

## Call for views – European Structural and Investment Funds inquiry

The Committee has issued a general call for views on Thursday 15 February, the topic of this inquiry being European Structural and Investments Funds (ESIFs).

ESIFs currently help fund a number of economic development programmes in Scotland, supporting public bodies such as Scottish Enterprise and Highlands and Islands Enterprise, the Funding Council, Skills Development Scotland, local authorities and some of the work of the Scottish Government itself for a wide range of activities, including skills and training programmes, research and development, support to business and the development of infrastructure.

Over the course of May and June this year, the Economy, Jobs and Fair Work Committee will hold an inquiry into ESIFs and what could replace these once the UK leaves the European Union.

The Committee has agreed the following remit: *“To understand how European Structural and Investment Funds (ESIF) are currently used to support economic development in Scotland, at both a regional and local level. This will help inform the committee’s views on, and develop ideas for, what should replace ESIFs once the UK exits the European Union.”*

The Committee therefore wants to hear the views and experiences of as many people, businesses and organisations as possible, so it is now seeking written submissions on the following themes. Bearing in mind that Structural Funds are governed by EU rules and regulations:

### DRAFT UHI RESPONSE

<i>Current spending priorities and approval processes:</i>
1. How the Scottish Government identified and agreed spending priorities for its current ESIF allocations.
<i>The principles and aspirations behind the planning for current allocations were well intentioned. The previous 2007-13 programmes at times lacked strategic focus; error rates in eligible and compliant spend were too high, leading to funding being lost. The new approach, whereby funds would be allocated to a (relatively) small, targeted number of Strategic Interventions (SIs), all of which should be governed by relevant national/regional Lead Bodies, aimed to reduce such problems in 2014-20 ESIF. The SI concept had greater potential for longer-term, strategic planning and prioritisation.</i>
<i>However, these high level strategic aims have sometimes failed to recognise that success would depend upon the ability of delivery agents to deliver in fully compliant ways, in line with envisaged timescales.</i>

<p><i>Once the programmes were operational, the establishment of the Highlands and Islands Territorial Committee, involving key ESIF stakeholders in the region, was beneficial; however a greater role, earlier in the process – identifying priorities and delivery mechanisms – would have been helpful and would have avoided some of the subsequent delays and limits on compliant activities.</i></p>
<p>2. The processes the Scottish Government went through with the European Commission to gain approval for its ESIF plans.</p>
<p><i>As above, good in principle, as clear objectives were agreed in the ESF and ERDF Operational Programmes – however, more involvement of the agencies expected to deliver might have helped to avoid subsequent difficulties in delivery of quality, compliant projects.</i></p>
<p>3. The involvement of SG agencies, local authorities and the third sector at this stage of the process.</p>
<p><i>Notwithstanding concerns raised above, the involvement of SG agencies and departments with direct responsibilities in their subject areas was an improvement, leading to the opportunity for greater alignment between national and EU objectives, with consequent improvements in co-finance arrangements.</i></p>
<p><i>Current spending:</i></p>
<p>4. How the differing needs of Scotland's regions are accounted for in the current range of ESIF programmes.</p>
<p><i>In the Highlands and Islands, there was a significant advantage in having distinct transition region status. This allowed for increased funding allocations and the ability to focus and deliver on priorities directly relevant to the region. However, in some cases there have been examples of SIs being too focussed on LUPS priorities and insufficiently flexible to adapt to the economic development needs of the Highlands and Islands.</i></p>
<p>5. How the 2014-2020 programme funding is being spent, which areas have benefitted and any issues with these commitments or processes.</p>
<p><i>Overall, there would seem to be issues with several SIs delivered in the Highlands and Islands, with much of the difficulty arising from insufficient advance planning involving regional stakeholders, which is of concern, limiting economic impact of this last tranche of transition investment.</i></p> <p><i>Inflexible processes, with limited opportunities to seek innovative solutions, have lead to lengthy delays in starting some activities.</i></p> <p><i>Our overall experience as a delivery agent working with the Scottish Funding Council on the Developing Scotland's Workforce in the H&amp;I SI, although challenging due to the issues identified in question 6 below, is positive. We worked on a notional budget from the start – a major advantage being that the Lead Body (SFC) was able to align co-finance from the start – thus avoiding previous difficulties of aligning funding applications and uncertainty over timescales. This allowed us to jointly develop a plan for the full programming period, with 6 distinct work-streams addressing specific skills gaps and development priorities for the Highlands and Islands – which will result in a strategic package of additional postgraduate and undergraduate provision in key sectors, with high quality online curriculum products and improved sectoral links.</i></p>

*However, we have had major issues with the timescales involved in achieving commitment for ESIF funding – the one- or two-year commitments agreed in the early years did not provide sufficient indications that future funding would be forthcoming. This meant that we were not able to commit to longer-term undertakings (employment of new staff, offering places to students for undergraduate and postgraduate places lasting 3-4 years) and lead to delayed starts in most of the work-streams, which have had a detrimental impact on the integrity of the programme.*

*Furthermore, processes in agreeing eligibility of activities and standard unit cost models proved challenging, with delays and sometimes insufficient flexibility to work within the distinct nature of higher and further education delivery in the UHI network.*

*We are concerned about the low level of Innovation SI activity in the Highlands and Islands to date, despite the existence of several eligible projects, which could have proceeded if funding were available. This is causing a gap in the trajectory of ERDF Innovation investment from previous structural funds programmes, which is regrettable given that this will be the last tranche of EU transition funding for the region.*

*A further concern was over the difficulties in synergising ESIF investment with other EU interventions – particularly Horizon 2020 and INTERREG. This had been a stated intention from the European Commission at the start of the 2014-20 programmes, but proved too difficult in practice, as programme targets and timelines did not align.*

#### **6. Understanding current accountability and reporting issues.**

*To date, our major hurdles have been in commitment and process, but accountability and reporting have also caused concern, being extremely complex, bureaucratic and inflexible. It has proved difficult to engage in constructive discussions about improvements - for example, on how evidencing student participation could be simplified and aligned more closely with existing systems. We appreciate the need for compliance and reducing the error rate – but if the bureaucracy becomes unnecessarily burdensome, this is in itself a risk. Again, more direct involvement, as appropriate, of delivery agents at operational level would have been beneficial.*

#### **7. How current and previous programmes are evaluated and any suggested improvements to the evaluation process.**

*Our involvement has been through membership of the Highlands and Islands Territorial Committee, as we are not a Lead Body, but our experience has been that the process for evaluation, in this and current programmes, has been good, accessible and transparent.*

*One improvement might be greater follow-up information flowing through on changes that have been made following evaluation, so that contributors can see the value of participating.*

*It is important that lessons learned are fed into the development of future programmes (or replacements?) as well as the remainder of current programmes.*

#### **Future programmes:**

#### **8. How any future replacement of ESIFs could be used to improve employment, infrastructure and productivity in Scotland's regions.**

*Significant investment has been made in employment, infrastructure and productivity in Scotland's regions through structural funds programmes to date. This has concentrated on initiatives which added value to mainstream provision and allowed for cutting-edge, innovative ideas to be nurtured.*

*ESIF also allows for longer-term, strategic planning through EU MAFF programmes, involving key stakeholders at regional and national level to agree shared goals and objectives.*

*Territorial Cohesion Policy in ESIF recognises regional disparities, whether temporary (eg GDP) or permanent (eg geographical challenges) and set out to overcome them, with the aim of ensuring no regions are left at a disadvantage.*

*These elements have made a difference to Scotland's economy and it is essential that they are maintained in in any replacement of ESIF.*

*It is important that future funds are targeted towards areas (sectoral and geographical) which will make a real difference – ie, not just 'more of the same'!*

9. Which level of government is best placed to decide how future funding is allocated and what accountability processes should be in place?

*If future funding is to continue to support added-value projects, it is essential that the principle of strategic alignment is maintained. That will mean getting the right blend of strategic input at national government level and detailed planning on priorities, governance and delivery at regional level.*

*ESIF in the Highlands and Islands has been a success over the past 30 years due to the involvement of local stakeholders in the full process of governance and delivery, in partnership – understanding and responding to specific regional challenges and opportunities. If the future replacement is administered centrally, whether at UK or Scottish level, funding will not necessarily be targeted to priorities identified by regional stakeholders or deliver maximum impact.*

*There are a number of ways of achieving this, depending upon future locus for regional economic policy – but partnership and stakeholder commitment, responsibilities and involvement must be preserved.*

10. What are the potential opportunities and risks presented by any replacement fund or programme for ESIFs?

#### **OPPORTUNITIES**

- *Tailor-made policy for Scotland's economic development priorities, in line with regional Smart Specialisation*
- *Greater flexibility over how investment is prioritised and administered*
- *Reduced and simplified processes*
- *Greater efficiency in delivery*

#### **RISKS**

- *Loss of the place-based strategy of EU Territorial Cohesion Policy*
- *Loss of longer-term planning through 6-7 year programmes*
- *Loss of stakeholder engagement*
- *Reduced funding*
- *Reduced alignment with other EU initiatives (eg Framework Programme 9, INTERREG, Erasmus+)*