### **Community Initiatives (LEADER+, INTERREG, EQUAL, URBAN 2)**

5. Most of these programmes will come on-stream in late 2001/2002, with the first round of approvals under the EQUAL programme due in October 2001. Where relevant the key points from this statement should be applied to them, and the smaller scale nature of the Community Initiatives will in some cases mean that they can act as testing grounds for streamlining and new ways of project appraisal. Moreover steps should be taken to ensure that practical benefits are derived for participants and where possible full benefits should be taken of the transnational networking opportunities offered by these programmes.